

**DRAFT**  
**2/18/02**

Date of Issue
Office of Issue WFI 01- -
Reference Individual Development Accounts

**CONSULTATION PAPER**  
**WELFARE TRANSITION**  
**INDIVIDUAL DEVELOPMENT ACCOUNTS**

---

**EFFECTIVE DATE**

Upon issuance

**OF INTEREST TO**

Workforce Florida, Inc., All Regional Workforce Boards and other entities engaged in implementing Temporary Assistance for Needy Families (TANF) Act, Welfare Transition and Welfare to Work programs.

**SUBJECT**

Development and implementation of Individual Development Accounts.

**BACKGROUND**

The federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 provides states the option of establishing Individual Development Accounts (IDAs) by or on behalf of an individual eligible for TANF assistance to enable these individuals to accumulate funds for a qualified purpose. Deposits made in IDAs may be matched using Temporary Assistance for Needy Families (TANF) and Welfare-to-Work (WtW) program funds in accordance with Code of Federal Regulations, 45 CFR Sections 263.20 - 263.23 (TANF) and 20 CFR Section 645.220 (WtW). Other federal, state, and local government funds and contributions from private entities may be used as well.

During the 2001 Florida legislative session, the Individual Development Account Act ("IDA Act") Section 445.051, Florida Statutes 2001 was passed which defined the requirements for Florida's IDA program. This act, which is optional and voluntary for RWBs, includes program definitions; specifies requirements for IDA contributions; provides for the use of IDA funds, withdrawal of funds, and resolution of disputes over

## DRAFT

fund withdrawal; and provides for establishment of IDA accounts with financial institutions as well as other prescribed requirements.

### INTRODUCTION

Individual Development Accounts are savings accounts established on behalf of the temporary cash assistance participant who deposits a specified earned income amount into the IDA account on a specified periodic basis. These deposits are then matched with funds as described above.

Florida's IDA program allows eligible individuals to deposit earned income in savings accounts while they are receiving temporary cash assistance ("TCA") or transitional services. These funds are then matched according to the match ratio established for the IDA program. Both the earned income savings and match funds may be withdrawn after the participant no longer receives cash assistance for the following qualified purposes: postsecondary educational expenses, first-time homebuyer expenses, or business capitalization expenses.

The purpose of the IDA program and establishment of savings accounts as described above is to:

- 1.) provide eligible individuals and families with limited means an opportunity to accumulate assets and savings while still receiving cash assistance or transitional assistance, and;
- 2.) to have earned income deposited in the IDA account and matching funds deposited in the parallel account and any interest earned on these funds disregarded in determining eligibility for any federal or state program (including receipt of TCA and transitional services) in accordance with Section 404 (h)(4) of the PRWORA and Section 445.051(12), Florida Statutes, 2001.

### INDIVIDUAL DEVELOPMENT ACCOUNT (IDA) PROGRAM GUIDANCE

Florida's IDA program allows for the establishment of IDA programs to pay for the qualified purposes listed below:

- Postsecondary educational expenses,
- First-time home ownership expenses , and
- Microenterprise development.

The following sections will include IDA program definitions and guidelines for Regional Workforce Boards to use in initiating local IDA programs. Some definitions are common to all three (3) of the allowed IDA purposes while other definitions are specific to an individual purpose and will be presented in that order.

#### I. DEFINITIONS COMMON TO ALL IDA PURPOSES

## DRAFT

1. "Accumulation Period" - The length of time needed for an IDA holder to accumulate sufficient savings and matching funds to purchase the qualified expense of choice.
2. "Bonus Payment" - Those payments that allow for a match ratio higher than the match ratio specified in an IDA holder's Agreement for the IDA holder's compliance with TCA program work requirements. IDA holders may receive bonus payments for program compliance to the extent provided in the strategic plan for workforce development and depending upon availability of funds.
3. "Earned Income" - Any item which is accounted as Wages, Tips, or other compensation on Box 1 of the IDA holder's Federal Income W-2 Wage and Tax Statement.
4. "Eligible Individual" - Any individual who is receiving temporary cash assistance and who is subject to time limits and has time limits remaining and is fully complying with work or alternate plan requirements or receiving transitional services and has time limits remaining.
5. "Individual Development Account" ("IDA") - An account established exclusively to pay for the qualified IDA expenses of a qualified purpose for an IDA holder. The account is funded through periodic contributions by the IDA holder which are matched by or through a fiduciary entity for a qualified purpose.
6. "Individual Development Account Agreement" - A written agreement between the IDA holder and a qualified fiduciary entity contractually establishing the fiduciary relationships, establishing the IDA and mutually agreeing to comply with the requirements and guidelines set forth herein.
7. "Individual Development Account Holder" - An eligible individual who has contracted to establish an IDA and for whom an IDA is, in fact, established.
8. "Match Limit" – The maximum amount of match funds that may be deposited in a parallel account for a given time period. (For example: the match ratio for an IDA account is 1:1 and the match limit per year is \$1,000. If the earned income deposited in the IDA exceeds \$1,000 for that year, the "match limit" for the parallel account would prohibit depositing any matching funds in the parallel account in excess of \$1,000 for that year. Similarly, if the match limit for the life of the IDA were \$3,000, when earned income deposits in the IDA exceeded \$3,000, the lifetime "match limit" for the parallel account would prohibit depositing any more matching funds in the parallel account in excess of \$3,000.)
9. "Match Funds" - Funds deposited into a parallel account from state and federal funds under the control of the regional workforce board, from local agencies, or from private donations, which match the earned income deposits based on the established match ratio.

