

Oregon's Individual Development Account (IDA) Initiative

Building a Resilient Oregon through Savings and Assets

Evaluation Report

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Oregon's Individual Development Account (IDA) Initiative

Building a Resilient Oregon through Savings and Assets

Evaluation Highlights

Oregon's IDA Initiative continues to grow and maintain its success in helping Oregonians build their financial capabilities. Through IDAs, Oregonians are attaining assets that secure their futures and the futures of their children. The Initiative advances state policy goals that Oregonians will be resilient, reach their full potential, and succeed in vibrant communities.

This report includes results from the last three program years, which represent the period from April 1, 2013 through March 31, 2016. Evaluation methods are described in Appendix A. Key findings include:

- IDA participants live in all regions of Oregon. Over the last three program years, IDA holders resided in 35 of the 36 counties in the state.
- Over the course of the last three program years, more than 4,400 Oregon residents with limited incomes and net worth opened IDAs to save towards purchasing or repairing a primary home, starting or expanding a small business, obtaining post-secondary education or job training, or securing assistive technology to support employment.
- Over the last three program years, 2,642 participants reached their savings goals and made their investments. They saved an average of \$2,183 per participant, for a total of \$5.8 million. Through donations eligible for an Oregon IDA Tax Credit, an average of \$6,151 in matching funds was provided per participant, for a total of \$16.3 million.
- Participants report significant changes in financial knowledge and behaviors after completing an IDA. There are large increases in the percentage of participants who use a budget, keep an emergency fund, or make regular deposits to savings. Most program completers report feeling 'very much' more confident interacting with financial services and organizations.
- One year after exiting the program, participants have held onto their asset and are able to speak to the stability their asset has brought to themselves and their families. They report increased confidence in their ability to set and reach long term goals. Many participants become financial capability ambassadors, sharing their lessons learned with children or extended family members, or nurturing other business owners.

Background: Building Financial Security in Oregon

The Oregon Individual Development Account (IDA) Initiative was established to create opportunity in Oregon. The Oregon State Legislature authorized the Initiative in 1999 out of a recognition that pathways out of poverty are not built solely through income, spending and consumption, but instead require savings, investment and the accumulation of assets. Through IDAs, Oregonians with lower incomes are able to save money that can be invested in post-secondary education or job training, purchasing or repairing a primary home, starting or expanding a small business, or assistive technology that supports employment: assets that build better lives and put people on a track towards economic security. Possible asset goals expanded with the 2015 reauthorization legislation, widening the reach of savings opportunities for Oregon residents living on low incomes.

IDAs are savings accounts that accelerate the savings of qualifying individuals with lower household incomes with matching funds. Participants work with local, nonprofit IDA providers to define long-term goals and develop regular savings habits. IDA holders participate in financial education and receive support in making informed decisions related to their asset purchase. Once the participant's savings goal is reached and all benchmarks of the asset plan are met, IDA funds saved by the participant and put towards an asset purchase are matched by the Initiative. Typically every dollar a participant saves is matched with three matching dollars (up to program limits, which are generally \$1000 per year for three years).

Oregonians with low to moderate household incomes face financial challenges. Income volatility is growing among all American households, with families and workers facing much greater up-and-down income swings month-to-month and year-to-year than they did a generation ago.¹ More than 1 in 3 Oregon households are unable to build the savings necessary to manage three months at the poverty level in the event of an emergency.² One financial bump in the road—an unexpected car or home repair, a job layoff, a medical emergency—can exceed household resources and start a downward spiral. When households have savings, financial education, and assets to fall back on in lean times, they are able to navigate these bumps and stabilize. Moreover, these assets provide people the security and opportunity to pursue their goals, advance, and reach their full potential.

The IDA Initiative is a collaborative effort. It is funded with contributions by individuals and businesses which qualify for the Oregon IDA Tax Credit. Neighborhood Partnerships, a statewide nonprofit, manages the day-to-day operations of the Initiative on behalf of the State of Oregon Department of Housing and Community Services and Department of Revenue. Neighborhood Partnerships staff raises and manages funds, collects data and oversees the IDA-related work of ten Fiduciary Organizations (FOs). The FOs engage, enroll, provide services and administer funds to IDA participants pursuing an asset. The ten FOs are:³

- College Dreams
- Community and Shelter Assistance Corporation of Oregon (CASA)
- Immigrant and Refugee Community Organization (IRCO)
- MercyCorps Northwest
- Micro-Enterprise Services of Oregon (MESO)
- The Native American Youth and Family Center (NAYA)
- Neighborhood Economic Development Corporation (NEDCO)
- NeighborWorks Umpqua
- Portland Housing Center
- Warm Springs Community Action Team (WSCAT)

Some FOs are Network Providers, and oversee other provider organizations (IDA Partners) in offering direct services to IDA participants, creating a statewide system of providers with specialized experience

¹ Aspen Institute Financial Security Program, *Income Volatility: A Primer*, May 2016

² 2016 Assets and Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/or>

³ Additional information about the FOs can be found at <https://oregonidainitiative.org/overview/our-ida-partners/>

in working in a wide range of communities. A complete list of the local IDA Partners can be found in Appendix B.

From 2008 through 2014, Portland State University compiled and reported on data related to program performance and outcomes. Neighborhood Partnerships continues to carry on this data collection and analysis process. The current evaluation seeks to address the following questions:

1. Who is the IDA Initiative reaching?
2. What is the experience of IDA savers while in the program and upon asset purchase?
3. What changes occur in participants' financial resiliency and asset ownership with their participation in the Initiative?

This report includes cumulative results from the last three program years, which represent the period from April 1, 2013 through March 31, 2016. Evaluation methods are described in Appendix A. The clearest message to emerge from evaluation findings thus far is that through the IDA Initiative, Oregonians are building their financial capabilities, attaining assets that secure their futures and the futures of their children, and strengthening their communities.

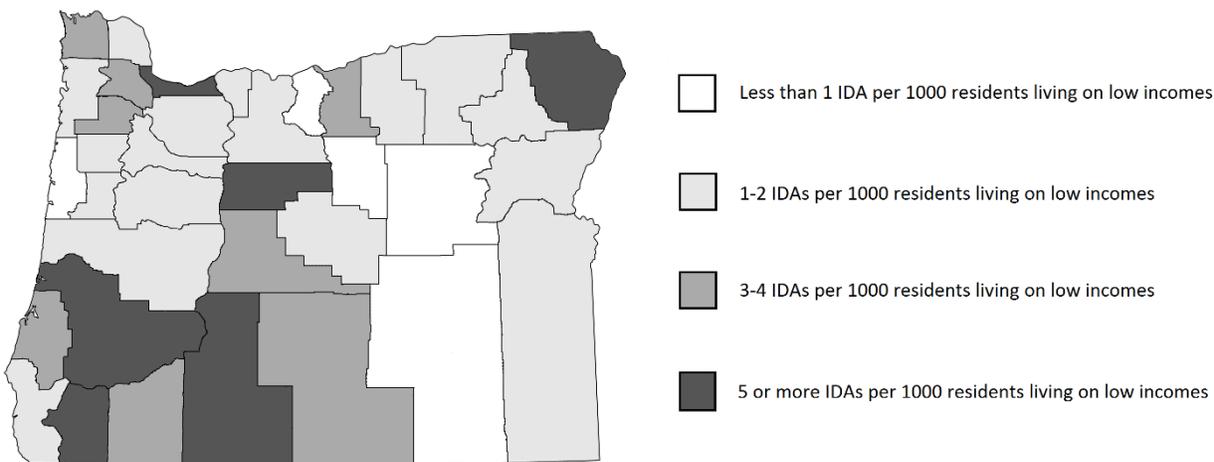
Oregon IDA Participants

Oregon residents who are at least 12 years old may be eligible for an IDA if they have modest net worth and limited household income. Participants must be willing to save regularly, participate in the program's financial education components, and have a desire to invest in one of the approved asset categories.

IDA participants live in all regions of Oregon. Over the last three program years (April 1, 2013 through March 31, 2016), IDA holders resided in 35 of Oregon's 36 counties.⁴ Figure 1 illustrates the concentrations of IDA participants in each county, taking into account the number of residents in each county with lower incomes.

