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State-level Individual Development Account (IDA) Policy: Opportunities and Challenges for Rural Areas

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Wealth Building in Rural America Project

Center for Social Development

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Asset-Building Policy Development

In the late 1980s, Michael Sherraden initiated a body of work proposing that United States welfare policies be designed to better encourage people at all income levels to build assets. Sherraden pointed out that existing asset-building policies are largely regressive – set up through the tax code to largely create wealth-building incentives for people who already own significant assets (Sherraden, 1991).

In *Assets and the Poor: A New American Welfare Policy*, Sherraden (1991) proposed Individual Development Accounts (IDAs) as a policy instrument through which the social and economic benefits of building assets for low-income people could be demonstrated. IDAs may be the policy innovation that spurs the establishment of a more universal system of asset-building policies in the United States; one that is developed with inclusive and progressive features (Edwards & Mason, 2003).

IDAs first became a policy innovation in 1993, when states began incorporating IDAs into law. The Federal government first instituted IDA policy into law through a provision in the Social Security Act of 1996, which was followed by the Assets for Independence Act, made law in 1998. IDAs are mostly defined, in state and federal policy, as matched savings accounts established by people with low to moderate incomes, dedicated for specific asset-building purposes such as buying a home, capitalizing a small business, and acquiring post-secondary education or job training. By 2002, over forty states had created some type of IDA policy, resulting in 23 state-supported IDA programs currently in operation (including the District of Columbia and Puerto Rico).

As mentioned above, there are two Federal IDA laws: Section 404(H) of the Social Security Act of 1996, which allows states to use Temporary Assistance for Needy Families (TANF) funds to support IDAs; and the Assets for Independence Act IDA Policy Demonstration (AFIA) of 1998. AFIA created a five-year policy demonstration program with a total budget appropriation of $125 million and offers competitive grants for federal matching dollars equivalent to non-federal (or local) dollars raised for IDAs. These competitive grants are offered two or three times a year to community-based IDA programs, implemented by non-profits. Both of these Federal IDA policies are currently being considered for reauthorization (both TANF and AFIA policies are one or more years overdue for reauthorization, but continue to receive temporary appropriations on an annual basis until reauthorization status is finally determined by Congress).

In the last few decades, it has become more and more evident that a range of economic development policies for the poor and working poor, instituted at both state and federal levels, afford few long-term economic benefits for low-income people who own little or no (and often negative) financial assets (Boshara, 2003). Most means-tested social benefits programs require prospective beneficiaries to own little or no assets, including savings, in order to qualify. Only three states have removed asset tests for public benefits programs: Ohio, Virginia, and Illinois.

Developing asset-building policy initiatives for people with low incomes – initiatives that promote creation of personal safety nets through accumulation of assets – is a concept that is steadily gaining recognition by both non-profit policy advocates and policymakers alike as an economic development strategy. Since 1993, 39 states have instituted IDA legislation (in a consistently bi-partisan fashion) and at least 15 states have passed state-level refundable Earned Income Tax Credit (EITC) laws for use by low-wage workers.

Besides IDAs and EITC, other examples of innovative state-level asset-building policies instituted for people with low incomes include: state microenterprise funds, State College Savings (529) Plans (some states offer matches for low-income savers), and state-supported financial education initiatives. These policies have great potential for positive economic impact on low-income families, and are often used by urban non-profit organizations. They are used less frequently, however, by rural non-profits because they are not often designed with the flexibility and funding appropriations needed to address the challenges related to asset building by rural populations. The question remains as to whether states will re-examine current asset-building policies, amending them to create new initiatives that allow more effective use by both urban and rural populations, and appropriate funding at increased levels.

This paper seeks to consider whether current state IDA policies, and state-level IDA and other asset-building support services, are currently designed to support and facilitate effective asset-building strategies for people in rural areas, considering the unique challenges to building financial assets that rural populations face.

The Expansion of IDA Policy in the United States

Although state-level IDA policy can be viewed as an example of a policy innovation, governments are sometimes reluctant to innovate and change policy directions, since maintaining the status quo and resisting change often appears to be the safer choice. One reason for this is that the introduction and implementation of a new policy involves developing, evaluating, studying, and investing a great deal of time and effort into making a change. Another reason is that policy change can cause stress and conflict among the people and organizations involved in the change. Finally, the consequences of the change are not always those originally intended (Grinstein-Weiss, Edwards, & Wagner, 2005).