## DRAFT

10. "Match Ratio" - The rate at which the IDA holder's earned income deposits are matched. (For example, a program with a 1/2:1 match ratio would require a deposit of one-half (1/2) matching dollar in the parallel account for each one (1) earned income dollar deposited in the IDA. A total of one and one-half (1 1/2) dollars would then be in the two accounts.)
11. "Parallel Account" - A separate, individual account for the accumulation of all matching funds dedicated to a specific IDA that is established in and held by a financial institution pursuant to the terms of an IDA Agreement.
12. "Qualified Fiduciary Entity" – ("fiduciary entity") A "Not-for-Profit" organization described in s. 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and exempt from taxation under s. 501 (a) of such code; which has demonstrated a history of fiduciary integrity in the community and has been approved by the RWB, or a state or local government agency. For the purposes of the IDA Act and IDA programs, a regional workforce board is a government agency.
13. "Qualified Financial Institution" – ("financial Institution") An organization authorized to do business under state or federal laws relating to financial institutions and includes a bank, trust company, savings bank, building and loan association, savings and loan company or association, and credit union.
14. "Qualified IDA Program" – ("IDA program") Each individual development account program established under Section 445.051, Florida Statutes and these guidelines, approved by the appropriate RWB and administered according to these guidelines by an RWB-approved fiduciary entity.
15. "RWB" – Regional Workforce Boards

## II. IDA DEFINITIONS AND QUALIFIED EXPENSES BY QUALIFIED PURPOSE

The following subsections include definitions that are specific to use of funds for a qualified purpose.

### A. Postsecondary Educational Expenses

1. "Eligible Educational Institution" - An institution described in s. 481(a)(1) or s. 1201(a) of the Higher Education Act of 1965, 20 U.S.C., s. 1088(a)(1) or s. 1141(a) as such sections are in effect on the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law No. 104-193; or an area vocational education school, as defined in s. 521(4)(c) or (d) of the Carl D. Perkins Vocational and Applied Technology Education Act, 20 U.S.C. Section 2471(4), in this state, as such sections are in effect on the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law No. 104-193.
2. "Qualified Postsecondary Educational Expenses" - include tuition and fees required for the enrollment or attendance of a student at an eligible educational

institution; and fees, books, supplies, and equipment required for courses of instruction at eligible educational institutions.

**B. First-Time Homebuyer Expenses**

1. "Date of Acquisition" - The date on which an IDA holder enters into a binding contract to acquire, construct or reconstruct the principal residence.
2. "Qualified First-Time Homebuyer's Acquisition Costs" – The costs of acquiring, constructing or reconstructing a qualified principal residence for a qualified first-time homebuyer including any usual or reasonable settlement, financing, or other closing costs and may include a reserve for future anticipated homeowners expenses, within one year of closing. However, the reserve fund shall not be considered when determining the "qualified acquisition costs" in subparagraph B(4)
3. "Qualified First-Time Homebuyer" – An eligible individual and, if married, the eligible individual's spouse who has had no ownership interest in a principal residence during the 3 year period ending on the date of acquisition of the principal residence.
4. "Qualified Principal Residence" - A principal residence, within the meaning of s.1034 of the Internal Revenue Code of 1986, as amended, the qualified acquisition costs of which do not exceed 100 percent of the average area purchase price applicable to such residence, determined in accordance with s.143(e)(2) and (3) of that code.

**C. Qualified Business Expenses**

1. "Qualified Business" - Any business that does not contravene any law or public policy.
2. "Qualified Business Capitalization Expenses" – Qualified expenditures included in a qualified plan for the capitalization of a qualified business.
3. "Qualified Business Expenditures" – Expenditures including business capital, plant, equipment, working capital, inventory expenses, attorney fees, accounting fees, and other costs normally associated with starting and/or expanding a business
4. "Qualified Business Plan" - A business plan or a plan to use a purchased business asset which:
  - is approved by a financial institution, a microenterprise development organization, or a nonprofit loan fund, contingent upon the approving organization having demonstrated fiduciary integrity; and
  - includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

- may require the IDA holder, at the option of the fiduciary entity, to obtain the assistance of an experienced entrepreneurial advisor.

### **III. ADMINISTRATION AND STRUCTURE OF QUALIFIED IDA PROGRAMS**

#### **A. Establishment of Qualified Individual Development Account Program(s)**

Any fiduciary entity (except for a RWB) before establishing an IDA program under the IDA Act must apply and be approved by the appropriate RWB. The RWB may grant or deny the application at its sole discretion. Qualified fiduciary entities may establish one or more qualified IDA programs meeting the requirements of these guidelines. If the fiduciary entity is not the RWB, then each program shall be confined to the geographical boundaries of a RWB. However, a fiduciary entity may have one or more programs within the geographical boundaries of one or more RWBs.

An eligible individual's address as recorded in the FLORIDA (Department of Children and Families) computer system or OSST system will determine in which RWB's region an eligible individual may participate.

Each IDA program shall receive matching funds from the RWB within the region in which the program is located and shall abide by the guidelines and regulations established by that RWB. A qualified IDA program cannot be established without approval by the appropriate RWB. Each RWB shall establish guidelines for the application and approval of qualified IDA programs.

All qualified IDA programs shall consist of the following two components:

- 1) an individual development account to which an IDA holder may contribute earned income; and;
- 2) a parallel account to which all matching funds shall be deposited and kept until final distribution or termination of the IDA as described herein.

Subject to the limitations stated in Section V(3), a fiduciary entity may customize its qualified IDA programs, including the way matching funds are applied on one or more of the qualified purposes, as long as such customization meets the requirements of these guidelines. However, no IDA program shall customize its program to co-mingle the earned income of an IDA with the matching funds of the parallel account any time before the final distribution of the IDA funds for the qualified purpose.

All funds placed in a parallel account are exempt from taxation under the Internal Revenue Code of 1986.