⁴ IDAs can be accessed in all 36 counties. However, over the last three program years, new IDAs were opened in 33 counties. This suggests that the number of counties currently being served may decline a bit, in the coming years.

Figure 1. Concentration of Oregon IDA Participants by County:
 IDAs per 1000 residents with incomes below 200% federal poverty level



IDAs serve people of diverse races and ethnicities, ages, and education levels. Among participants enrolled between April 2013 and March 2016, 4% were Alaska Native or American Indian, 4% were Asian, 8% were Black or African American, 1% were Native Hawaiian or other Pacific Islander, 69% were White and 14% identified as being of another race or multiple races. Twenty-five percent were Latino and 75% were non-Latino. Most were born in the United States (75%), 11% were born in Mexico, 4% were born in Slavic countries, and 9% born in one of 86 other countries around the world. Sixty-four percent identified as female, 36% identified as male, and several participants (less than 1%) identified their gender in another way.

The average age of participants was 33, with 29% between the ages of 12 and 24. Among those age 25 and older at enrollment, 35% had a bachelor’s degree, 38% had attended some college or had an associate’s degree, and a quarter had no post-secondary education (17% had a high school diploma or GED and 7% had no high school degree). As a group, IDA participants age 25 and older are more educated than the overall Oregon population living on low incomes; they hold bachelor’s degrees at about twice the rate of the general Oregon population age 25 and older living at less than 200% of the federal poverty level.⁵

IDA providers continue to work to reach the diversity of individuals, families and communities who traditionally face barriers to economic opportunity. IDA partners provide IDAs to Oregonians who are veterans, farmworkers, first generation students, survivors of domestic violence, have experience in incarceration or foster care, identify as having a disability, and many others.

⁵ 2015 American Community Survey, US Census

Overall Program Results

The IDA Initiative serves a growing number of participants. The Initiative has consistently reached its statutory limit on the amount of tax credit-qualifying contributions it can raise. In addition, participating organizations may apply for competitive grants from the federal Assets for Independence (AFI) IDA program. As AFI requires that its funds be matched by non-federal sources, programs are able to further leverage their Oregon IDA Initiative funds. Programs also apply for and receive funding from foundations and other funders.

About 1,500 accounts were opened in each of the last three program years by a total of 4,487 participants.⁶ On any given day, about 3,500 individuals have open accounts and are actively saving. Figure 2 provides the number of new accounts opened each year as well as the number of accounts open on a given day, in this case March 31, of each year.

Figure 2. Number of New IDAs Opened and Number of Accounts Active on a Given Day of the Program Year, by Program Year

Program Year	# New Accounts Opened	# Accounts Active on March 31
April 2013-March 2014	1565	3438
April 2014-March 2015	1444	3492
April 2015-March 2016	1478	3512

Program “completers”, defined as those who fulfill financial education requirements and make a matched withdrawal, represent 71% of all account closures. This rate is among the highest completion rates reported by IDA programs across the country. Over the last three program years, the Oregon IDA Initiative has provided \$16.3 million in matching funds to 2,642 completers who saved approximately \$5.8 million. The average IDA completer deposited \$2,183 into their IDA over 28 months and earned \$6,151 in match funds towards their asset purchase.

Completion rates vary by asset class, with 81% of business savers, 72% of education savers, and 61% of home purchase savers successfully completing the program. Savers who exit the program without making a matched withdrawal (“non-completers”) often do so because they experience an unexpected expense or reduction in income. The high cost of housing and tight credit market appear to be other common factors. Non-completers average 22 months in the program, during which time they have saved an average of \$1,282. Many benefit from the reserves they have accumulated and the financial education received. In feedback surveys, non-completers also frequently comment on the helpful nature of the support they received from program staff:

“The advice and support of our case workers was very meaningful. Everyone treated us with such respect and kindness. Wow!”

⁶ Ten participants opened a second consecutive account during this time period.

IDA Process and Asset Categories

IDA partners and Fiduciary Organizations work with participants through the entire IDA process which includes enrollment, goal setting, financial training, asset-specific training, setting up and monitoring monthly deposits with partnering financial institutions, and documenting and processing payments. Over the last year, the Initiative has defined new financial education standards based in best practice that establish the content that should be addressed. The Initiative will continue training on these standards and work to align the standards with the financial education curricula in use over the course of 2017.

From the participants' perspective, in feedback surveys and interviews, program completers speak to the impact of each component of the IDA program:

Goal setting: "I think this was the first time in many years that I set out to save money and finish the goal. So having the encouragement and support to see it through were very important for me."

Education and training: "I loved going to the [financial education] course and found it so useful and informational to what I was currently working on. The teacher was incredible and all the topics discussed were very applicable. I also loved attending the seminars and meeting with the business advisors."

Setting up monthly deposits: "We had to save to stay in the IDA and after a few months it became habit to add money to our savings. It gave us motivation to keep saving when we could see our money and the matched funds grow."

Throughout their feedback, participants frequently comment on the personal support and encouragement they received from IDA program staff and other IDA participants:

"In the classes, I ended up meeting a lot of people--hearing the stories of others, the mistakes everybody has made as well as how people are improving their lives."

"Having someone assigned to me made me accountable and really got the habit of saving started."

"The support and guidance throughout the program really helped me believe in myself and fulfill my educational goal."

"The assistance/support from my IDA advisor...reframed my relationship with money. I am more responsible and in control on how I manage my money."

Asset Categories

IDA participants save for a specific asset. Of the 4,487 accounts opened between April 2013 and March 2016, 36% were saving for education, 32% for a first home purchase, and 22% for small business, totaling 90% of all new accounts.

- IDA program partners help participants saving for **post-secondary education or job training** to make informed choices about financial aid, set a plan for graduation, and/or navigate other educational supports. Over half of the education savers who succeed in making a matched withdrawal are among the first generation in their family to attend college, and others have experienced stays in foster care or other challenging life circumstances.
- IDA partners help **home purchase** savers determine an appropriate price range for their home, understand loan terms and conditions, prepare for the home buying process, access other resources available to first-time homebuyers, and plan for how to maintain and protect their home. Fifteen percent of home purchase completers were receiving Section 8 housing subsidies or lived in public housing when they first enrolled in the IDA. Many of these savers are served through a partnership with US Housing and Urban Development's Family Self-Sufficiency program. As part of the 2015 expansion (described below), savers may also now use their funds to replace a manufactured home.
- **Small business** savers write a business plan through which they learn to understand their market, financials, and operations. IDA program partners help participants make connections with business networks and take steps to formalize their business. IDAs provide an avenue for many entrepreneurs to start or expand their business without taking on debt. Participants sometimes leverage the assets purchased, combined with their increased business knowledge and performance, to obtain additional capital through small business loans. As part of the 2015 expansion, savers may also now use their funds to hire employees.

In addition, 5% of the accounts opened between April 2013 and March 2015 were saving for home repair, and 5% were saving for assistive technology related to employment.

- With a **home repair** IDA, participants are able to make improvements or repairs to their home's infrastructure, electrical, plumbing, and heating systems needed to make the home accessible, habitable or visitable. The purchases may be used to make a home accessible to a household member with a disability.
- Participants may also save to invest in **assistive technology** needed to competitively seek or maintain employment. As part of their asset-specific training, participants may pursue training specific to the piece of equipment or technology, or other job readiness or occupational skill training.

Expansion Categories

In 2015, the Oregon Legislature approved an expansion of the purposes for which people can save. The Initiative has been rolling out these new program modifications in focused pilots, so that new systems can be established, tested, and shared. CASA of Oregon and NEDCO were approved to begin piloting these new uses in the 2016-17 program year with a small number of savers. The two Fiduciary Organizations have worked to identify appropriate asset-based education, modify personal development plan guidelines, ascertain allowable uses of funds, and determine appropriate methods for making purchases. The expanded savings categories are:

Rental housing to help achieve housing stability: Participants may save for security deposits, first and last months' rent, application fees, and other expenses necessary to move into rental housing, when such housing will further the individual's independence as aligned with state policy goals—such as supporting youth aging out of foster care, survivors of domestic violence, or individuals working with homelessness prevention services. To date, savers from Marion, Lane and Multnomah counties have enrolled; on average they intend to save for six months and their savings goals have been between \$700 and \$1000.