Initially, the efficacy of IDA policy was seen as suspect by many legislators who were convinced that poor people either could not save or that it would take a very long savings period for the poor to accumulate the necessary funds to purchase assets such as homes, businesses, and post-secondary educations.

Also, in the early years of IDA policy development, IDAs were perceived as a threat to means-tested assistance programs, competing for some of the same resources as IDAs. Research has shown this concern to be unfounded (Edwards, 2005), as states have not diverted cash assistance dollars to IDAs.

Additionally, early IDA policy demonstrations in the states did not focus on an inclusive, universal system of children's savings accounts, as originally conceived (Sherraden, 1991), but instead targeted adults, establishing IDA programs largely through community-based non-profits. Early IDA initiatives led to several national, privately-funded policy demonstrations, including the American Dream Policy Demonstration (ADD) and the current Savings for Education, Entrepreneurship and Development (SEED) children's accounts demonstration.

Research from ADD, a privately funded IDA demonstration implemented at 13 program sites across the country from 1998 to 2001, did much to answer some of the policy concerns mentioned above, with research results pointing to the fact that not only could poor people save, but the poorest ADD participants saved at an even greater rate than participants with higher incomes. Research also yielded information showing that rural participants, overall, saved as well as urban participants.

Research at the state level has shown that IDAs helped institute a new policy focus on asset-building to alleviate poverty (Warren and Edwards, 2005), pointing to the inability of income maintenance policies to encourage poor people to "save their way out of poverty," rather than "spend their way out," as Sherraden (1991) framed it. Income maintenance policies focus almost exclusively on establishing and increasing income, while often forcing the stripping of assets from welfare recipients (Grinstein-Weiss, Schreiner, Clancy & Sherraden, 2001).

Although state IDA policy language has often been copied between states, there are some significant variations in state IDA policy and program designs. States continue to serve as policy incubators for IDAs and other asset-building policies (Edwards & Mason, 2003). Some of the variations in IDA policies at the state level include: expanded asset goals (beyond the *big three* of homeownership, small business development, and education), including home repair, purchasing and maintaining automobiles for employment, assistive technology purchases for people with disabilities, retirement accounts, and child care expenses; establishing higher income qualification limits for participants to better serve the working poor; allowing Native American tribal governments to directly apply for and receive state funding; and establishing longer time frames for savings, including one state IDA law (Missouri) that allows $50,000 to accumulate in an IDA over a 25 year period, as long as income qualifications continue to be met (Edwards & Mason, 2003).

IDA Design Flexibility and Service to Rural Areas

Considering the aforementioned IDA policy history, how thoughtful have governments been in developing flexible IDA policies that can effectively serve both urban and rural populations in states? Many states passed IDA legislation without clear knowledge of how IDA programs typically worked, or how fund-raising for matching dollars might be accomplished. It was often assumed that IDA programs would be easy to implement, and that policy designs, however restrictive, would work equally well in rural and urban areas.

The concept of IDAs was explained to state lawmakers as both a bi-partisan concept and a public/private funding partnership, offering great appeal for both Federal legislators and private funders. As it turned out, developing dedicated and sustainable public and private funding streams for IDAs was not as easily accomplished as was first imagined, and the design of IDA programs soon became driven by requirements imposed by funding sources – requirements that were not always effective.

Early on, the Federal government seems to have been greatly concerned about the potential for fraud in IDA programs and adopted restrictive program designs that sacrificed the flexibility needed to serve a variety of populations. The restrictive nature of the two Federal IDA policies and associated rules often renders these funding sources–which could offer excellent potential to build the field – fairly useless in serving some populations. States have been much more liberal in both the design of IDA policy and programs and requirements for low-income program participants. Some state IDA policy designs give special considerations to rural populations.