#### **B. Duties of the Regional Workforce Board**

The Regional Workforce Board, if it selects to approve programs within its region, shall perform the following duties:

## DRAFT

Administer These Guidelines – The RWB shall administer these guidelines in initiating and administering regional and local qualified IDA programs located within its regional boundaries. Some (but not all) of the rights, duties and responsibilities set forth in these guidelines are:

- Approving qualified fiduciary entities that apply to establish qualified IDA programs within the regional boundaries.
- Approving qualified financial institutions who apply to participate in qualified IDA programs within the regional boundaries
- Establishing local guidelines, consistent with these guidelines, to customize the IDA programs to the needs and requirements of the RWB's region.

Review And Approve IDA Programs – The RWB shall receive all applications for proposed qualified IDA programs, review them and may select, within its sole discretion, those qualified IDA programs that it will fund within its region. (The RWB is not required to have IDA programs within its region.) If it approves IDA programs, the RWB shall enter into written contracts with approved fiduciary entities for those fiduciary entities to establish and maintain qualified IDA programs pursuant to the terms of these and the RWB's guidelines. The contract shall also set forth the terms of compensating the fiduciary entities for administering their programs.

Obtain Funding and Determine the IDA Budget – The RWB shall obtain federal, state, local and private funds to finance the qualified IDA programs within its region and to obtain the matching funds necessary to sustain the IDA programs. The RWB shall budget the qualified IDA programs within its region. For this purpose, (and subject to the limitations stated in Section V(3), the RWB may set match ratios, yearly and lifetime match ceilings or any other factor that may affect the RWB's budget for IDA funds.

Monitor and Fund The IDA Programs – The RWB shall monitor the IDA programs within its region to assure that the fiduciary entities and financial institutions are complying with these guidelines, the RWB's guidelines and the requirements of state and federal statutes. The RWB shall pay the fiduciary entity its agreed administrative expenses and shall deposit directly into the financial institution any matching funds required under the approved qualified IDA programs. The RWB shall also monitor to ensure that no matching funds are disbursed unless the IDA holder has met all the requirements of the IDA program and that the matching funds are being disbursed for a qualified purpose. The RWB may establish or select the Financial Education Course to standardize that requirement within the region or may allow each fiduciary entity to select its own.

Terminate Qualified IDA Programs – The RWB, in its sole discretion, may terminate qualified IDA programs who are not administering its qualified IDA program in accordance with these guidelines, RWB's guidelines or applicable state or federal statutes.

RWB As A Fiduciary Entity – Notwithstanding the above, the RWB may establish and administer a qualified IDA program in the capacity of a fiduciary entity. In that situation, the RWB shall not only have the responsibilities of the RWB, but shall have the responsibilities of the fiduciary entity as well.

### **C. Duties of the Fiduciary Entity**

The fiduciary entity shall perform the following duties:

**Establish an IDA Program** - The fiduciary entity shall establish an IDA program consistent with these guidelines. In addition, it shall develop a process to aggressively search for participants and select participants for its IDA program. The process shall include, but is not limited to, a process directed at educating potentially eligible populations about its IDA program and a recruitment process designed to actively enter eligible populations to seek, find and contract with eligible individuals for IDAs.

**Select the Qualified Financial Institution(s)** - The fiduciary entity shall select the financial institution or institutions in which the IDA programs' accounts shall be established and maintained.

#### **1. Financial Institution Selection Process**

In selecting the financial institution, the following shall be required:

- the financial institution shall meet the requirements of any institution authorized to be a trustee of any individual retirement account under section 408(a)(2) of the Internal Revenue Code of 1986, as amended.
- separate, individual accounts shall be established and maintained for each IDA and parallel account.
- each account, both the IDA and the parallel account, shall earn at least the market rate of interest.
- the financial institution shall agree in writing to follow these guidelines in administering the accounts.

In selecting the financial institution, the following is recommended:

- provide the highest interest rates accruing from the date of deposit and compounded periodically
- provide monthly account statements showing balances and activities for both the IDA and the parallel account to both the fiduciary entity and IDA holder;
- waive minimum balances, fees, and any penalties associated with small balances;
- assess no monthly fees
- provide banking deposit locations and facilities accessible to the IDA holders;
- provide other services, including, but not limited to, checking accounts, loans, mortgages, mail-in deposits, ATM and direct deposits;



## DRAFT

- indicate a willingness to make contributions to IDA program such as cash donations, in-kind services, participation in personal finance training, etc.;

### 2. Administer the IDA Program

Unless the RWB is the fiduciary entity, the qualified fiduciary entity shall contract in writing with the appropriate RWB to administer all IDAs, established under the IDA Act, according to these guidelines. The administrative duties include, but are not limited to:

**Serve As Intermediary**—The fiduciary entity shall serve as intermediary between the IDA holder and the financial institution holding the IDA and the parallel account. It shall make arrangements with the financial institution for the withdrawal and disbursements of any IDA or parallel account funds. It shall also serve as intermediary between the IDA holder and the RWB to assure that RWB's matching funds are transferred timely to the correct parallel account

**Provide Financial Education** – The fiduciary entity shall provide the Financial Education Course either through its own organization or through other entities, which shall include monitoring each IDA holder's participation in the required Financial Education Course and certifying the IDA holder's successful participation in, the completion of, and the date of completing the course as a prerequisite to any withdrawal of IDA and parallel account funds for a qualified expense;

**Provide Debt Counseling** - The fiduciary entity, when appropriate, shall screen applicants for debt or credit problems which may threaten the security of the applicant's IDA or the asset that may be purchased under the program, provide debt counseling to remove debts and/or restore credit, and other steps that may be necessary to avoid liens or judgments affecting the IDA or an IDA-purchased asset.

