

## Individual Development Accounts

Individual Development Accounts (IDA) are matched savings accounts that enable low-income and low-wealth individuals to save for specified goals within defined time frames. The typical savings goals of those with IDA accounts are homeownership, small business ownership, and post-secondary education.<sup>1</sup> IDA programs are offered as partnerships between sponsoring organizations (often non-profits or state and local government agencies) and national banks and federal savings associations (collectively, banks) and other financial institutions. IDAs have been in existence since 1990, and are similar to the matched savings arrangements in 401(k) plans.

### Why participate in an IDA program?

IDA programs present opportunities for banks to expand into underserved and emerging markets. Program participants often exhibit loyalty to banks by opening accounts and obtaining loans after reaching their savings goals.

The programs are also potentially eligible for Community Reinvestment Act (CRA) consideration under all three of the large bank CRA tests—lending, investment, and service. IDA programs may also promote and/or strengthen relationships with sponsoring non-profit organizations.

IDAs provide an opportunity for banks to contribute to the communities they serve by helping low-income and low-wealth individuals build wealth and improve financial outcomes.

### How do IDA partnerships work?

IDA partnerships usually include non-profit or government agency sponsors and banks. They may operate as single programs or regional or statewide collaboratives. The sponsors are responsible for fundraising and program administration—including participant solicitation, training and technical assistance, and programmatic casework. The banks are responsible for holding the sponsor's and participant's accounts, and complying with program and regulatory requirements. The banks may also support the programs through operating grants to the sponsoring organizations and/or contributions to the program match fund accounts.

### How are IDA programs structured?

Most banks set up programs using a master account structure for the organization sponsoring the IDA initiative. Individual savings accounts are then opened for program participants. Withdrawals are limited and are usually only allowed with the authorization of the IDA program

<sup>1</sup> [“Building Savings for Success: Early Impacts from the Assets for Independence Program Randomized](#)

[Evaluation.”](#) the Urban Institute Opportunity and Ownership Initiative, 2016.

sponsor. Account fees and minimum balance requirements are often either reduced or waived. Statements are typically provided monthly to the participants and the organization. The reporting requirements and fee reductions are often expensive for financial institutions. However, many institutions have reported that the accounts maintained by the sponsoring organizations, including match fund accounts, can help mitigate the costs associated with holding and administering the small participant accounts.

### **What are the risks and regulatory requirements?**

The primary risks related to IDA programs are in the area of unauthorized withdrawals. Banks must have the necessary controls in place to limit withdrawals by program participants without the approval of the sponsoring organizations. Banks should also ensure that a program sponsor has the capacity to properly administer an IDA program. Banks are also accountable for compliance with all of the regulations associated with holding savings accounts such as Regulation DD and the Customer Identification Program rule implementing section 326 of the USA PATRIOT Act.

### **What are IDA program challenges?**

Funding requirements are a major concern for IDA program sponsors. Both operating and match funds are often difficult to obtain. Match funds are available from a variety of sources including foundations, banks, state and local governments, and federal programs such as Temporary Assistance for Needy Families (TANF) and the Assets for Independence (AFI) program.

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<sup>2</sup> The U.S. Department of Health and Human Services' [AFI program](#) last received an appropriation from Congress in FY 2016. Organizations operating AFI projects with

### **Additional Information**

The following resources are available on the Office of the Comptroller of the Currency (OCC's) website at [www.occ.gov](http://www.occ.gov):

- [Individual Development Accounts: An Asset Building Product for Lower-Income Consumers](#), an OCC Community Developments *Insights* Report.
- OCC's [Financial Literacy Resource Directory](#), an online list of financial literacy, educational opportunities, and other resources, including information about IDAs.
- The OCC's District Community Affairs Officers [contact information](#).

The following resources are offered by non-profit organizations and other federal agencies manage or funding IDA programs:

- Assets for Independence (AFI): This Office of Community Services program, operated by the U.S. Department of Health and Human Services' Administration for Children and Families, provides grants enabling [community-based non-profits, and state, local and Tribal government agencies](#) to implement IDA and other asset-based programs for low-income families.<sup>2</sup>
- [AFI Grantee Resource Center](#) is a one-stop source for information on the AFI program and IDAs.

existing grants will continuing to operate those projects for the funded project period indicated on the notice of the grant award.

- [Prosperity Now](#) (formerly CFED) promotes [IDA programs](#) and other asset building initiatives for lower-income consumers by partnering with practitioners, private- and public-sector funders and policymakers.
- [EARN](#), a micro savings provider of online savings tools, offers economically vulnerable consumers IDA programs, financial education classes, and long-term wealth building programs by leveraging partnerships with government, business, and community-based organizations.
- [Spotlight on Individual Development Accounts](#), a Social Security online resource, has the answers to the most common questions about IDA accounts.

**Disclaimer**

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