Retirement: Participants may save to invest in a retirement account. This savings category is being tested with women participating in a financial education peer group through Portland provider Innovative Changes, a partner of CASA.

Vehicle: Participants may purchase or make a down payment on a new or used vehicle. This savings category is intended for individuals who do not already own a safe and reliable vehicle. To date, savers from Clackamas, Multnomah, and Lane counties have enrolled; they generally plan to save for 13 months and have a goal to save \$2000.

Due to the expansion, a portion of a saver's IDA deposits may also be used to:

- Secure a credit-building loan or other financial product designed to improve their credit score⁷, and
- Repay medical- or education-related debt if it's a barrier to the participant's asset goal.

These new uses acknowledge the importance of an individual's credit profile in their ability to affordably borrow for a home, vehicle or other loan, and their opportunities with landlords that check credit scores. The credit-building IDA pilot has found that among those participants who had no credit score upon program enrollment, the average credit score after six months was 707, generally considered good and allowing an individual to borrow with reasonable terms.

Impact

The Oregon IDA Initiative helps households reach their goals through financial education, support or guidance, a process to develop a savings habit, and matching funds that provide seed money and incentive. Continuing to build and maintain assets throughout one's lifetime often begins with a savings habit.⁸

Research continues to affirm the importance of financial behaviors and habits in a household's financial health. In 2015 the Center for Financial Services Innovation (CFSI), a network of financial services providers, reported the findings of their nationally representative survey on consumer financial well-being. They found that income, while it could help, was not the most significant predictor of financial health. Holding income and demographic variables constant, individuals who said they were able to and

⁷ An Interim Report describing the progress of the Credit Building IDA pilot is attached in Appendix C.

⁸ Zielewski, EH, Ratcliffe, C, McKernan, S., Johnson, L. & Sherraden, M. (2009). Evaluation Design for the Next Phase Evaluation of the Assets for Independence Program: Final Literature Review. The Urban Institute: Washington, D.C.

do plan ahead were ten times more likely to be in a financially healthy household as people who said they do not or cannot plan ahead. Those who had a planned savings habit were four times more likely to be financially healthy compared with those who do not. CFSI concluded that beneficial financial habits can improve financial well-being, even if income stays the same.

It is for this reason that some of the core expected outcomes of the IDA Initiative relate to beneficial financial habits such as using a budget, having emergency savings, and having a habit of savings. Upon exiting the IDA program and again 12 months later, participants are asked to share their experience with the program in a survey. A considerable number of survey respondents report remarkable growth in these financial habits, as shown in Figure 3, and described below.

Use of budget

The percentage of program completers who use a budget to monitor spending doubled from 33% who said they used a budget before starting the IDA program, to 67% who said they use a budget after exiting the program. This habit appears to be largely maintained over time: twelve months after exiting the program 59% of completer respondents say that they use a budget. Learning to budget and understand their income and spending is frequently noted by participants as being one of the most helpful aspects of the program, as observed in the following comments:

“Before participation, I purposefully avoided thinking about money/savings/financial planning because it stressed me out and made me feel like a failure. After the program, I feel excited to sit down and make financial plans. I feel confident and triumphant regarding my financial situation. I feel like I understand my financial position and my financial goals much better than most of my peers and my former self. I feel less stressed, less depressed, and more empowered.”

“I’m more aware about how I spend my money and what I’m spending it on. I’m making smarter choices to make my dollar go farther. And work much harder to save money to pay off debt and get things my family wants or needs.”

“I am much more conscientious about what I am spending my money on and how much I have left in my budget to add to my savings.”

Emergency savings

The percentage of program completers who keep an emergency fund had the greatest increase, from 23% who said they kept an emergency fund before starting the IDA program, to 60% who said they keep an emergency fund after exiting the program. Twelve months after exiting the program, 49% of completers report that they maintain an emergency fund, again signaling that this improved habit is frequently maintained over time. In commenting on what aspects of the program were most helpful, respondents noted that they became more educated about the role of an emergency fund:

“Made me much more aware of how important it is to have retirement and back up funds for emergency.”

“Because we made a big purchase, a home, we need to plan for money and savings emergency fund more than ever, while financing new projects to increase our living space infrastructure. The savings program forced me to think about how this change would affect my situation - minimizing surprises, while being more prepared down the road.”

“The process of learning to save and that saving means it's meant to be kept for goals set or emergency.”

Habit of savings

The percentage of participants making regular deposits to a savings account, College Savings Account, or retirement account nearly doubled from 43% who said they saved regularly before starting the IDA program, to 74% of participants who said they saved regularly after exiting the program. Twelve months after exiting the program, 52% report that they regularly save. Completers frequently commented in the survey that they had set up direct deposit or automatic transfer so that they were automatically saving on a regular basis, or that they now “saved first”, dedicating a portion of income to savings before spending. In commenting on the impact the program had on them, completers commented on how important saving has become for their long term future:

“We think about saving and preparing for the future more.”

“Saving is important to long term goals of investment for my family.”

“I learned the importance of saving, even small amounts, every single month.”

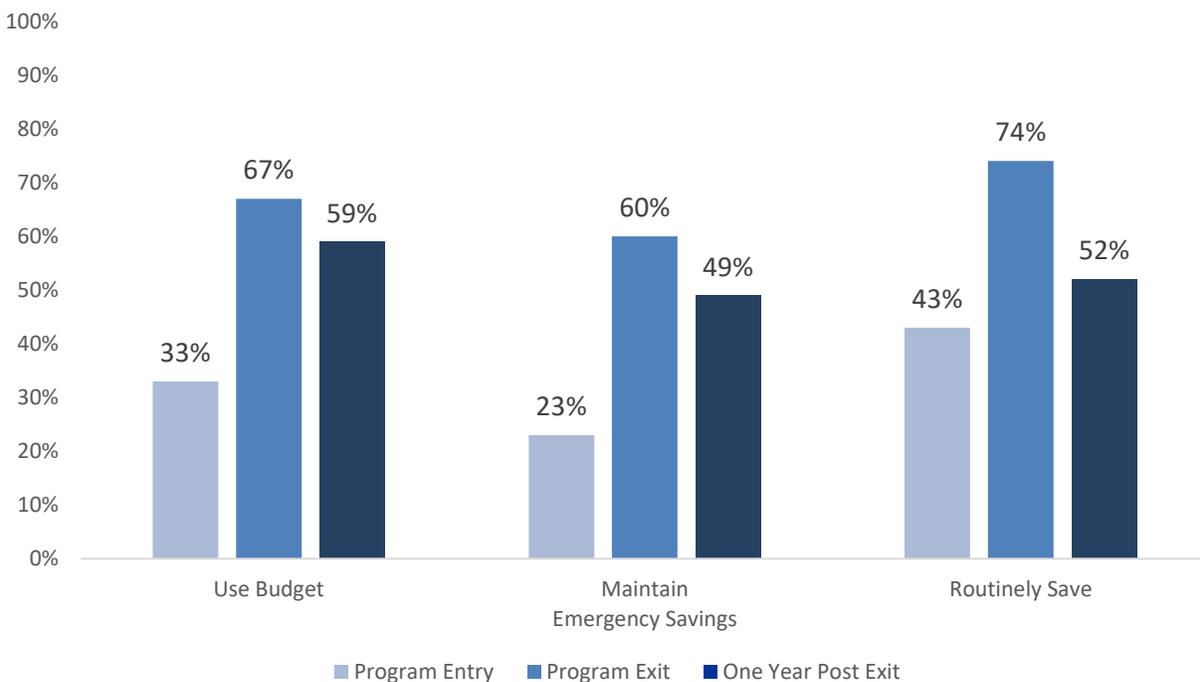
“I have learned that saving money can really help you in the long run and keep you from going into debt.”

“My daughter started saving to buy a house.”

“The most helpful thing to me about the IDA Initiative is the program created in me the habit to save money for my education. When I graduate and have a job, I will keep savings money for my kids' college.”

“We opened savings accounts for each of our kids to help them learn to save.”