**Establish Grievance Procedure** – The fiduciary entity shall establish a grievance committee and a procedure for hearing, reviewing, and responding in writing to any grievance filed by an IDA holder who disputes a decision of the fiduciary entity and/or financial institution, including, but not limited to whether funds are requested to be withdrawn for uses other than qualified purposes

**Other Responsibilities** – The fiduciary entity may provide other administrative functions including, but not limited to, marketing participation, soliciting matching contributions, counseling program participants, conducting verification and compliance activities, and any other responsibilities which are required to make the program successful.

To ensure that IDA program funds are being used efficiently and for the intended purpose, the fiduciary entity must have a demonstrated history of sound financial management practices as described in TANF Common Rule 45 CFR 92.20 (2). If the fiduciary entity is a "not-for-profit" entity, the RWB may review the adequacy of the fiduciary entity's financial management system and practices as specified in 45 CFR 920.20 (c). The RWB shall determine eligibility/ineligibility of the fiduciary entity to administer an IDA program and may terminate a program if management practices do not meet these or the RWB's guidelines.

#### **D. Duties of Qualified Financial Institutions**

The Qualified Financial Institution shall perform the following duties:

- establish and keep the IDA in the name of the IDA holder and establish and keep the parallel account in the name of the fiduciary entity, in trust for the IDA holder.
- subject to the conditions and requirements in these guidelines, permit earned income deposits to be made to the IDA by the IDA holder and permit matching funds to be deposited to the parallel account by either the RWB or by contributions made on behalf of the IDA holder.
- have the IDA and the parallel account earn at least the market rate of interest compounded periodically.
- permit the IDA holder to withdraw funds from the IDA and parallel account for a qualified purpose pursuant to these guidelines.
- agree in writing to follow these guidelines when administering the IDA and parallel accounts.

agree to not co-mingle earned income in the participant's IDA with the matching funds in the parallel accounts before disbursement of the funds for a qualified purpose.

#### **IV. PROCEDURES FOR OPENING AND MAINTAINING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.**

##### **A. Eligibility**

Any individual who is receiving temporary cash assistance and who is subject to time limits and has time limits remaining and is fully complying with work or alternate plan requirements or receiving transitional services and has time limits remaining.

Earned income deposited in the IDA account and matching funds deposited in the parallel account and any interest earned on these funds shall be disregarded in determining eligibility for any federal or state program (including receipt of TCA and transitional services) in accordance with Section 404 (h)(4) of the PRWORA and Section 445.051(12), Florida Statutes. The IDA holder will be responsible for advising and verifying to the Department of Children and Families Economic Self-Sufficiency Public Assistance Specialist of his/her participation in the IDA program in order to ensure that the asset and interest accrued do not affect his/her TANF eligibility.

##### **B. Ineligibility**

An IDA holder may become ineligible due to:

- being sanctioned for non-compliance with TCA program requirements; or
- no longer meeting TCA or Transitional program eligibility requirements, (For example, income exceed 185% (TCA) or 200% (Transitional) or loss of job;), or;
- end of time limits; or
- other reasons as determined by the appropriate RWB.

If an IDA holder is sanctioned for noncompliance with TCA program or loses employment, the IDA will be placed in inactive status. The IDA shall return to active status when the IDA holder complies with the TCA program or is re-employed. As stated herein, the fiduciary entity shall specify in the IDA Agreement the period of time after which the IDA account shall be terminated for inactivity. If the IDA is terminated for inactivity, all deposits in the IDA plus interest accumulated in the IDA shall be returned to the IDA holder without penalty. Match funds in the parallel account, if any, will be returned to the RWB.

### **C. Application**

RWBs and fiduciary entities shall provide information about the IDA program to interested eligible individuals and provide IDA Applications.

The completed and signed application must be returned to the fiduciary entity managing the IDA program. The fiduciary entity staff will review the application and determine if the applicant is eligible.

If the applicant is eligible, the fiduciary entity will provide and explain the IDA Agreement

### **D. Individual Development Account (IDA) Agreement**

An eligible individual may start an IDA with a fiduciary entity by entering into a written IDA Agreement. Each individual shall have only one IDA at any one time. Each eligible individual of an assistance group/family may have his/her own IDA at the same time as other eligible member of the family. Children (persons under the age of majority) who have earned income may establish their own IDA.

The IDA Agreement shall be between the IDA holder, and the fiduciary entity. The fiduciary entity shall counsel the eligible individual concerning the qualified expense for which the IDA is established, the savings goal and the factors involved in reaching that goal. The IDA Agreement should include, but is not limited to, the following:

- The purpose for which the IDA is established.
- The savings goal needed for the IDA holder to acquire the purpose.

## DRAFT

- the minimum earned income deposit and the frequency of deposits needed to reach the savings goal within the agreed accumulation period;
- the match ratio
- the yearly and life-time match limit;
- the maximum time the IDA may remain open after the IDA holder no longer receives TCA;
- the maximum time the IDA can remain inactive before being closed;
- the required documentation for the withdrawal of funds for the specified purpose;
- the designated contingent beneficiary and the asset transfer upon death
- these guidelines and the RWB's local guidelines ; and
- other requirements as needed.

### **E. Opening the Account**

The fiduciary entity shall partner its program with a financial institution. The financial institution shall provide a procedure where the IDA holder's funds are deposited directly into the financial institution and are not held or accumulated by the fiduciary entity. It shall also provide a procedure where the RWB's matching funds are deposited directly into the financial institution so that the matching funds are not held or passed through the fiduciary entity. As described in Sections III(A) & (D), the financial institution will set up an IDA in the IDA holder's name for the depositing of earned income and a parallel account in the fiduciary entity's name, in trust for the IDA holder, for the depositing of matching funds.

The IDA holder is responsible for depositing earned income directly with the financial institution. The financial institution will provide both the IDA holder and the fiduciary entity with a monthly account statement for each IDA and parallel account showing all activities including deposits, withdrawals, interest earned, and any other credit or debit made to the account.

