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Oregon's Individual Development Account Initiative Building Assets and Increasing Financial Resilience

Evaluation Report
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Executive Summary

Evaluation Highlights

- Nearly 4,000 Oregon residents with limited incomes and net worth opened individual development accounts between January 2008 and the end of 2011, making Oregon's IDA Initiative one of the largest in the country.
- These IDA account holders saved nearly \$5 million to purchase a home, start or expand a micro-enterprise, or further their education.
- Through donations eligible for an Oregon IDA 75% Tax Credit, \$5.5 million in matching funds was provided to 1,164 participants who reached their savings goals and made their investments.
- Participants reported major changes in financial behaviors and confidence as a result of the education and encouragement they received. Most notably, there were large increases in the percentage that used a budget to monitor spending, regularly made deposits to a savings account, and had an emergency fund.
- Beyond the immediate results of newly acquired assets for individual participants, many pointed to broader impact: benefits to their children, other family members, their friends, co-workers, and community.

Background

The Oregon Individual Development Account (IDA) Initiative was built on the premise that a strong middle class where everyone has access to financial and educational opportunity is the foundation of healthy communities and the state's economic strength. IDAs help individuals and families with low incomes and limited net worth acquire and retain assets through matched savings accounts combined with financial education and counseling. In Oregon, IDA participants save to purchase or renovate a home, further their education, start or expand a micro-enterprise, or buy specialized equipment or technology in support of an employment goal.

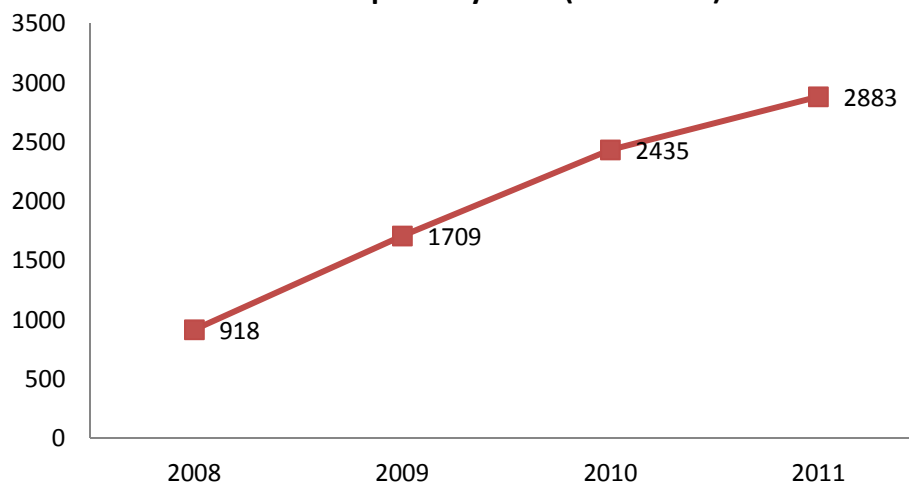
Since late in 2007, Portland State University (PSU) has worked closely with Neighborhood Partnerships, the managing entity for the IDA Initiative, to compile and report data on program performance and outcomes. Data presented in this document were drawn from the PSU evaluation and include information about IDA accounts opened between January 2008 and December 31, 2011.

Overall Program Results

The Oregon IDA Initiative has grown exponentially since its start-up in 1999 to nearly 4,000 accounts that were opened between January 2008 and the end of 2011. Funded through contributions by individuals and businesses to the Oregon IDA 75% Tax Credit, the Oregon IDA Initiative has provided close to \$5.5 million in matching funds since 2008 to 1164 successful ‘graduates,’ who saved approximately \$2 million. The total number of active IDA participants has grown each year over the past four years (see figure 1). Oregon’s Initiative is one of the largest IDA enterprises in the nation.

More than 2,000 accounts were still open at the end of 2011, but among those that had closed, 65% of participants (1,164) ‘graduated’ – that is, they met their savings goal and received matching funds. Graduates saved an average of \$1,718 over a period of about 19 months, with an average match of \$4,719.