Designation of Geographic Areas in IDA Policymaking

State-supported IDA programs, created through policymaking, that currently serve significant rural populations include: Arkansas, Illinois, Indiana, Maine, Michigan, Minnesota, Missouri, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, and Washington. Other states with significant rural populations, including Connecticut, Louisiana, and Puerto Rico, and publicly-supported IDA programs, serve few rural people due mostly to location of existing program sites (the majority of operational IDA programs in these states are located in or near urban areas).

The most prevalent way state-supported IDA programs address the challenge of serving both urban and rural populations is through a policy requirement that at least some IDA program sites be located in rural areas.

An example of this policy requirement is found in Tennessee's IDA program rules and regulations, created by the Tennessee Department of Human Services Family Assistance Division, requiring that "The IDA pilot project will be carried out in six (6) urban *and six (6) rural counties in each region of the state* [italics added]." (The pilot IDA project in Tennessee has been completed and is not currently funded.)

Texas IDA law is another example, requiring that, "In adopting rules under the pilot program, the commission shall…establish the program in eight counties: two of which must have a population of 500,000 or more but less than one million; two of which must have a population of one million or more but less than two million; two of which must have a population of two million or more; and *two of which must be primarily rural areas that have poverty rates per capita exceeding 1-1/2 times the statewide poverty rate per capita* [italics added].” The Texas state-supported IDA program, which is currently drawing to a close due to lack of ongoing state funding support, did not strictly follow these guidelines.

IDA law in Minnesota uses broader terms to address this issue – stating that "the commissioner shall select the following three sites for the project: the city of Minneapolis or Saint Paul; a city located within Anoka, Carver, Dakota, Scott, or Washington county; and *a city located outside of the seven-county metropolitan area* [italics added]." Similar terms are used in other state IDA laws, such as Arkansas: “[Fiduciary] Organizations’ proposals shall be evaluated and contracts awarded by the Department [of Human Services] *on the basis of such items as geographic diversity*…[italics added].” Included in published criteria for Oklahoma’s state-supported IDA program, written by the Tulsa Community Action Project (the community-based, non-profit organization that contracted with the state to administer Oklahoma’s currently defunct IDA program), “The service area for the contract is *the entire state of Oklahoma* [italics added]**.**” In the case of Oklahoma, the state-supported IDA program did not serve the entire state, as planned. In a state with a large population of American Indians, no tribes were recruited or served by the few selected IDA program sites, although some urban Indians may have participated.

On the other hand, states such as Colorado, Connecticut, Florida, Hawaii, Idaho, Indiana, Iowa, Louisiana, Maine, Maryland, Missouri, New Jersey, Ohio, Oregon, Pennsylvania, Puerto Rico, Vermont, and Virginia, which have significant rural populations, include no language in IDA laws or rules requiring the establishment of state-supported IDA programs in rural areas. And, as previously mentioned, Connecticut’s program currently serves mostly urban populations.

Puerto Rico's IDA program serves only public housing residents, and only for the purpose of homeownership.[1]

Expanding Uses for IDAs in State-supported Programs that Serve Rural Populations

An ongoing discussion in state IDA policy circles involves whether or not uses or goals for IDA savings (beyond the *big three* of homeownership, small business creation, and post-secondary education) constitute *assets*. At the core of this discussion is whether or not the individual savings of low-income populations should be publicly supported to purchase assets that are not likely to appreciate over time. Those who support expanded asset uses for IDAs argue that asset appreciation can be subjective, and is often non-existent in some geographical areas, and therefore should not be the key reason for choosing uses for IDAs. They argue that the main consideration for determining IDA uses should be how important selected *assets* are to an individual or family goal of increased self-sufficiency.

People in rural areas, including American Indian reservations, may benefit greatly from IDAs if a wider variety of uses for IDAs are approved. Additional uses that might be beneficial to these populations include: home repair for existing housing stock; automobiles for transportation to jobs; family health insurance costs; childcare expenses related to employment; land-based infrastructure improvements (such as wells, attaching to local electrical lines, septic systems, and processing fees); retirement savings; and assistive technology purchases for people with disabilities (for both employment and quality of life purposes).

[1] More detailed information regarding state-supported IDA policy and program requirements can be found on the Center for Social Development's web page at www.gwbweb.wustl.edu/csd/ under "State Assets Policy."