The RWB shall deposit matching funds in the parallel accounts at least on a quarterly basis at the ratio established in the IDA Agreement.

The financial institution shall certify that it will not mingle the earned income deposits of the IDA holder with the matching funds of the parallel account before disbursement for a qualified purpose.

### **F. Customizing Deposit Requirements In The IDA Agreement**

The RWB may customize, within its sole discretion, the requirements for IDA programs that it approves for its region. Subject to the limitations stated in Section V(3), the RWB may establish guidelines pertaining to minimum and/or maximum earned income deposits, time periods for deposits, regularity of deposits, match ratios, yearly and lifetime match ceilings and any other factors pertaining to IDA and

parallel account deposits and withdrawals. These guidelines may include, but are not limited to, allowing the fiduciary entity itself the discretion and the flexibility to set or change one or more of these factors within the fiduciary entity's approved programs. However, the RWB's guidelines and the fiduciary entity's approved IDA program shall meet the requirements of these guidelines.

To the extent allowed by these guidelines and the RWB's guidelines, each fiduciary entity's IDA program may customize the requirements in the IDA Agreement. for each of the three (3) IDA qualified purposes: (postsecondary education, first-time homebuyer, and microenterprise development). (For example, the match ratio for first-time homebuyer may be higher than the match ratio for the postsecondary education, or the match ceiling for one purpose may be higher than another.) Subject to the limitations stated in Section V(3), the minimum deposit, maximum deposit, time period for deposits, (e.g., weekly or monthly); the match ratios and match ceilings; and other factors pertaining to IDA and parallel account deposits may be different for each of the purposes provided that the customization must meet the requirements of these guidelines, including, but not limited to, the prohibition of mingling IDA earned income funds and parallel account matching funds.

Notwithstanding the above, each IDA in a specific IDA program for a specific qualified purpose shall be required to have the same:

- Match ratio
- Regular periods of deposits
- Inactive period resulting in termination of the account, up to but not exceeding six months. (For example, in the hypothetical "ABC fiduciary entity's IDA post-secondary education program" each and every IDA holder must have the same match ratio, (say 3/4:1), must have the same deposit periods (say "weekly") and must be required to close the IDA if an earned income deposit is not made for a certain number of deposit periods (say "ten weeks").

## **G. Required Completion of Financial Education Course**

Before an IDA holder can withdraw matching funds for payment of a qualified expense, the IDA holder is required to complete the Financial Education Course specified by the RWB before (s)he can withdraw earned income and matching funds for the qualified expense. The IDA holder and the fiduciary entity must certify in writing that the IDA holder has participated in and successfully completed the required Financial Education Course before the financial institution may disburse the matching funds for payment of a qualified expense. Exemptions from financial course requirements may be made if individual meets criteria defined by the RWB.

The RWB area where the IDA holder resides shall establish the required Financial Education Course and, at its option, select the providers of such courses to meet the requirements of these guidelines. The fiduciary entity shall be a provider of the required Financial Education Course but the RWB may allow others to provide the course provided that the fiduciary entity sufficiently monitors the IDA holder's attendance and course completion and certifies to the RWB that the individual has successfully completed the course and the date the course was completed.

The RWB may establish guidelines to provide alternatives to the established Financial Education Course in order to allow IDA holders with learning disabilities, limited English proficiency, or other hardships to participate in an IDA program. Also, the RWB may establish criteria to exempt IDA holders from the Financial Education Course(s).

## **V. DEPOSITS OF MATCHING AND BONUS FUNDS IN A QUALIFIED IDA**

1. Parallel Accounts - The fiduciary entity shall make provisions with financial institution and (if the fiduciary entity is not the RWB) with the RWB to have all matching funds for each IDA deposited directly into the parallel accounts established with the financial institution. The fiduciary entity shall not receive or accumulate matching funds.
2. Matching Funds - The RWB shall identify sources of and obtain matching funds donations from federal, state, or local government and private entities for the IDA program. Nothing stated herein shall limit the sources of matching funds. When not restricted to the contrary, matching funds may be paid from state and federal funds under the control of the RWB, from local agencies or from private donations.

The fiduciary entity shall ensure the following:

- that regular deposits of RWB's matching funds are made to the financial institution, at least quarterly (every three months)
  - that the appropriate amount of funds are deposited in each IDA holder's parallel account;
  - that there has been no deposit of matching funds in any IDA to ensure no co-mingling of earned income and matching funds;
  - that earned interest is credited to the IDA and parallel account, identified on financial statements and included in any of the IDA holder's withdrawals;
  - there have been no improper credits or debits made to the IDA or parallel account.
3. Match Ratio – The RWB shall determine and set the match ratio for IDA programs under the IDA Act established within its region.

The RWB, at its sole discretion, may establish different rates for each and every IDA program. Within each and every program, the RWB, at its sole discretion, may establish different match ratios for each purpose. (For example, a 1:1 match for the postsecondary educational IDA, a 3/4:1 match for the microenterprise IDA, and a 1/2:1 match for first time homebuyers.) Also, during the life of any program, the RWB may vary the match ratio depending on availability of funds. However, no match ratio for a specific IDA holder may be changed (except pertaining to a "bonus payment") once the match ratio is established in the IDA Agreement.

