

Individual
Development
Accounts

Building financial assets for Michigan's low-income citizens

The Michigan IDA Partnership is an innovative partnership between the State of Michigan Family Independence Agency (FIA) and the Council of Michigan Foundations (CMF).

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Assets, Not Just Income, Key to Leaving Poverty

In October, the Corporation for Enterprise Development (CFED) and Michigan IDA Partnership released the *2002 State Asset Development Report Card* in Michigan (online at www.sadrc.cfed.org). The *Report Card* is a benchmarking tool that considers 68 socioeconomic and policy measures—including wealth data never before available at the state level—to compare states on how assets are accumulated, distributed, and protected among their citizens, especially among those often left out of the economic mainstream. This report is the first detailed analysis of asset poverty in the United States.

For decades the U.S. Census has tracked the poverty rate based on the percent of families whose income falls below what is necessary to pay for essential needs like housing, food, and clothing. Asset poverty, on the other hand, refers to percent of households that could not sustain themselves at the poverty level for more than three months without income. While income provides cash flow to a household, assets provide greater security. And, more importantly, assets give people a stake in the future—a reason to save, to dream, to plan and invest in a future for themselves and their children.

The *Report* finds that in 1998, 12.7 percent of Americans were income poor, while more than twice that many, 25.5 percent, were asset poor, meaning that more than a quarter of Americans would be unable to subsist for three months without income.

Between 1983 and 1998, the level of income poverty in the U.S. declined about 16 percent, while asset poverty rose 14 percent. This is another indication that the U.S. economy has changed and is fundamentally changing our society. It is time for federal and state policy to shift and better respond to the growing gap in wealth distribution. The *Report* recommends three simple responses to begin building policy that will address poverty from this new perspective:

- ▶ Government at all levels—federal, state, and local should pay attention to assets—not just income—of poor families.
- ▶ Policymakers should act now to improve their states' current package of public policies with regard to asset accumulation and protection for low-income people starting with:
 - Large Scale IDA Initiatives
 - Asset Protection Measures (for example, protection from predatory lending practices).
- ▶ States must improve the transparency of their budgets to enable a more complete analysis of asset development policy (reports that show subsidies provided through tax policy).

The *Report* also finds that, relative to other states, Michigan is only average with regard to asset development policy and outcomes, but "no state can claim the right blend of policies at sufficient

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Assets, Just Not Income, Key to Leaving Poverty

scope and scale to eliminate asset poverty.”

In Michigan 9.4 percent of the population is below the poverty line while 19 percent of the population is asset poor.

Despite having one of the largest statewide IDA Initiatives in the country, Michigan does not have a rich base of asset development policy in place when compared to other states.

The Michigan IDA Partnership began with a very specific focus of establishing a statewide IDA initiative, a key asset development strategy. To date significant progress has been achieved, as noted in this issue of *Asset Developments*. However, to sustain the effort and expand asset-building opportunities, Michigan policymakers will need to develop a broader base of Asset Development policy for low-income citizens struggling on the edge of lifelong poverty.

The release of the *2002 State Asset Development Report Card* provides an important tool to explore new approaches and policies related to asset development.

If you or your organization hold a common interest in expanding asset building opportunities to low-income households, please contact us at (734) 542-3951 or Muschler@Earthlink.net.

MIDAP Update

Assets Purchased Summary

Total Assets Purchased	54
Homeownership Accounts	39
Education Accounts	7
Business Accounts	8
Participant Savings Matched	\$ 46,740
Total Match Amount	\$ 129,652
Total Mortgages* Leveraged	\$3,007,043

* Average Mortgage \$77,104

Assets purchased in 2002 have grown from 6 to 54.

Cumulative savings by IDA participants to date is \$168,795.



VISTA Corner highlights various contributions and services AmeriCorps VISTAs provide to the Michigan IDA Program. We welcome them into our partnership and hope the experience proves to be valuable and rewarding.

If you would like to highlight your VISTA in future editions of *Asset Developments*, please contact the MIDAP office at (734) 542-3951.

VISTA Corner

Rupal Patel worked as a VISTA volunteer with the Michigan IDA Partnership from September 2001 to September 2002. She is leaving to pursue a Masters in Public Policy at the University of Michigan.

Rupal assisted in completing fundraising proposals, worked with agencies running the IDA program and provided technical assistance when possible and made referrals. She tracked the progress of the statewide initiative by collecting and processing quarterly reports from the agencies and determining technical assistance needs and training.

Rupal noted, "This position helped me see how public policy influences anti-poverty work. During this year, I have worked with some of the most amazing people. In all sectors people are really committed to improving the lives of those in poverty. It really has helped me maintain my

youthful vision that social change is possible and there are people out there committed to seeing it through. Thanks to everyone involved in the partnership for making this such a welcoming and memorable experience!"

In October, Susan Lindson, a new VISTA Volunteer, joined MIDAP to expand her career opportunities to new areas of interest and new endeavors. Susan came to MIDAP after eight years at Macomb Community College, where she worked in the Career Resource Lab. In the Career Lab she helped individuals discover their career paths using the newest technologies available. She also enjoyed visiting classrooms, career expos, and K-12 school outreach programs. Susan looks forward to helping MIDAP realize its full vision while she expands skills and contacts for her future. Susan is interested in a career in neighborhood development and building healthy communities.

Rotary Charities of Traverse City: Fulfilling Its Mission To Help People Help Themselves

“Rotary Charities of Traverse City is pleased to support the Michigan IDA Partnership. We believe in long-term strategies for success, and through this comprehensive approach, including financial literacy education, credit counseling, and homeownership classes, MIDAP is helping people get out and stay out of poverty,” says Marsha Smith, Executive Director.