Figure 1. Number of Active Oregon IDA Participants by Year (2008-2011)



Program Participants

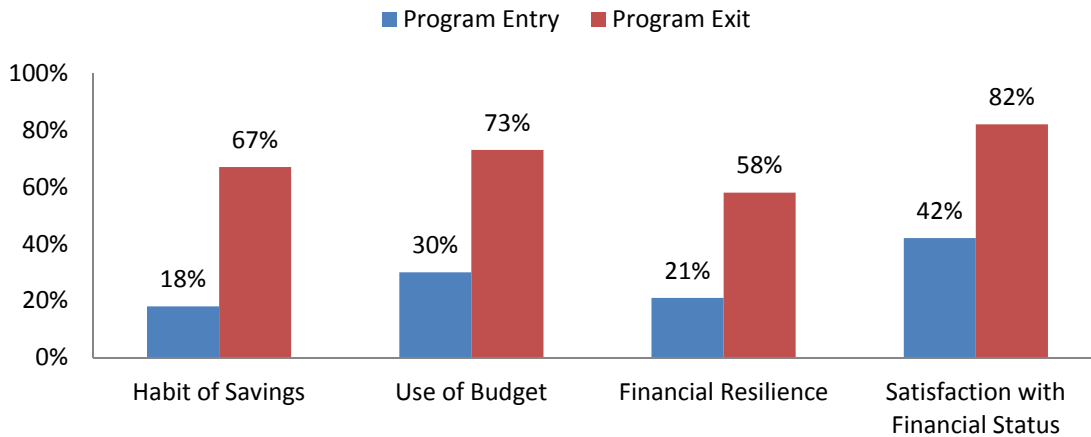
Eligibility for an Oregon IDA is based on limited income and net worth at the time of enrollment. Other requirements are a willingness to save, a desire to invest in one of the approved savings categories, and a commitment to the educational aspects of the program. In addition, IDA account holders must be Oregon residents and at least 12 years of age.

IDA participants come from all over Oregon and represent the growing diversity of the state. Among those enrolled between January 2008 and the end of 2011, 30% were non-white and 20% were Latino. Most were born in the United States (82%) but a significant number came originally from Mexico, Slavic countries, or any of 81 other countries around the world. The majority were women and two-thirds had attended at least some college.

Impact

IDA participants receive basic financial education, one-on-one financial counseling, training specific to their purchase goals, as well as personal support and encouragement. As a result, many report dramatic changes in financial behaviors as well as increased confidence in their own competence. Changes in savings and budgeting habits were especially notable, contributing to improved financial circumstances and satisfaction. Nearly 60% had an emergency fund (a key component of financial resilience). These changes are illustrated in Figure 1 below.

**Figure 2. IDA Graduates Financial Wellbeing
Entry to Exit**



Many participants reported maintaining important financial practices even 12 months after they completed their IDA experience, for example:

- 55% were still using a budget in contrast to only 30% who said they used a budget prior to opening their IDA account;
- 52% still had an emergency fund to tide them over during difficult times.

Even IDA participants who were not able to complete their savings goals often cited aspects of the program they found helpful. Fifty-six percent said “*learning to use a budget*” was very helpful. Others said “*The whole program was very helpful*” or “*The program is a great asset.*” Still others pointed to the classes they attended, the skills they learned, and the support they received from program staff.

The Broader Impact of the Oregon IDA Initiative

Beyond the immediate results of newly acquired assets for individual participants, the goals of the Oregon IDA Initiative are to build financial resilience that impacts family and community over the long term. Many participants indicated longer term benefits of their participation in the Oregon IDA

Initiative, and some noted how their participation has had ripple effects – benefiting their children, other family members, their friends, co-workers, and community.

Creating New Jobs...

“This program really allowed me to purchase the tools I needed in order to be more competitive in my industry. Purchasing the tools allows me to work more efficiently and accurately. This led to being able to hire an additional employee-it has been an amazing domino effect for my company.”

Providing Positive Role Models for Children...

“Now that we’ve seen the fruit of saving, we are excited to continue those healthy habits in our monthly budget as well as teach our children how to save and spend wisely. That’s a huge gift to give them, one I never received.”