These uses may or may not be widely considered as *appreciable assets*, but when acquired along with financial education (which could be gained through distance learning that would also supported through innovative IDA policy), could improve employment opportunities and, combined with financial education, better assist rural and American Indian families to gain the foundational economic development needed for eventually acquiring the more appreciable *big three* assets.

Some innovation in expanding uses for IDAs has occurred at the state IDA policy level with a number of state's IDA policies allowing uses for IDAs that might better assist people in rural areas to become more self-sufficient. Arkansas, Iowa, Maine, Maryland, Missouri, and Vermont allow home repair as a use for state-supported IDAs. As previously mentioned, since available housing stock in rural areas is mostly older and in need of repair, home repair and rehabilitation may be key to achieving or retaining homeownership for low-income rural populations.

Some states serving rural areas allow automobile purchase, insurance costs, childcare, and/or retirement (Edwards & Mason, 2003). Pennsylvania IDA law has the most flexible of all state IDA policies in this regard, citing approved uses that include the *big three* and "any use approved by the state plan" (meaning *any* uses for IDAs approved by both state-chosen, non-profit fiduciary organizations and state government IDA plan administrators – both having, thus far, been very flexible in this regard).

States allowing *rollover* of IDA savings into state college savings plans, or approved retirement financial vehicles, include Oregon and Pennsylvania. (Indiana offered this option at one time, but no longer does so.) This strategy could serve a large number of people in rural areas, who are not offered college tuition benefits through employment. Schools in rural areas, which can be major centers of social activities in rural communities, might serve as excellent marketing and educational centers for subsidized savings programs that specifically target educational goals (for both children and adults). Research indicates that some type of incentive, such as a match, would likely be necessary for substantial participation in college savings programs by low-income families (Clancy, Cramer & Parrish, 2005).

Current IDA Policy Features That May Be Problematic for Rural Populations

Segments of rural populations, such as American Indians, immigrants, refugees, and people with disabilities, do not benefit as well from some current state (and Federal) IDA policies as urban counterparts do, due to certain requirements and restrictions included in the policies. These restrictions include that: 1) Deposits in IDAs be made from *earned* income, often eliminating a considerable number of people with disabilities, who may lose needed benefits if they earn an income (due to income prohibitions in some Federal assistance policies designed for people with disabilities), or Native Americans who may be unemployed, but receiving *per capita* payments from gaming or other tribally accumulated revenues; 2) Income must be calculated by *household*, rather than by *family*, affecting many American Indians, Alaska Natives, Native Hawaiians, and immigrants and refugees who often live in multiple family home situations; and 3) Uses for IDA savings be limited to the *big three* asset purchases.

State-supported IDA Policy and Program Funding Sources for Rural Programs

States allocate or appropriate funds for IDAs from a variety of sources, only one of which is specifically intended to serve rural populations (Small Cities Community Development Block Grant funds, or CDBG funds). CDBG funds are awarded to states by the Department of Housing and Urban Development (HUD), with the intention of promoting economic development purposes in small towns and other non-entitlement areas. Other major funding sources allocated or appropriated in state IDA policies include Temporary Assistance to Needy Family (TANF) funds, state general funds, and state tax credits.

In AFIA's 1998 published grant summary, the Administration for Children and Families (ACF), part of the United States Department of Health and Human Services (DHHS), stated that "The North Carolina Department of Commerce's Division of Community Assistance is providing the core funding for a four-site, multi-year, home ownership IDA demonstration with $250,000 in Small Cities Community Development Block Grant (CDBG) funds. *This demonstration will generate up to 130 rural homeownership IDAs* [italics added]**.**" North Carolina still provides CDBG funds for IDAs but, unfortunately, this funding source is being steadily reduced at the federal level (by about ten percent last year, with another ten percent reduction recommended this year). The state-supported IDA program of North Carolina, using CDBG funds, was developed through administrative rulemaking, and is funded separately from another North Carolina IDA program developed by law (which includes state general funding appropriations, but does not include *rural* specifications in language).

The most commonly appropriated source of IDA funding in states is Temporary Assistance for Needy Family (TANF) funds. This funding source requires that IDA holders be currently receiving TANF or are TANF eligible according to the state TANF plan (which means low-income people with children – most often single parents), and have some earned income.