The grant of \$42,000 will help 14 low-income families in the Grand Traverse region by providing funds to match participant savings as well as supporting the Northwest Michigan Human Service Agency (NMHSA) in providing direct services to support these families in their determined efforts to save, acquire productive assets, and achieve their goals.

By building relationships with financial institutions, community service organizations, and other local affordable housing resources, IDA program participants will also develop the contacts that help to ensure their success in the IDA Program and long-term self-sufficiency.

Participants will benefit from one-on-one coaching and counseling to help establish goals, financial literacy courses, credit counseling, support groups or other gatherings that provide mutual support and motivation, and asset specific education, such as home-ownership training. Financial literacy curriculum includes budgeting, financial management, and credit counseling and repair.

“By educating first-time homeowners to be responsible property owners,” explains Smith, “MIDAP helps IDA participants benefit from Rotary Charities’ Affordable Housing initiative. Affordable housing is a major issue in the Grand Traverse region where the largest employment sector is the service industry, with a fairly low wage structure, and housing costs are higher than most other areas of the state. People working in the tourist industry are often forced to live a considerable distance from their place of employment in order to live within their limited means. MIDAP is helping low-income families get into some of the affordable houses that Rotary Charities is helping to build.”

Rotary Charities of Traverse City believes it is important to support IDAs because participants are able to learn what they need to know to take control of their financial life. “The IDA program promotes self-sufficiency, which is a high priority for Rotary Charities. MIDAP takes a long-term, holistic view of poverty and helps people move themselves toward stronger economic independence,” says Smith. IDAs invest in people who are willing to invest in themselves; this is community development work in its most positive form.

The Rotary grant also leverages an additional \$21,000 in match from the federal Assets for Independence Act (AFIA).

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Success story

Northwest Michigan Human Services Agency

Once afraid to open their mail for fear of ominous bills, Margaret and John Yzebak can now face the future with confidence, from the comfort of the home they were able to purchase through the Individual Development Account (IDA) program at Northwest Michigan Human Services Agency (NMHSA).

When John’s parents retired and moved back to Michigan six years ago, John and Margaret decided to follow. In Connecticut, Margaret and John had good jobs in retail management. Once in Michigan, they faced unexpected difficulty finding employment. Everywhere they applied, they were told that they were “overqualified” for available positions. Although they eventually found jobs, their income was not enough to sustain themselves and their three children. After many months of struggle, John and Margaret found themselves in bankruptcy. Margaret and John decided to change their lives and began attending a pre-purchase Homeowner’s class through Northwest Michigan Human Services Agency in August of 2001. They also attended financial literacy classes, began to clean up their credit, and opened an IDA savings account.

Margaret and John Yzebak were able to turn their family’s fortune around thanks to their persistence in meeting their IDA program goals. Margaret really took control of household expenditures, and trimmed costs wherever she could to be able to save for her family’s home.

She packed lunches for the entire family. She looked for savings wherever she could. By changing habits, such as packing a picnic lunch rather than buying fast food when the family went on outings, in less than a year they were able to save \$1,000, which the IDA program matched with \$3,000. John and Margaret’s reestablished good credit allowed them to qualify for a mortgage of \$86,000 from Traverse Mortgage Corporation, though a Rural Development Loan. In November 2002, less than a year after enrolling in the IDA program, they were able to purchase the same home they had been renting for the past five years. Their three-bedroom ranch is nestled in a rural subdivision just 15 miles west of Traverse City.

Now a successful graduate of a financial education program, Margaret feels confident to give advice to anyone who finds themselves in a financial bind. “Do not be afraid of your mail. We used to leave our bills unopened because we did not know how we were going to pay them. This just got us in worse financial trouble. It is not as hard as you think it is to clean up your credit and keep it clean. And you can save money; you can do it! Just put money away and you will reach your goal. If you want it, it will happen!”

Still working toward improving their family’s future, John works two jobs and Margaret is attending classes in accounting. The Yzebak family’s persistence and dedication have earned them the ability to purchase a house, as well as the ability to face any future potential financial difficulties. “Now we know what to do,” says Margaret with confidence.



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Rotary Charities of Reverse City

NMHTSA successfully received a commitment of \$50,000 in match funds through an application submitted last summer. For every \$1 of private match raised, NMHTSA can draw \$1 of AFIA funds to match participant savings. Other IDA Programs across the state are using the same funding model to expand the availability of IDA Accounts in their communities.

With a private sector investment of \$3,000, a local program site can offer one more household the opportunity to take advantage of all the benefits of participating in an IDA Program. "It's like a scholarship for a low-income families to get on the right path toward economic self-sufficiency," says Eric Muschler, Director of MIDAP.

For further information on how and where to wisely invest in IDAs and expand this opportunity for low-income households, contact Eric Muschler at Muschler@Earthlink.net.

MIDAP Update

Account Summary by Region

As of September 30, 2002

	Available Accounts	Active Accounts	Requested Expansion Accounts*
Southern Region	184	138	136
Western Region	178	154	177
Northern Region	190	72	66
Detroit Region	177	112	107
MI Thumb Region	248	148	173
TOTALS	977	624	659

* Expansion Based on Funding Availability

► With 85 expansion accounts awarded this fall, the total number of available accounts is 1,062



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Michigan IDA Partnership

A project of the Council of Michigan Foundations

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Asset Developments

A complimentary, quarterly publication, *Asset Developments*, is distributed to IDA funders, potential funders, IDA providers, IDA participants, key state departments, legislators, and others who are interested in the implementation of IDAs. Funding for the publication is provided by the Charles Stewart Mott Foundation. Please direct any comments, questions, concerns or submissions to: Eric Muschler, CMF, P.O. Box 599, Grand Haven, MI 49417.

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