Figure 3. Percent of IDA Completers Practicing Healthy Financial Habits Over Time



Confidence interacting with financial institutions

A key component of household financial security is the ability to navigate mainstream financial institutions. In Oregon, 5% of households have neither a checking nor savings account, and 17% of households are underbanked, meaning that they have a checking and/or savings account, but have used non-bank money orders, check-cashing services, or other, often costly, services for basic transaction and credit needs.⁹ Being comfortable working with mainstream financial services and organizations can open opportunities in addition to reducing unnecessary expenses. Since their participation in the IDA Initiative, 60% of program completers say they are “very much” more confident interacting with financial services and organizations.

“We became more savvy with understanding the lingo and understanding how financial institutions work in a deeper way. I believe this was from the financial classes. I think we are stronger advocates, for the way we work with our bank.”

Asset ownership, twelve months after program exit

IDA program completers continue to maintain their assets and benefit from their ownership, when surveyed twelve months after exiting the program.

Post-Secondary Education

Education savers work towards a variety of post-secondary goals. Of the IDA program completers who responded to the survey, 47% were working toward a bachelor’s degree, 23% were working towards a certificate or associates degree, and 22% were working towards a master’s degree

⁹ 2016 Assets and Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/or>

(9% were working towards some other education goal). One year after exiting the IDA program, 50% had completed their degree or course of study, 38% were still working towards their goal, and 12% had stopped working towards their original education goal. Thirty-seven percent were currently employed in a job related to their degree or course of study. Education savers reported a tremendous amount of pride and optimism for their future:

"The greatest impact on me has been it allowed me to complete my Bachelor's Degree. For my family, it has demonstrated how important it is to save money for big life events and how saving can add up in the long term."

"I am thrilled to have earned my master's degree, which has afforded me greater self-esteem and provided a good role model for my daughter."

"Having the opportunity to be a first generation college student who will be the first in his family to earn any degree."

"That I was able to go back to school, get a degree, and can now provide a better life for my family."

Homeownership

Ninety-eight percent of home purchase completers have not missed a payment on their home. Home purchase completers speak of the stability that homeownership has brought to their households:

"The stability of owning our own home has made it possible for us to move forward with our lives confidently."

"We have the stability of homeownership and we are building equity in our home. We are grateful."

"Homeownership has been amazing, it was like a boost of instant pride and stability for all of us."

"It has allowed me to purchase a home and bring stability to my family."

Small Business

One year after exiting the program, 89% of business completers still have the business the IDA assisted them with. Fifty-eight percent of respondents report that their business produced a profit in the last fiscal year. Forty-nine percent of respondents are working at their business full time, and 10% have hired at least one full-time employee. Business completers described the increased skills and capabilities they've attained that they attribute to the IDA:

"We continue to keep a safety net for the business, which remains debt free after three years. We understand better when and how to utilize cash flow, and remain steady, with slow growth."

"We now own a thriving business in an up and coming neighborhood where we are part of the community."

“The ability to organize my business, understand taxes, the confidence that I can make a decent living.”

“The items I was able to purchase from the IDA has significantly changed my business. I am able to perform 25% or more massages per week and increase my income. Now I'm pregnant and having the electric massage table is furthering my ability to work longer into the pregnancy and earn more money and be in less pain.”

To learn more about the long-term well-being of business savers, in 2016 Neighborhood Partnerships interviewed the owners of three Oregon businesses three or more years after they earned their IDA match. Brief snapshots of their experiences are provided in Appendix D.

Improvements reported by non-completers

While those who did not complete the program may not have been able to invest in an asset, they frequently report positive impacts that the program had on them:

“I am more financially aware and I have the tools to make good financial decisions.”

“I am on target to pay off debts and have learned how to increase my income.”

“It showed us the importance of saving money in order to reach our goals.”

“It gave me hope that I could eventually purchase a home.”

Evaluation Re-Design Work In Progress

Oregon’s IDA Initiative regularly uses data to monitor and report on its reach and impact. Over the last year, Neighborhood Partnerships has managed an evaluation workgroup consisting of members from the FOs and OHCS to review its evaluation activities. The workgroup has been engaged in identifying clear, intended participant outcomes and indicators of progress. This work has been integrated into a written evaluation plan that will guide the evaluation for 2017-2018.

The evaluation will continue to use administrative data, case studies, interviews and focus groups, and participant feedback surveys, but the data collected through these sources is being better aligned with the program’s intended outcomes. As part of this process, the participant feedback surveys are being revised and the new drafts are being tested with clients for ease of use and quality of information gathered. The Initiative will begin to use the Financial Capability Scale to measure participant progress in behaviors that improve financial well-being. A reliable and validated instrument developed at the University of Wisconsin-Madison Center for Financial Security, the Financial Capability Scale provides a set of standardized metrics that can be compared to other programs. Finally, the Initiative expects to make use of publicly available administrative data sources that will allow the Initiative to monitor longer-term participant outcomes.

Summary

The Oregon IDA Initiative helps Oregonians earn a college education while having made informed decisions about their school loans; make a down payment on a home with loan terms that are reasonable and fit a family's budget; or earn an infusion of capital that allows budding entrepreneurs to scale their ideas. While the road to economic prosperity is still long, through the IDA Initiative, Oregonians are building their financial capabilities, attaining assets that secure their futures and the futures of their children, and strengthening their communities.

IDAs continue to serve Oregon residents from all regions of the state, as well as people of diverse races and ethnicities, ages, and education levels.

After participating in the IDA Initiative, participants report dramatic increases in their practice of sound financial habits such as using a budget, keeping an emergency fund, and making regular deposits to savings. Participants report substantial increases in their financial knowledge and are more confident interacting with financial services and organizations. Although not all participants receive matching funds, those who withdraw early appreciate the support they received through the program and have saved an average of \$1,282 of their own money.

IDA Initiative completers are able to hold on to their assets in the long term and speak to the stability their asset has brought to themselves and their families, their increased confidence in their ability to set and reach long term goals, and their increased opportunities to give back to their communities.

In addition to the strong results achieved by participants, the Oregon IDA Initiative continues to develop and expand. The Initiative continues to refine its data collection activities and monitor program performance. New savings categories are being piloted, which are expanding the purposes for which participants can engage with the program. Oregon's IDA Initiative continues to further state policy goals that Oregonians will be resilient, reach their full potential, and succeed in vibrant communities.

Appendix A: Evaluation Methods

This report is based on data analyzed by Neighborhood Partnerships. Between 2008 and 2014, the Regional Research Institute at Portland State University conducted an external evaluation to assess overall program performance and impacts of the IDA Initiative. As part of their evaluation, they established systems for data collection, cleaning, analysis, and reporting.¹⁰ Neighborhood Partnerships has used these systems to continue to carry on these data and evaluation activities since 2015.

Data in this report is drawn from Outcome Tracker and Participant Feedback Surveys.

Outcome Tracker is the IDA Initiative's client management system. It contains information about participants' demographics and status at enrollment; account deposits, withdrawals, match funds earned, and asset purchases; and status at program exit. This data allows for the tabulation and analysis of the distribution of IDA participants across the state, the demographics and characteristics of participants at time of program entry such as race, ethnicity, age, and education level. Outcome Tracker data also allows for a calculation of the average and total amount deposited and match funds received, and the rate of program completion. Data in Outcome Tracker is cleaned on a quarterly basis.

The Participant Feedback Surveys are administered by Neighborhood Partnerships via email (or mailed if the participant doesn't have an email address). Program completers and non-completers are asked to complete surveys shortly after exiting the program and again one year later. Participants are offered \$15 as an incentive to return the surveys. This data provides information on participants' satisfaction with the program, financial capabilities, and continued asset ownership. Quotes in this report were obtained from responses to open-ended questions on the surveys.

For the survey administered shortly after exit, between April 2013 and March 2016, 1318 program completers responded (50% response rate) and 383 non-completers responded (36% response rate). For the survey administered one year after exit, between April 2013 and March 2016, 933 completers responded (41% response rate) and 285 non-completers responded (30% response rate).

While survey respondents are diverse and reside in more than 30 counties, the characteristics of survey completers as a whole are somewhat different than the total IDA population. Home purchase savers more frequently complete the surveys and education savers are underrepresented among survey respondents. Savers who identify as Hispanic or Latino are also underrepresented among survey respondents.

The stories presented in Appendix D are based on semi-structured interviews with IDA completers conducted by Neighborhood Partnerships staff in 2016.