TANF IDA policy could better serve people in rural areas if it allowed IDAs to be established by all low-income individuals and if states were allowed to use TANF funds for IDAs in any way they judged as *compatible* with the goals of the TANF program in general. This could expand the qualified populations and uses of IDAs, without concern for loss of benefits by IDA savers.

The most exciting feature of the TANF IDA law is that IDA savings do not count as assets, when determining eligibility for TANF cash assistance or Federal means-tested assistance programs (which typically require that only a small amount of savings or assets be owned by those receiving benefits). The removal of asset tests, however, only applies to IDAs created under Section 404(h) of the TANF law, which only allows the *big three* uses for IDAs (Neuberger, 2004). If asset tests were eliminated regardless of which part of the TANF law an IDA program is developed under, allowing for expanded uses for IDAs and elimination of some other restrictions, TANF funds could become a more effective source of funding for IDA programs that serve a variety of populations in both rural and urban areas.

Of state IDA programs serving significant rural populations, North Carolina, Tennessee, and Virginia use CDBG funds for IDAs; Arkansas, Illinois, Indiana Michigan, Oklahoma, South Carolina, Texas, Vermont, Virginia, and Washington, use or (as in the case of Illinois, Oklahoma, Texas, and Washington) recently used, TANF funds for IDAs; Indiana, Minnesota, Pennsylvania, Vermont, and Washington State use State General Funds for IDAs; and Colorado, Connecticut, Hawaii, Kansas, Maine, Missouri, Oregon, and Pennsylvania appropriated, or approved the use of, state tax credits to leverage funds for IDAs.

There is no empirical evidence to suggest that any one IDA funding source is better suited to serve rural populations than any other. The perception of IDA program coordinators located in rural areas is that IDA programs in urban areas have access to a greater variety of funding sources than programs in rural areas and raise more total funding, therefore creating greater possibilities for developing flexibility in IDA program designs.[2]

Several states supporting IDA programs, including those with significant rural populations, have joined with non-profit organizations to apply for matching grants from AFIA. State general funds could be a major source of the non-federal, or *local*, match requirement for AFIA funding grants, and could potentially provide considerable additional funding for state IDA programs. In states where IDA programs have the potential to serve large rural populations, it could be stipulated that a significant portion of AFIA awards must be designated for largely rural counties or regions.

AFIA rules and regulations are also generally seen as problematic by American Indian populations due to the fact that tribal governments, many of which run a significant number of social services programs for tribes, must apply for funds through non-profit entities – which many Tribal communities do not have. In many Native communities, the tribal government is often the largest employer, and the largest provider of the services for the tribe, including low-income housing and unemployment services that non-profits often provide in non-Native communities. Most tribal communities also suffer high levels of unemployment and poverty, not having significant non-federal funds to designate for IDA matches, or staff to raise such funds.

States might find AFIA requirements to be too restrictive for the investment they must make to get the Federal match (with the exception of Indiana and Pennsylvania, both of which

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2 This suggestion has been made repeatedly during workshops at several National IDA Learning Conferences hosted by CFED, Washington, DC.

were *grandfathered* into the current AFIA law, and have great flexibility to design their programs in any way they see as most effective). At this time, state governments have not forged a significant number of partnerships with non-profits to apply for AFIA funding (Warren and Edwards, 2005), even though many community-based IDA programs are using state funding grants or allocations to leverage AFIA funds.

Potential Impact of Extending Savings Time Limits for IDAs on Rural Populations

Extended IDA savings time frames might effectively serve rural populations by allowing savers to establish longer-term asset-building goals and by developing longer-term asset-development strategies that allow for sporadic employment opportunities and persistently low income levels prevalent in rural areas. As mentioned previously, Missouri IDA policy supports extending savings in IDAs for up to 25 years, if savers continue to qualify according to program rules, allowing an accumulation of savings up to $50,000. Missouri does not currently partner with any community-based organizations that offer this feature, but the feature could be utilized if community-based organizations could utilize longer-term sustainable funding sources.