Moving Out of Poverty...

“The IDA Initiative is a way out of the hopelessness of poverty for those willing to work at bettering their lives... My confidence, satisfaction in life, and ability to deal with difficult situations have all improved. I have gone from a fearful state to one of increasing hope.”

“...I feel as if my life is changing for the better. I have struggled for years as a single mother of three and was never able to get ahead...Now I am able to buy my new home and I feel as if this horrible struggle of poverty is behind me. I am looking forward to the future and I now have hope of a new positive good life.”



Allison Murphy, Bend

Seeing New Possibilities for the Future...

“The self-esteem from participating in the savings process has given me the confidence to use these same saving skills to improve other areas of my life.”

“I plan on taking the workshop classes. I will also continue to create new business plans. This program is changing my life. It was the best thing for me at this period in my life.”

The Major IDA Savings Categories

Home Purchase. Despite the challenges for buyers in the current housing market, purchasing a home has been the priority for the 1,289 Oregon IDA account holders (34% of total new participants) who enrolled since January 2008. These prospective home owners received assistance to determine an appropriate price range for their home, given their income and resources, and were trained in what to expect in the home-buying process. They acquired skills and information about how to take advantage of programs for first-time homebuyers, how to search for a house, details about the inspection process and insuring the home, and how to maintain and protect their investment.

Micro-Enterprise. Almost 30% of IDAs (1,061 accounts) that have opened since January 2008 were aimed at building up resources to start or expand a micro-enterprise. Many aspiring small business owners with IDA accounts live in rural or frontier communities where their personal successes can have an impact on the entire community. Others are part of a growing urban micro-enterprise community, which includes the thriving food cart industry in Multnomah County and surrounding areas. Micro-enterprise investments have included a wide variety of business assets, such as construction tools, a massage table, jewelry-making equipment, or vehicles to transport supplies and equipment for a home cleaning business.

Education. Almost 1,400 Oregon residents enrolled in an IDA program to save for their education (about 36% of all accounts opened through the end of 2011). IDA providers and their local partners across the state assisted low-income and underrepresented students to finance post-secondary education. Some were the first in their family to attend college; others were overcoming barriers of poverty and/or other life circumstances. Education IDAs are often structured with enough flexibility that students can work and save money over the summer, withdraw their money and matching funds for tuition during the year, then repeat the same process the following year.

Across all of the IDA savings categories, graduates who were surveyed have expressed excitement about their experiences:

“This program builds confidence, encourages savings, and makes home purchases possible for low income single people like myself who otherwise wouldn't be able to close on a first home.”

“This is an incredibly valuable program for young, new farmers like myself who have limited access to capital. I couldn't have started my business without my IDA. I would love to see the program expand throughout the state and nation!”

“I now have an AAS degree - IDA Initiative paid for my final term. Thank you.”

Summary

Findings from the evaluation highlight strengths of the Initiative and positive results for individual participants, many of whom achieved outcomes for themselves and their families that they could not have envisioned on their own.

Moreover, participants reported sustained longer-term impact. The majority held onto the asset they acquired through their IDA and were excited about their continued ability to plan for the future, use a budget, and set aside savings to meet new goals and safeguard their future financial wellbeing.

These findings are particularly encouraging in light of the extremely challenging economic climate in Oregon and elsewhere. IDA participants in the study were enrolling in the program, setting goals for themselves and making the effort to deposit savings to their accounts every month at a time of record-high unemployment in the state. Although not all participants reached their financial goals and received matching funds, even those who had to withdraw early appreciated the opportunity, the support, and the skills they gained from their IDA program.

Oregon's IDA Initiative is recognized as one of the strongest in the nation, reflecting the state's commitment to increasing financial resilience among residents with low-income. With this foundation, Oregon is well positioned to expand the IDA Initiative and to develop and test new strategies that increase participation and success across the diverse population of individuals and families living in poverty and experiencing the precarious circumstances that poverty entails.

The 'ripple effect' we found - broader and more far-reaching results for individuals, families, and communities – speaks to the importance of Oregon's continued investment and the potential for the IDA Initiative to substantially affect the health of Oregon's economy.

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