## DRAFT

The RWB, before determining and setting the match ratio for any IDA program, shall consider the following:

- the funds available to provide matching funds;
- the number of existing and projected IDAs;
- the total projected cost for each program
- the length of each program's accumulation period, and;
- each program's yearly and life-time match ceilings (if any); and
- the match ratio or rates proposed by the fiduciary entity;
- any other factor affecting the total matching funds required to fund all RWB programs

The RWB's discretion for setting matching ratios shall be limited as follows:

- No IDA program match ratio shall exceed 1:1 (except for "bonus payments.")
- No IDA accumulation period shall exceed forty-eight (48) months. (This period includes all months when the IDA holder is subject to time limits, but does not have to be consecutive months from the time the IDA is established.)
- No IDA matching funds shall exceed \$1,500 per year.
- No IDA matching funds shall exceed \$6,000 over the life of the IDA; and
- No match ratio for a specific IDA holder shall be changed (except for "bonus payments") once the match ratio is established in the IDA Agreement.

Nothing in this subsection shall limit the RWB's options in setting match ratios other than those limitations stated above or included in TANF regulations.

4. Match Limits - The RWB, subject to the limitations stated in Section V(3), shall determine and set the match limits for IDA programs under the IDA Act established within its region.

The RWB, at its sole discretion, may establish different yearly match limits and lifetime match limits for each and every IDA program. Within each and every program, the RWB, at its sole discretion, may establish different match limits, both yearly and for the life of the IDA, for each of the three IDA purposes. (As an example for explanation purposes only, a \$1,000 yearly match with a \$3,000 lifetime match for the postsecondary educational IDA, a \$1,250 yearly with a \$2,500 lifetime match for the microenterprise IDA, and a \$1,500 yearly match with a \$6,000 lifetime match for first time homebuyers.) Also, during the life of any program, the RWB may vary the match limits depending on availability of funds. However, no match limits for a specific IDA holder may be changed once the match limits are established in the IDA Agreement.

“Bonus payments” (defined below) may permit an IDA to exceed the yearly or lifetime match limits, but only if specifically approved by the RWB and specifically provided for in the IDA Agreement.

## 5. Bonus Payments and Penalties

The RWB, at its sole discretion, in determining and setting the match ratio, may provide for IDA holders to receive “bonus payments” for welfare transition program compliance to the extent provided in the strategic plan for workforce development. Such bonus payments may provide for a higher match ratio than set in the IDA holder’s Agreement. However, no “bonus payment” shall result in a total match ratio in excess of 2:1. The RWB, at its sole discretion, may also provide for penalties and procedures to enforce compliance.

## VI. WITHDRAWAL PROCEDURES, LEAVE OF ABSENCE AND CLOSING OF ACCOUNTS

### A. Policy and Guidelines

The RWB shall establish policy and guidelines promoting that earned income deposits in IDA programs be withdrawn for qualified purposes. The RWB may establish penalties for IDA withdrawals under false pretenses or for the use of such money for other than qualified.

In developing the policy and guidelines, the RWB shall consider the following parameters:

- allowing unrestricted access to IDA savings could result in the IDA holder failing to achieve savings goals or develop long-term savings behavior.
- making access to savings impossible may cause participants to leave the IDA program just to have access to their savings.
- the IDA holder may be under pressure from other family members to withdraw funds for unqualified purposes.

Options for restricting access to IDA funds:

- developing criteria for emergency withdrawals.
- specifying a “waiting period” before funds can be withdrawn.
- restricting withdrawals to a certain percentage of the account balance.
- permitting withdrawals only after a specified period of successful saving.
- allowing repayment to the account within a certain time period in order to preserve matching funds after nonqualified withdrawals have been made.
- offering the IDA holder the option of the fiduciary entity becoming a joint account holder to counter pressure by others to withdraw funds for unqualified purposes.
- any other option encouraging that funds held in IDA programs within its region are not withdrawn except for one or more of the qualified expenses.

Notwithstanding the above, no penalty shall cause the IDA holder to lose earned income that has been deposited.



## **B. Withdrawals for Qualified Expenses**

Once the individual no longer receives cash assistance, the IDA and parallel account may be available for any of the following uses:

- Postsecondary educational expenses paid from an IDA directly to an eligible educational institution.
- Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an IDA directly to the persons to whom the amounts are due.
- Qualified business expenses when amounts paid from an individual development account are paid directly to a business capitalization account that is established in a federally insured financial institution and is restricted to be used solely for qualified business capitalization.
- The IDA holder and the fiduciary entity shall complete an IDA Withdrawal Request form, identifying the qualified purpose for the funds disbursement, the payee and any other details needed to complete the transaction. The IDA holder and the fiduciary entity shall certify that the funds will be used for a qualified purpose and that the IDA holder has fulfilled all the requirements of the program. Upon receipt of the properly completed form, the financial institution shall disburse the IDA and parallel funds as directed.
- The fiduciary entity may require that the business capitalization account be established jointly with the IDA holder and the fiduciary entity in order to assure that its use is restricted solely to qualified business capitalization.

## **C. Withdrawals for Non-Qualified Purpose**

The IDA holder and the fiduciary entity shall complete an IDA Withdrawal Request form, clearly stating that the withdrawal is for a non-qualified purpose.

A non-qualified purpose can be one of two options:

### **1.) "Emergency" withdrawal:**

After six months of "successful savings" (depositing, for each time period specified in the IDA agreement, the earned income amount specified in the IDA Agreement), the IDA holder may apply for a withdrawal based upon an "emergency." The RWB shall establish written guidelines for situations that constitute an emergency, but such situations shall include a medical emergency. The intent of allowing an "emergency" withdrawal is to allow for expenses which are generally a "one-time" occurrence, threaten the "well-being" of the IDA holder and are not normal costs of living or consumer purchasers.

After receipt of the application, but before approval, the fiduciary entity shall counsel the IDA holder about the "emergency", advise the IDA holder about the consequences of the withdrawal in the IDA program, and direct the IDA holder to

other resources or programs that might eliminate or reduce the “emergency” to the extent that a withdrawal is not necessary..