By allowing IDAs to be rolled over into other types of savings vehicles (such as those that support college savings and retirement), states also can extend the time frame for IDA savings. Since a significant number of people leave rural areas to find jobs with better benefits and improve access to services (Grinstein-Weiss & Curley, 2003), IDA policies allowing *roll-over* functions could create powerful incentives for people to stay in rural areas longer by creating better opportunities for education and job training for themselves or their children and increasing small business-owner retirement savings.

Another possible use for extended IDA accounts would be savings for medical expenses, thus freeing up cash for other savings goals. Extended savings plans would also allow for ongoing and expanded financial education, including longer-term education about investments and information about any newly established government initiatives for people with low incomes that facilitate savings for asset-building purposes.

State-level IDA Support Systems Serving Rural Populations

Acknowledging the geographic constraints and other challenges related to fundraising for IDAs in rural communities, several state-supported IDA program partners and stakeholders are developing organized statewide support systems for IDAs called (among other names) statewide IDA networks, partnerships, coalitions, and collaboratives. Several state-level IDA support systems are currently operating in the United States, including those in Michigan, North Carolina, and Texas. These systems are supported by state governments, private philanthropy, financial institutions, or a combination of these and other funding sources. A few have achieved self-support (one example being North Carolina's collaborative, which has applied for 501(c)3 status).

A goal of many of these networks is to develop effective strategies to improve the implementation and sustainability of IDAs in rural areas. The Texas IDA Network is currently limited to certain regions of the state (mostly urban sites), but plans to build the current IDA collaborative to a larger scale (to eventually cover the whole state), using *anchor sites*, which are IDA programs in large-population areas that would oversee and assist in the implementation and support of smaller rural IDA programs. The anchor sites would designate members of the collaborative to specialize in specific tasks according to the strengths of their organizations, such as fundraising and delivering financial education. Additionally, to confront a long-standing rural transportation issue in the state, the Texas IDA Network is considering developing or acquiring online and distance learning services to better facilitate banking and financial education for rural participants.

In Michigan, the IDA partnership, or MIDAP, uses a large scale, state-level collaborative design and has, thus far, found it useful (Losby, Hein, Robinson & Else, 2003). The design consists of a three-tier program structure of central administration, regional coordinating bodies (larger IDA program sites located in five regions, covering the whole state), and about 50 local program sites, serving both urban and rural areas. The advantages of this system are that it allows for consistency throughout the network, provides support to the whole partnership (urban and rural sites sharing funding streams), enhances opportunities for all organizations to increase IDA services, and allows each tier to concentrate on its area of expertise (Losby et al, 2003).

A third example of a statewide system designed specifically to better serve rural populations is the aforementioned North Carolina IDA and Asset-Building Collaborative. A 2002 study of the state-supported North Caroline IDA program identifies certain factors that contribute to the success of IDA programs in North Carolina, which include establishing a geographic area large enough for a qualified pool of applicants, but local enough not to present transportation issues; securing a consistent source of program funding that can ensure quality staffing; and developing the ability to handle technical requirements for data collection, a factor that might pose some problems in the very rural areas of the state, if not accomplished in a centralized collection fashion (Gorham, Quercia, Rohe & Toppen, 2002). Because the North Carolina IDA program primarily uses CDBG funds that target small cities and rural areas, research on this collaborative may be ideal for discovering effective ways to design IDA policy and programs that serve rural areas.

Recommendations Based on Lessons Learned About State-level IDA Support Systems

The state-level support systems outlined above have taken steps to face rural challenges, some of which are identified later in this paper. Based on their experiences, we offer several suggestions for more effective service to rural IDA programs, through the creation of these types of *collaboratives*.

1) Administration of support systems should be accomplished in the most cost-effective manner, servicing several connected geographic areas in the state. This type of administrative structure may provide valuable resources and assistance to rural programs that normally do not have the means to develop them on their own, such as designing IDA programs, obtaining financial education materials and partnerships, securing technical assistance for program operations and research, and establishing partnerships with a variety of financial institutions. Also, state government may be more willing to appropriate funds for IDAs if a structure is in place that can deliver IDAs to all areas in the state in a cost-effective manner.
2) Using large non-profit partnering organizations to perform fundraising tasks and service several areas may provide rural programs with access to a greater variety of funding sources than would smaller, remotely located non-profit organizations. At the program level, an increase in available funding means that appropriate IDA staffing levels may be realized, a perennial problem in rural areas.