¹⁰ The evaluation reports by Portland State University are available at <https://oregonidainitiative.org/impact-policy/evaluation>

Appendix B: List of Oregon IDA Initiative Local Partners with Active Accounts in the 2013-2015 Program Years

Access Inc., *Partner of NeighborWorks Umpqua*
Adelante Mujeres, *Partner of CASA*
African American Alliance for Homeownership, *Partner of CASA*
Aprovecho, *Partner of CASA*
Bienestar, *Partner of CASA*
Bradley-Angle House, *Partner of CASA*
Catholic Charities, *Partner of CASA*
Clackamas Community Land Trust, *Partner of CASA*
Clackamas County Social Services, *Partner of CASA*
Clatsop Community College, *Partner of CASA*
Community Action Organization, *Partner of CASA*
Community Connection, *Partner of CASA*
Community Home Builders, *Partner of CASA*
Community In Action, *Partner of CASA*
Community Services Consortium (Community Housing Services), *Partner of CASA*
Community Vision, *Partner of CASA*
Confederated Tribes of Siletz Indians, *Partner of CASA*
Cottage Grove High School, *Partner of CASA*
C-TEC-Clackamas County Social Services Affiliate, *Partner of CASA*
Families Forward, *Partner of CASA*
Food Roots, *Partner of CASA*
Goodwill Industries, *Partner of NeighborWorks Umpqua*
Habitat for Humanity, *Partner of NeighborWorks Umpqua*
Hacienda CDC, *Partner of CASA*
Hermiston High School, *Partner of CASA*
Hispanic Metropolitan Chamber of Commerce, *Partner of CASA*
Housing And Community Services Agency of Lane County, *Partner of CASA*
Housing Authority of Jackson County, *Partner of NeighborWorks Umpqua*
Housing Authority of Jackson County, *Partner of CASA*
Housing Authority of Portland/Home Forward, *Partner of CASA*
Housing Authority of Yamhill County, *Partner of CASA*
Illinois Valley Community Development Organization, *Partner of CASA*
Innovative Changes, *Partner of CASA*
Irrigon High School, *Partner of CASA*
Juntos Podemos Centro Para Familias, *Partner of CASA*
KCLAS, *Partner of NeighborWorks Umpqua*
Linn-Benton Housing Authority, *Partner of CASA*
Lower Columbia Hispanic Council, *Partner of CASA*
Lutheran Community Services NW, *Partner of CASA*
Maps Community Foundation, *Partner of CASA*
McMinnville High School, *Partner of CASA*
Merit, *Partner of CASA*
Metropolitan Family Service, *Partner of CASA*
Mid Columbia Housing Authority, *Partner of CASA*
MIPO - Micro-Enterprise Inventor Program of Oregon, *Partner of CASA*

Mt. Hood Community College-Transiciones, *Partner of CASA*
Mt. Hood Community College-TRIO, *Partner of CASA*
Neighbor Impact, *Partner of NeighborWorks Umpqua*
North Marion High School, *Partner of CASA*
Northeast Oregon Economic Development District, *Partner of CASA*
Northwest Family Services, *Partner of CASA*
Northwest Housing Alternatives (NHA), *Partner of CASA*
Northwest Oregon Housing Authority, *Partner of CASA*
NWU Gear Up, *Partner of NeighborWorks Umpqua*
NWU Gear Up 2, *Partner of NeighborWorks Umpqua*
OAICU-Lewis & Clark, *Partner of CASA*
OAICU-Pacific University, *Partner of CASA*
OAICU-University of Portland, *Partner of CASA*
Oakridge High School, *Partner of CASA*
OCADSV-Tillamook County Women's Resource Center, *Partner of CASA*
OICF or OAICU-Concordia University, *Partner of CASA*
OICF or OAICU-George Fox, *Partner of CASA*
OICF or OAICU-Linfield College, *Partner of CASA*
OICF or OAICU-Warner Pacific, *Partner of CASA*
OICF or OAICU-Willamette University, *Partner of CASA*
OICF-Linfield Nursing, *Partner of CASA*
Open Door, *Partner of CASA*
Polk CDC, *Partner of CASA*
Portland Community Reinvestment Initiatives, Inc., *Partner of CASA*
Prosperity Center, *Partner of NeighborWorks Umpqua*
Proud Ground, *Partner of CASA*
REACH CDC, *Partner of CASA*
Salem Housing Authority, *Partner of CASA*
Salem-Keizer CDC, *Partner of CASA*
SCOEDD, *Partner of NeighborWorks Umpqua*
Self Enhancement, Inc. (SEI), *Partner of CASA*
Springfield High School, *Partner of CASA*
St Vincent de Paul, *Partner of CASA*
Stanfield High School, *Partner of CASA*
Sweet Home High School, *Partner of CASA*
The Next Door, Inc., *Partner of CASA*
Umatilla Morrow Head Start, *Partner of CASA*
Washington County Department of Housing Services, *Partner of CASA*
West Valley Housing Authority, *Partner of CASA*
Willamette Neighborhood Housing Services, *Partner of CASA*

Credit-Building Individual Development Account (CB-IDA) Pilot: Interim Progress Report

Prepared by Neighborhood Partnerships, February 2016

In conjunction with Innovative Changes, Hacienda CDC, CASA of Oregon, and Credit Builders Alliance.

Overview

The Oregon IDA Initiative brings together partners statewide to support our neighbors in purchasing their first home, continuing their education, developing a small business, or meeting another financial goal. By providing Individual Development Accounts (IDAs)¹¹, the Initiative delivers financial education, one-on-one coaching, and incentives including matching funds to meet Oregonians where they are and to work with them to build their own household's financial security. We know that asset building programs like the Initiative are moving people out of poverty, and that access to safe and reliable credit building programs are an integral piece of that equation.

The Credit Building IDA pilot began in February 2015 to explore how IDA participants' deposit transactions could simultaneously build their credit. A working group formed to develop and carry out the pilot: members were Innovative Changes, Hacienda CDC, CASA of Oregon, Credit Builders Alliance and Neighborhood Partnerships. The piloted strategy pairs an IDA with a credit-builder loan (a small installment loan for which on-time payments are reported to the credit bureaus). Pairing these products means that the IDA participant can make a single deposit transaction which both contributes to their IDA and makes a payment toward a credit-builder loan. The pilot set out to create a system which streamlines program participation for the participant and promotes administrative efficiency for the service providers.

More and more, IDA providers are interested in credit building because they recognize that the most impactful asset building strategies require both savings and credit. An asset builder's investment will go further when the participant has a strong credit score, enabling the participant to borrow more affordably. Experience with IDAs and credit-builder loans suggests that a Credit Building IDA will help participants build their financial capabilities related to credit and make their borrowing more affordable. In addition, even if a participant is not able to complete their IDA and exits the program early, they will have been successful at building their credit profile in addition to some general savings.

Development of policies and procedures to support the rollout of the pilot was spearheaded by Innovative Changes. They have made these procedures available to other interested parties upon request. This interim progress report highlights the successes of the pilot to date as well as ideas the lead partners plan to carry forward. The pilot has supported the exploration of how a scaled-up program might be evaluated for participant success, and this report will conclude with next steps for an evaluation.