For an “emergency” withdrawal, the application shall clearly state the nature of the IDA holder’s “emergency”, the payee to whom the funds shall be paid and any other details needed to complete payment. After counseling the IDA holder, if no other alternative is available, the fiduciary entity shall certify that the request is for an approved “emergency” pursuant to the RWB’s written guidelines. Upon receipt of the approved and certified “emergency” withdrawal application, the financial institution shall disburse funds from the IDA only directly to the “emergency” payee. No matching funds may be disbursed for an “emergency” withdrawal.

The IDA holder shall have six months to “repay” the amount withdrawn from the IDA. During this time, the IDA holder may (but is not obligated to) take a “leave of absence” to avoid double payments. If the IDA holder repays the IDA within six months, then all matching funds shall be restored to the parallel account. If the IDA holder fails to repay the IDA within six months, then the IDA holder shall lose the opportunity to restore matching funds for the “emergency” withdrawal amount.

## 2.) “Non-emergency” withdrawal

Any time after establishing the IDA Agreement, the IDA holder may apply for a withdrawal to close the IDA and terminate participation in the IDA program. After receipt of the application, but before approval, the fiduciary entity shall counsel the IDA holder about the consequences of withdrawing from the IDA program, and direct the IDA holder to other resources or programs that might make the withdrawal unnecessary. After counseling the IDA holder, the fiduciary entity shall not approve any “non-emergency” non-qualified withdrawal request for thirty days (30) following receipt of the application. After thirty (30) days, the IDA holder shall reconfirm, in writing, the request for the withdrawal. Upon reconfirmation, the fiduciary entity shall close the account pursuant to Paragraph E(2).

## **D. Leave of Absence**

IDA holders who have fallen behind two time periods or more in making periodic earned income deposits due to short-term circumstances that make regular IDA savings impossible for a limited time and who have demonstrated a commitment to the IDA program by a history of “successful savings,” remaining in contact with IDA program staff and otherwise performing program requirements, may be eligible for a leave of absence.

### Procedure

- IDA holders who have missed two time periods or more in making periodic IDA earned-income deposits and meet leave of absence requirements may request a leave of absence as an alternative to dismissal.

## DRAFT

- IDA holders must complete a “leave of absence” form, which shall include the reason for the leave, the date of the leaves and the proposed date of return.
- After receipt of the application, but before approval, the fiduciary entity shall counsel the IDA holder about the leave, advise the IDA holder about the consequences of the leave, direct the IDA holder to other resources or programs that might eliminate or reduce the need for the leave.
- If, after counseling, the IDA holder continues to request and/or need a leave of absence, the fiduciary entity, jointly with the IDA holder, shall agree in writing: 1) to suspend or reduce specific requirements of the IDA Agreement during the leave of absence period. (For example, to not make any earned-income deposits for a specific time period.) This agreement may include a reduction of the requirements. (For example, to make one-half the agreed earned-income deposits for every other agreed deposit time period.) and; 2) to a written strategy for returning to “successful savings.”
- IDA holders on leave must remain in contact with the fiduciary staff to keep the staff apprised, according to their written strategy, of the IDA holder’s personal and financial progress, including the IDA holder’s potential for returning to “successful savings.”
- At the end of the leave of absence, the fiduciary entity shall counsel the IDA holder about re-establishing his/her “successful savings,” the consequences of not meeting the IDA program’s requirements, and shall give the IDA holder a statement showing the current IDA and parallel balances.
- If the IDA holder decides not to continue participating in the IDA program or remains inactive after the leave of absence ends, then the account shall be closed according to these guidelines.

### Status While On Leave

IDA holders on leave shall receive every encouragement to return to “successful savings” as set forth in the original IDA Agreement. While on leave, earned-income deposits, even though smaller or not as regular as required, shall be allowed, though such deposits shall not accumulate matching funds until the IDA holder’s return to “successful savings.” The IDA holders shall continue to receive monthly statements. The IDA holder must attend the required Financial Education Course and meet all other IDA program requirements not specifically excused by the leave of absence agreement.

### Duration

Leaves of absence may be as short as one deposit period, but shall not extend longer than six months.

### Termination of Leave

At the end of the leave period set forth in the written leave agreement, the fiduciary entity shall determine whether the IDA holder met the terms of the leave agreement and met other IDA program requirements during the leave of absence period. If so, the IDA holder shall continue in the IDA program under the original terms of the IDA Agreement. All earned-income IDA deposits during the leave of absence shall receive retroactive matching funds in the parallel account. If not, the

fiduciary entity shall notify the IDA holder and the IDA account shall be closed. All IDA deposits, plus interest shall be returned to the IDA holder. All matching funds, plus interest, shall be returned to the RWB

## **E. Closing the IDA Account**

An IDA and parallel account may be closed as follows:

### **1. Closing After Withdrawals for Qualified Purpose**

As part of the procedure for authorizing the final withdrawal for the intended qualified expense, the IDA holder and fiduciary entity shall certify that:

A) All funds in the IDA and the parallel account have been disbursed for a qualified purpose and that the IDA shall be closed. Upon receipt of the IDA holder and fiduciary entity's certification, the financial institution shall close the IDA and parallel account, or;

B) Some of the funds in the IDA and the parallel account have been disbursed for the intended qualified purpose, but funds still remain in the IDA and/or parallel account, and that the IDA holder wants the IDA account to be closed. Upon receipt of the IDA holder and fiduciary entity's certification, the financial institution shall return the remaining funds in the IDA plus accumulated interest to the IDA holder without penalty, shall return the unused portion of the parallel account to the RWB and shall close the IDA and parallel account.