3) As part of a larger collaborating group, rural programs may gain benefits from being included in broad marketing and advertising campaigns (such as radio and TV service announcements), than if they were trying to promote IDA programs on their own.

4) And finally, IDA program staff at smaller, newly established rural sites can benefit from the experiences of larger, previously established IDA programs, particularly regarding executing such labor-intensive program services as data management, debt reduction and credit repair strategies, and asset-specific education for participants.

Conclusion and Policy Recommendations

Even though some state-level IDA policy and program features may be considered innovative on some levels, they often do not address specific challenges related to economic development and asset building in rural areas. Only a handful of states with large rural populations have designed IDA policies with features that are intended to address the unique challenges faced by rural populations in building assets and those states give the matter only minimal policy consideration. If IDAs are to become a significant tool for increasing asset-building opportunities for rural populations, additional policy considerations must be identified and included in the policy development process at both the state and federal levels.

Challenges to asset building experienced by people with low incomes in rural areas that should be considered when developing IDA policies include:

- Rural residents have greater rates of “liquid asset poverty” than urban residents, primarily because of fewer holdings in liquid assets such as checking/savings accounts or stocks (Weber, Jensen, Miller, Mosley & Fisher, 2005).

- Rural residents are, in general, "net financial asset" poor compared to those living in metropolitan areas. As such, many rural residents and households are less able to cope with income disruptions or make investments for the future (ibid).
- There are lower levels of new home construction in rural areas compared to urban areas, resulting in increased costs and lower profitability for builders, often due to lack of existing infrastructure, remoteness of locations, and less call for substantially-sized housing developments. A number of additional barriers to home construction exist on American Indian reservations due to the complexities of building on trust land.
- A stock of affordable housing is often readily available in small towns and rural areas; however, this housing stock is often older than comparable housing stock in metropolitan areas, and largely in need of rehabilitation to be *livable*.
- There is a lack of public transportation in rural areas, with a large number of job opportunities located more than 25 miles from where workers live, including many farm jobs, requiring reliable and affordable sources of transportation, particularly for low-income workers.
- Many jobs in small towns and rural areas do not include medical or retirement benefits for workers, resulting in many workers being one illness away from job loss and financial ruin. Consequently, many people in rural areas must pay out of pocket for health care, causing them to postpone or foregoing preventative medical care.
- Small towns and individual farms and residences located in remote areas often make attending training sessions problematic due to great distances that must be traveled to get to established training sites.

- There is a disproportionately higher rate of disability among rural people, due to factors such as rural occupations and jobs (including farming and logging) that produce high rates of injury often resulting in disability. Also, higher percentages of elderly people living in rural areas factor into higher rural disability population numbers.

In conclusion, state and Federal IDA policies established to date do not address a number of the asset-building needs, considerations, and challenges faced by rural populations. Since an inclusive, universal assets policy has not yet been established in the United States – a policy that establishes subsidized savings accounts for everyone, at birth, dedicated to specific high-return asset purchases – the following is a recap of aforementioned IDA policy recommendations that, in the shorter term, could better facilitate asset building by rural populations:

1) IDA policies should be designed in a flexible fashion, allowing for innovative and expanded uses of IDAs, such as automobile purchase and home repair.
2) Fewer restrictions should be placed on IDA savers, such as eliminating asset limits, earned income requirements, and determination of income by *household*, to maximize participation in IDA programs by population groups such as American Indians, immigrants, refugees, and people with disabilities.
3) IDA policies should require a substantial number of IDA program sites to be established in rural areas, along with a portion of funding designated specifically for rural areas, to make up for greater fundraising challenges faced by rural communities.
4) IDA policies should be designed to allow for roll-over of savings into established federal savings plans for college or retirement; or should be designed with expanded

time frames and increased savings thresholds, to encourage longer-term savings for such purposes.

5) State and Federal support for IDAs should include funding allocations for state-level support systems that provide cost-effective delivery of IDAs, including technical assistance, centralized fundraising functions, assistance with delivery of financial education, and establishment of partnerships with financial institutions, to better serve all IDA programs in the state, including those in rural and remote areas.

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