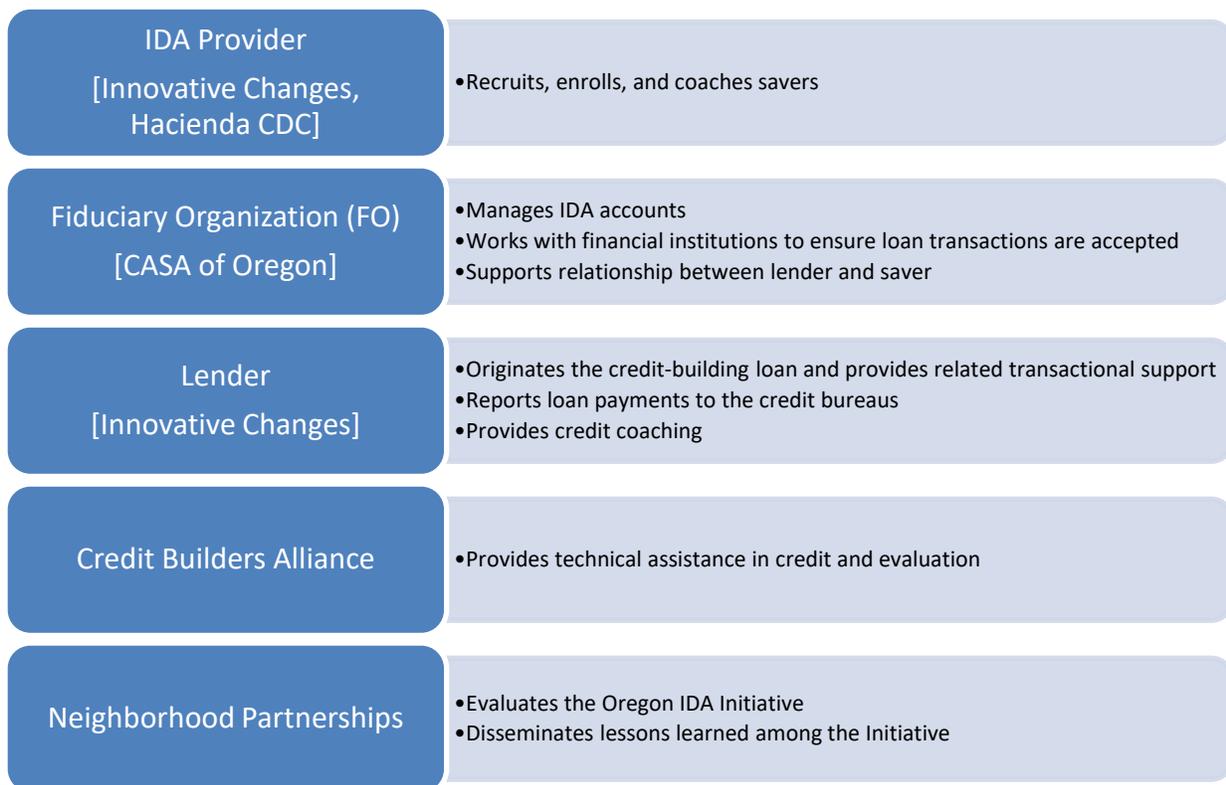
¹¹ IDAs are savings accounts that match the deposits of individuals with lower household incomes. IDA savings and match can be used for expenses related to the purchase or growth of an asset, such as a primary home, post-secondary education, or microenterprise. In addition to earning match dollars, participants participate in financial and asset-specific education.

How the Credit Building IDA Works

The policies and procedures outlined by Innovative Changes were written specifically for the organizational members of the working group, but can likely be applied or adjusted for other IDA or loan providers. The procedures outline the roles of the IDA provider, Fiduciary Organization¹², and lender; how information may be shared among the participant and these organizations; the terms of the credit-building loan; orientation and application processes; account opening and payment processes; plans for credit coaching and credit report analysis; and account close out or exit procedures.

The main organizations directly involved in providing the CB-IDA are delineated in Figure 1. The figure names the specific organizations involved in this pilot and their roles related to the CB-IDA pilot. In this pilot, the lending organization is also an IDA provider, so has the in-house knowledge of how both credit-building loans and IDAs have been separately provided in the past.

Figure 1. Organizations Involved in Providing a CB-IDA.



¹² In the Oregon IDA Initiative, non-profit Fiduciary Organizations contract with the Initiative managing organization (Neighborhood Partnerships) to provide IDAs to Oregon residents directly or through a network of IDA providing organizations.

While still being refined, the procedures call for a streamlined orientation, application and account opening process, as laid out below:

Pairing Credit Building with IDAs: Make it as Seamless as Possible

1. Participants are invited to participate in both an IDA orientation and a Credit Building orientation. The orientations are scheduled so that one is immediately followed by the other, thus reducing the burden on participants to travel to two different orientations.
2. Participants submit an IDA application and a Credit Building Loan application to a single staff contact point. The same supporting documentation (e.g. bank statements, budget) is used for both applications.

Side note: Participants who are not approved for an IDA or who are waitlisted can still be approved for a Credit Building Loan.

3. Participants who are accepted are invited to a group IDA enrollment and a group Credit Building Loan closing, one immediately followed by the other. At the group IDA enrollment participants sign their savings plan. At the group Credit Building Loan closing, participants sign their loan documents, sign a savings plan amendment, receive their credit report and score, develop a credit action plan, and schedule optional individual coaching.
4. The participant opens their custodial IDA bank account. (The bank account is safeguarded by the FO and the participant does not have access to make withdrawals without approval.) The participant makes their first deposit consisting of both IDA savings and a loan payment, and sends their bank account number to the lender.
5. The lender disburses the proceeds of the loan into the IDA bank account, which secures the monthly loan payments.
6. On a monthly basis, the participant continues to make their monthly deposit consisting of an IDA savings deposit and a loan payment. On a monthly basis, the lender uses Automatic Clearinghouse (ACH) to debit a loan payment from the participant's IDA account.
7. The lender reports the monthly loan payments to the credit bureaus. The Credit Building Loan is set to mature when the IDA matures (within the parameters of the available term options), but can end early if the participant makes an early exit from the IDA.
8. When the final loan payment is made, the lender reports the loan to the credit bureaus as paid in full. The participant can then access the loan proceeds. They can utilize their IDA savings and match funds earned towards an asset purchase. The loan and its on time payment performance stays on the participant's credit report for seven years.

The Credit Building IDA Pilot: From the Beginning

The working group engaged in four months of initial planning. As part of its planning, Innovative Changes conducted a focus group with former borrowers of its Credit Building Loan who also had experience saving in an IDA. The focus group clarified how participants might view and understand the hybrid product, the information that might be helpful to participants accessing the product, and a type of fee structure that might be deemed reasonable and clear. A second focus group was conducted with prospective CB-IDA participants to learn more about their interest in building credit.

IDA providers began approaching prospective IDA participants and providing initial orientations to the IDA and credit-building loan in June 2015. Planning continued as the working group members contacted the financial institutions which held the IDAs and ensured that the institutions had the permissions they needed to allow the lender to automatically withdraw the loan payments from the IDAs using ACH. Working group members also developed an Amendment to the Savings Plan Agreement which is made between the participant and the IDA provider at enrollment, to outline the roles of the participant, the Fiduciary Organization and the lender; how the participant's contact information, account number and payment/deposit history will be shared; how funds can be accessed; and the fees associated with the loan. This Amendment needed to be finalized before any participants could be formally enrolled.

The first participant completed the enrollment process in August. As of December 2015, a few other IDA participants had expressed interest but none had completed the loan closing process. Orientations were continuing as IDA funds became available for new participants.

Neighborhood Partnerships convened the working group members in December 2015 to reflect on their successes and lessons learned at this early implementation stage. Their reflections are shared here in the spirit of supporting other organizations who may wish to begin offering CB-IDAs. Comments centered on the following five themes:

1. Coordination among Provider Organizations
2. Participant Recruitment
3. Training and Resources for IDA Specialists
4. Orientation and Enrollment Process
5. Data Systems

Coordination among Provider Organizations

While the working group members already had strong professional relationships and regard for each other, they expressed interest in continuing to strengthen coordination between their organizations so

Setting Up the CB-IDA

- Gauge interest and engage potential participants
- Contact financial institutions
- Finalize procedures
- Amend savings plan agreement
- Enroll participants
- Reflect on progress and make adjustments

as to reduce barriers for participants and streamline administrative processes. In particular, they noted that time, coordination and planning were important to:

- 1) Ensure that the IDA orientation with the Credit-Building orientation, or the group IDA enrollment with the group credit-building loan closing, are each held as one session that contains both the IDA and credit building aspects.** When coordination does not occur, the IDA processes and credit-building loan processes may remain as two separate processes, on different dates, with two organizations, increasing the logistical burden on the participant and reducing opportunities for participants to understand saving and credit as integrated aspects of their asset-building work. Coordination is particularly important when the IDA provider and lending organization are two separate organizations.
- 2) Streamline and reduce duplication in the information and financial education provided to participants.** IDA providers offer participants the required financial education, which includes aspects of credit, at different times. Some participants have already had access to this education before enrolling in their IDA, but others may need additional grounding in aspects of credit so as to fully understand the benefits and responsibilities in taking out the credit-building loan. The level of prior knowledge and education among participants may vary from group to group.
- 3) Securely share information and documentation provided by a participant between the IDA provider and the lender.** Particularly at the point of a participant's application, it would reduce duplication for the participant if the IDA provider could collect all the documentation needed for the application and share what's needed by the lender. A secure portal would make it easier to create efficiencies between organizations that are sharing documents. Further exploration will be done to determine if this type of sharing might be able to occur through the current IDA client management database, without affecting other types of permissions to access participant data. Otherwise, a different portal may need to be established. Providers will need to ensure that the participant has been made aware of the information sharing and has signed a disclosure agreement. Providers will also need to ensure that they are complying with any contractual obligations they may have with third parties; for example, credit bureaus may restrict how credit reporting information, including scores, may be shared internally and externally.
- 4) Communicate participant progress or setbacks.** If a participant starts missing deposits, they are at risk of being exited out of the IDA. The IDA provider needs to communicate the missed deposits with the loan officer so that the loan officer understands there is a possibility that the participant may need to exit early or change bank accounts if the participant decides to continue their credit-building loan but exit early from the IDA.
- 5) Support the Fiduciary Organization's custodial responsibilities and tracking processes by communicating loan transactions directly with the FO in advance.** The FO benefits from knowing when the loan will be dispersed into the IDA and the amount of the loan. An amortization table, stating the amount that will be debited from the IDA to make payments on the loan, and the date of the month those will occur, will also help clarify for the FO the account activity that is not directly made by the participant.

Participant Recruitment

Whether the CB-IDA is the right product for an individual depends on their financial goals and their credit status. The loan provider can provide expertise on whether the participant may benefit from taking out an installment loan and improving their credit profile and scores. One finding of the pilot was that several home purchase participants had already been working on their credit before starting their IDA. This was particularly the case among those participants who were starting their IDA when they were close to being ready to purchase. For these participants, their strong credit report and high credit score meant they had little to gain by participating in the CB-IDA. Working group members also suggested the following:

Messages about the CB-IDA should be tailored to the asset the participant is saving for and for their stage in life. For home purchase participants preparing to apply for a home loan, or microenterprise participants who plan to leverage their new asset for a larger loan, building credit makes immediate sense. For education participants, the benefits of a higher credit score may be more immediately seen as increasing their rental housing options or lowering interest rates for a car loan or credit card.

Lessons from the field of behavioral economics can help in developing messages that will encourage participants to consider and be successful at credit building. Recent work in behavioral economics has brought to light factors that frequently motivate us. For example, many education participants are at a point in their life where they are becoming more independent. The conversations that IDA Specialists (staff or case managers) have with participants can build on those interests, by helping the participant to understand how good credit will increase their options and ability to make their own decisions.

Training and Resources for IDA Specialists

Working group members discussed the importance of preparing and supporting IDA Specialists to assist CB-IDA participants. Specifically:

An orientation for IDA Specialists by the lender may help IDA Specialists to understand their role in a CB-IDA and support them in sharing correct information with participants. The orientation could not only include how the credit-building loan processes are layered onto the IDA orientation and enrollment, but also how to talk about credit building in their classes, the types of situations in which credit-building might be helpful to a participant, and how to refer a participant for a stand-alone credit-building loan if they become interested after their IDA enrollment.

Materials could be made available to serve as resources for both IDA Specialists and participants. These materials could include: the credit building orientation materials, a webinar recording of the orientation, and a list of Frequently Asked Questions (FAQs) related to the procedures. A second FAQ list geared for participants, delineated by asset class and including messages on the ways credit may help them in the short term, may also support Specialists who are encouraging participants to explore the credit-building option and help participants understand their responsibilities with a CB-IDA.

Orientation and Enrollment Process

Combining the IDA orientation with an orientation to credit-building loans, promoting a streamlined application process where all documents are returned to a single staff person, and coordinating the IDA enrollment with the loan closing are key aspects of the CB-IDA meant to simplify the process for participants and ease the administrative burden on the agency. Working group members shared some learnings after trying these new orientation and application processes:

Larger IDA programs, which are enrolling more participants at the same time, better lend themselves to the efficiency created by conducting a group enrollment with many CB-IDA participants at the same time. During the pilot, IDA providers were provided funds to support only a few new participants. This meant that there generally weren't groups of participants that were ready at the same time for an enrollment.

Participants may need additional support to return all of the required documents for the loan application. Working group members have generated a range of possible ways that participants could be further supported or encouraged in getting all of the documents returned, including:

- providing a checklist for participants with information on where to find the different documents (with hyperlinks when possible),
- requiring that certain documentation be provided before the case manager will sit down with a participant,
- allowing participants to simply send photos of the documents,
- adding a line to the application asking the participant to allow the loan provider to contact the employer or access IRS documents directly,
- providing the credit-building orientation prior to the IDA orientation to potentially generate more interest, and
- making the credit-building function something automatic for the IDA participant, with the need to opt-out of (rather than opt-in).

Data Systems

Perhaps the greatest challenge to moving the CB-IDA forward is the establishment of automated systems that will allow tracking of the loan dollars into and out of the IDA account. The current client management system for the Oregon IDA Initiative, Outcome Tracker (OT), is not currently equipped to label and calculate these transactions. All loan-related transactions must currently be entered or edited manually. The pilot has been helpful in determining the data needs. With the assistance of the CB-IDA working group, Neighborhood Partnerships has begun discussions with Vistashare, the developer of Outcome Tracker, to address these needs. Changes being explored include:

- Drop-down fields to indicate that a participant is participating in the CB-IDA, and the loan amount.

- Transaction labels for the loan disbursement and loan payments. This includes the ability for OT to recognize different bank codes so that the loan payments can be automatically recorded from bank files, and for these deposits and withdrawals to not be subject to IDA match calculations.
- Fields to indicate the subtotals for loan payments and savings deposits/withdrawals.
- The ability to securely share documentation between the IDA provider and lender through OT.

Evaluation Next Steps

As described thus far, significant progress has been achieved in establishing processes and enrolling the first participants in the CB-IDA. As the pilot moves forward, Neighborhood Partnerships hopes to engage a group of participants after their 6-month credit checks to ask them about their experiences with the product and the impact it has made in their credit-related knowledge and behaviors. Participants' responses will not only provide information on the impact the CB-IDA has had, but will also inform the types of impacts longer-term or larger-scale evaluation efforts might look to find.

Neighborhood Partnerships expects it will modify its current IDA participant feedback surveys to include questions about credit building. Neighborhood Partnerships will continue to work with OT so that it will be able to monitor the number of participants who enroll in a CB-IDA and their savings deposit and loan payment behavior.

Through this pilot it has come to light that providers likely do not have contractual permissions with the credit bureaus that would allow them to share individual participants' credit scores with the evaluation. Providers may need to track credit scores separately and do their own reporting of changes they have seen in their participants' credit scores, if they wish to monitor or publicize impacts on credit scores. Understanding Initiative-wide changes will be complicated by the various types of scores that providers may be using. While this may mean that a precise understanding of Initiative-wide changes in credit scores will not be possible, there remain other scales and indicators for otherwise understanding improvements in participants' financial capabilities. Neighborhood Partnerships will continue work with the providers to determine which options will be meaningful to them and other stakeholders.

Conclusion

Neighborhood Partnerships wishes to acknowledge the contributions of Innovative Changes, Hacienda CDC, CASA of Oregon, and the Credit Builders Alliance in implementing this pilot. Their work has paved the way for additional service providers to take steps toward providing CB-IDAs as a new asset class in the Oregon IDA Initiative, and illustrated the steps necessary to enable partners to provide this new product. We look forward to continuing this spirit of collaboration and resource sharing among all of our statewide partners and continuing to build lasting pathways to opportunity in Oregon.

Appendix D: Stories of IDA Participants

In 2016 Neighborhood Partnerships staff were able to interview the owners of three Oregon businesses who had earned IDA matching funds three or more years ago, and asked them to look back and talk about how IDAs changed their personal and business trajectories.

The Vintage Cottage in Prineville: Jessica and Dan Lay

Reaching Powerful Goals

Jessica Lay had a hobby of decorating for people and painting old furniture, but as she says, it wasn't a viable business. "You think no one will pay you," Jessica says. "It was a dream." Yet, the call of a family business was still on her mind and that of her husband, Dan—a business which aligned with Jessica's interests, and from which their kids could learn responsibility, work in, and some day inherit. In researching the IDA, the possibility of earning matching funds on their saving seemed like a potential way to start pursuing their goals. But they were still skeptical that they had a viable business idea, and they had no capital to get started. They had pitched their ideas to ten banks, but each had rejected them.