### **2. Closing After Withdrawals for Nonqualified Purpose**

As part of the procedure for authorizing the final withdrawal for nonqualified expense, the fiduciary entity shall certify that:

A) All funds in the IDA have been disbursed for a nonqualified expense and that the IDA shall be closed immediately, or:

B) If the RWB has established guidelines providing that the IDA holder may repay the IDA after a withdrawal for non-qualified purpose within a specified time in order to restore matching funds, the fiduciary entity's certification shall contain a statement to that effect and the financial institution shall not terminate the IDA or parallel account until the expiration of the specified time.

Upon receipt of the fiduciary entity's certification, the financial institution shall return the balance of the IDA plus accumulated interest (subject to any penalty established by the RWB guidelines, if any) to the IDA holder, shall return all matching funds plus accumulated interest in the parallel account to the RWB and shall close the IDA and parallel account.

### **3. Closing for Loss of Eligibility**

If an IDA holder loses eligibility for noncompliance or for any other reason other than the family no longer receives cash assistance or transitional

services and the noncompliance or other reason continues for a period of six months, then the IDA shall be closed after the specified time period.

As part of the procedure for closing the IDA and parallel account, the fiduciary entity shall certify that the formerly eligible individual has been ineligible for the period of six months and that the IDA and parallel account ~~can~~ shall be terminated.

Upon the receipt of the fiduciary entity's certification and the IDA holder's written approval, the financial institution shall return the balance of the IDA plus accumulated interest (subject to any penalty established by the RWB guidelines, if any) to the IDA holder, shall return all matching funds plus accumulated interest in the parallel account to the RWB and shall close the IDA and parallel account.

#### 4. Closing Or Transfer Upon The Death of the IDA Holder

The fiduciary entity shall assure that the IDA holder designates a contingent beneficiary in the IDA Agreement.

The applicant may change the beneficiary at any by designating the change, in writing, in the IDA Agreement.

Upon an IDA holder's death, his/her account may be transferred to the contingent beneficiary, subject to the review, approval, and direction of the appropriate probate court.

The fiduciary entity shall certify to the financial institution the name of the contingent beneficiary and also certify whether the contingent beneficiary is:

- 1.) an eligible individual, or;
- 2.) an ineligible individual.

If the contingent beneficiary is an eligible individual, upon the fiduciary entity's certification of such, the financial institution shall transfer to the contingent beneficiary the deceased's rights to the IDA and also transfer the deceased's rights, if any, to the parallel account's matching funds. At that time, the contingent beneficiary shall choose between two options:

The contingent beneficiary may choose between the following two options:

- 1) to be substituted for the deceased in the original IDA agreement; or;
- 2) to withdraw the IDA-funds for a nonqualified purpose and to close the IDA pursuant to the procedures in subparagraph VI(D)(2). Under this option, no matching funds are disbursed to the contingent beneficiary.

If the contingent beneficiary chooses to be substituted for the deceased in the IDA Agreement, the fiduciary entity may agree to modify the original Agreement, if the deceased's death has detrimentally affected the contingent beneficiary's ability to deposit earned income or meet other requirements.

(For example, accumulation period, savings goals, etc) Any such changes shall be incorporated into the agreement signed by the contingent beneficiary. The contingent beneficiary shall also designate in writing his/her own new contingent beneficiary. The contingent beneficiary may maintain the IDA for the deceased's intended qualified purpose or may change, in writing in the IDA agreement, to another qualified purpose. The contingent beneficiary may continue making deposits to the IDA and having the right to increased matching funds until such time as the holder no longer receives cash assistance. At that time, the IDA funds and all parallel account (matching) funds shall be available for the contingent beneficiary's qualified purpose and may be disbursed according to subparagraph VI(D)(1)

In the event that the contingent beneficiary is an ineligible individual/entity, upon receipt of the fiduciary entity's certification of such, then the financial institution shall transfer the ownership of the deceased's IDA, without the right to the parallel account's matching funds, to the contingent beneficiary. Upon receipt of the contingent beneficiary's approval, the financial institution shall disburse only the IDA funds (including accumulated interest) to the contingent beneficiary and the financial institution shall return the parallel account's matching funds (including accumulated interest) to the RWB, and it shall close the accounts as provided in subparagraph VI(D)(2). However, no penalties shall be applied to the contingent beneficiary's funds.

Both the IDA savings account and parallel account will be closed with final statements being provided to the designated beneficiary and the originating fiduciary entity.

In the event that any provision of this section shall conflict with the order of a probate court to which the deceased's estate has been submitted, the order of the probate court shall prevail.

#### 5. Improper Withdrawal Liability

Nothing in these guidelines may be construed to impose liability on a fiduciary entity or a financial institution for improper withdrawals by IDA holders in the absence of the fiduciary entity's or financial institution's misrepresentation, fraud or gross negligence. Otherwise, improper withdrawal liability rests solely with the IDA holders.

## **VII. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS**

### **A. Certification Procedures**

Upon establishing IDAs and parallel accounts, the financial institution shall certify to the appropriate RWB on forms prescribed by Workforce Florida, Inc. and accompanied by any documentation required by Workforce Florida, Inc., that:

- 1.) such accounts have been established; and;
- 2.) deposits have been made on behalf of the IDA holder, and;
- 3.) that the accounts are operating pursuant to all guidelines.

**B. Authority to Terminate Qualified IDA Programs**

If the RWB determines that a fiduciary entity or a financial institution is not operating an IDA program in accordance with these guidelines or applicable statutes, rules, or regulations, the RWB may unilaterally and without notice terminate a fiduciary entity's privilege to administer the program and/or terminate a financial institution's privilege to administer the funds and immediately cause the administration of the IDAs and parallel accounts to be performed by another qualified fiduciary entity and/or cause the immediate transfer of all IDA funds and parallel account funds to another qualified financial institution. If the RWB is unable to immediately find another qualified fiduciary entity that will assume the administration of the IDA program, the RWB shall administer the program until such time as the administration is assumed by another qualified fiduciary entity.