Jessica and Dan had never saved much before. They had a savings account, but the balance never grew. When they first opened their IDA, the task of saving \$100 a month for two years seemed daunting. They didn't trust that they could achieve that savings goal. But receiving their monthly IDA statements and watching their deposits add up helped the Lays see the results of tucking money away. In the end, they found the two-year savings period--which seemed so daunting at the beginning--went by in the blink of an eye. The Lays purchased their cash register, a computer to handle all their invoicing, Quickbooks, lighting and inventory: "All the core items we needed to have and run a successful business."

The infusion of money completely changed their business from a hobby to a legitimate enterprise. They were able to dramatically expand and move into a 5000-square-foot building on a key corner of downtown, selling upcycled and vintage household furnishings.

Jessica says that the most valuable lesson she learned with the IDA is to set goals. "Goals can seem daunting," she says, "but they are attainable even if they seem far away." It was scary to wonder whether she and Dan could put away a set amount of funds each month for years. Overcoming that fear and achieving their IDA goal has given them new confidence and a critical skill in a business setting. No longer intimidated to set big goals, write them down, and take a structured approach to achieving them, their business has thrived.

Now in the habit of using direct deposit for saving, the Lays make direct deposits to a mutual fund and an IRA. They've learned to put away the money automatically, and they don't miss it. Rather than letting money slip away, Jessica comments, "We save first."

The Vintage Cottage has been in business for three years now. As they constantly work to identify ways to grow the business, Jessica has recently become a licensed decorator, expanding their opportunities. While the majority of the store sells the Lays' goods, they also have six tenants who work in the store one day per month in exchange for a 10 by 10 foot space to sell their goods. The opportunity is so popular the Lays have a waiting list of 30 individuals who would like to rent space in their store. When

Jessica writes checks to the six tenants reimbursing them for their sales, she knows the size of those checks are providing meaningful income for each tenant's family.

"Everyone has a dream, but the IDA made it possible to put that plan to action to achieve those dreams," says Jessica. "It gave me the little push we all need." Having seen it change her family's life, Jessica thinks that if more people were able to take advantage of the IDA, it would help her community to grow. "To give someone a house, or to change the unemployment rate, it could really help our town and central Oregon in general. We need it so bad."

Mac and Cheese Steaks in Klamath Falls: Chris Hoss

Stability for the Future

Chris Hoss was managing a corporate-owned restaurant, but growing weary of the corporate rules and mental strain. He still had a passion for cooking and wanted to find something he could be happier with. He had developed an idea for running his own food cart, and decided that it was time to start writing a business plan. Working with Klamath Falls institutions and business owners, and the Oregon IDA Initiative, Chris has been able to turn his passion and expertise into a viable business.

Chris knew he could get the basics for his business with his own money, but he had little for anything extra. His meeting with a building department inspector is what most persuaded him that his business could benefit from the funds he could earn through an IDA. "They told me that my cart was fine according to the local standards, but if I left the county the standards would be different," explains Chris. If he wanted the option to build his business by being more mobile and being able to go to events around the region, he would need to make some improvements, which would require some additional capital.

Chris found the financial education classes to be the most enjoyable part of this IDA experience. Hearing the stories of others—the mistakes everybody has made as well as how people are improving their lives, left an impression on him. When it came time to buy a replacement truck to pull his cart, he had a better sense of how much he could afford—he didn't want to repeat the mistakes of a classmate who owed more on his vehicle than it was worth. Chris also became more disciplined in his use of credit cards, making sure he can pay his balance every month before making another purchase. "Making sure I have the money first, that's one of the biggest things I'm glad I learned," says Chris.

"It was the happiest day" when Chris was told he had met his savings goal and the other requirements of his IDA. With the additional capital saved and earned through his IDA, he was able to handle some unexpected expenses and prepare for contingencies. He bought a spare tire in case he was traveling and a wheel went flat. He purchased a fire suppression system and a grease trap. When his fryer went out, he was able to buy a new one. And when the truck he used to pull the cart started dying, he was able to use the IDA to help with the down payment for a new one.

Chris explains that he now knows he can save a certain amount each month, and he knows where to put it. Whereas before participating in the IDA Initiative his habit was to spend money as he got it, his

routine now is to save more and spend less. He's saving in a Roth IRA and Traditional IRA. "Realizing I have money being saved gives me stability for the future. I'm going to be able to move on and have a good time in the future," he says.

His food cart, Mac and Cheese Steaks, has been running for nearly four years now. He's proud of the consistently high quality food experience he provides, and proud to play a role in the Klamath Falls community. He's a regular vendor at fundraisers and often donates proceeds to various causes. The Oregon State University extension office has brought him in as a mentor in one of their internship programs and he now has a student cooking under his guidance.

Chris often recommends the IDA to others. He knows several people in his community who have been able to purchase their first house or pursue post-secondary education through their work on an IDA. As he explains, "There are always people that want to learn to save."

Farm Maid Soap in Corbett: Kathy and Jay Johnson

Opening Up to Bigger Things

Kathy Johnson grew up with a father who owned a business as a tool and die maker. "Very entrepreneurial, definitely a culture I grew up in," she says. "The idea of being self-employed I came by very honestly."

A Navy veteran, Jay Johnson worked for many years in the custom cabinet industry, but opportunities were drying up. He worked a few other jobs for a while and started a window cleaning business, which eventually closed. By 2008, the Johnsons were becoming concerned about the economy. They realized they wanted to diversify their income stream, and their small soap business seemed to be a possible way to do that.

Kathy had started making goat's milk soap several years earlier. She had a friend who made soap, and thought it was something she could do, so she started researching the process. After a year and a half of online research, working in their kitchen, she developed her own recipe and process for making soap in seven to ten days (usually soap making is a four- to eight-week process).

For several years the soap was sold once per year at the local Fourth of July celebration. Then, people started calling the Johnsons in December inviting them to holiday sales and events. When they decided to try to make something more out of this business in 2008, they started at a small farmer's market. "On the very first day we sold \$103 and we were super excited," says Kathy.

They moved to bigger and bigger farmer's markets and in 2009 they applied at the Vancouver market and got in. The business grew fast and by September Jay left his job to concentrate on the soap business. They had six children at home in their 1800 square foot house, and a third of the house was devoted to the business.

"The efficiency with that was really difficult because Kathy would have to spend an hour cleaning up from food preparation to get ready for soap making because you have to make everything lab-clean

again,” explained Jay. A wholesaler came to them with an order which significantly ramped up their need for space. They realized their original plans for scaling up were too small.

Working with MercyCorps Northwest, they realized they could think bigger. After years of making do and getting by, Kathy explains, “The IDA helped broaden my vision, past what I might have seen as my limitations before.” With their IDA they were able to acquire a very used 60’ by 12’ job site construction office trailer. They were also able to buy some equipment and building materials to refurbish it. “It certainly helped us increase our manufacturing space so now we have just over 700 square feet of dedicated space that we don’t have to clean up lunch to use,” explains Jay. No longer did they need to ask “Can we clean off the table so we can label soap after dinner?”

“The IDA puts the carrot out there for a long-range plan of action. It certainly broadens your horizons and opens your perspective up to bigger things,” states Jay. During this time they had to make several conscious decisions. How much should they allow their business to grow? Do they get more goats to continue to provide all of their own goat milk, or start purchasing milk from others? And do they keep their work to a level that they themselves can manage, or start hiring?

The support and resources they obtained with the IDA helped Kathy and Jay to make intentional choices, and to be confident in growing the business. The Johnsons now have three employees who come every week—one who is nearly full time and two who work a couple days a week. They buy milk from neighboring farms—freeing them from needing the property to support a larger goat herd, and freeing up their time to work on other aspects of the business. This year they sold 60,000 to 70,000 bars of soap.

The Johnsons see the IDA as helping them do more than what their existing resources would have allowed. “Without the IDA we would have still probably been in the kitchen!” Kathy can say with a laugh. “It would have been tough.”

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