



**OREGON HOUSING and
COMMUNITY SERVICES**

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February 5, 2021

Senate Committee on Housing and Development
900 Court Street NE
Salem, OR 97301

RE: Member questions related to Senate Bill 82

Dear Chair Jama and Members of the Committee:

Thank you for holding a public hearing on Senate Bill 82, reimagining the Individual Development Accounts (IDAs). As [Director Andrea Bell testified](#), IDAs build pathways of opportunity and create models of economic success in Oregon communities. SB 82 provides programmatic and funding changes to the program to stabilize the IDA Initiative. During the hearing, members raised a number of questions:

Senator Golden asked about the track record of the IDA and how success is measured:

For over 21 years, IDA brings state agencies, private non-profit and tribal partners, and private contributors together to create opportunity in Oregon. Success is measured by the program's ability to yield positive outcomes for IDA participants, as illustrated in the [2020 Impact Evaluation Report](#), a data driven qualitative and quantitative assessment of the IDA Initiative. IDA has had a deep impact in the lives of Oregonians. In 2020:

- More than 15,000 Oregon residents have saved in IDAs
- More than 3,500 people are currently saving
- All participants are provided financial education and support to build their financial capability and successfully reach their goals
- Collectively, IDA participants have saved more than \$28 million
- \$47 million in matching funds have been distributed to approximately 9,000 savers for asset investments

Long-term resilience and stability are important IDA outcomes. Savers who used IDA to purchase a home are able to keep up with their mortgage and have a better baseline of savings than average Americans. When surveyed one year after completing their IDA, 91% of microenterprise savers reported that they were still operating their business. Read the [2020 Impact Evaluation Report](#) for more takeaways.

Senator Anderson inquired why IDAs can be used for debt payments:

IDAs can support debt modification so long as it is part of a saver's personal development plan within another allowable purpose. For example, IDA savers working towards



homeownership may have medical bills or student loans that impact a saver's credit score thereby limiting their ability to qualify for a mortgage loan. Utilized in this manner, IDA can mitigate a barrier to homeownership for people with low to moderate incomes.

Senator Patterson asked about the maximum amount savers can save with an IDA:

The amount of savings for an IDA is capped by the max amount of the match a saver can receive. An individual saver may not receive more than \$3,000 in matching funds in a 12-month period and no more than \$20,000 per IDA. For example, if a participant saves \$1,000 and receives the typical match rate of 3:1, they will have \$4,000 to put towards their savings goal. This saver could save \$1,000 for five years.

Senator Patterson also asked how long savers can save in the IDA program:

The amount of time a saver participates can range from six months (for youth saving towards smaller assets) to upwards of five years (for larger savings goals, e.g., down payment for a home). The average period of savings is typically 2-3 years. IDA savers can deposit as much money as they want into their savings account to align with their savings plan and savings goal. The duration savers are in the program is based on their ability to increase a mandatory minimum monthly savings deposit of \$25.

Senator Patterson's last question was related to program growth and whether there is a waitlist:

Many IDA providers have waitlists. The IDA Initiative's growth potential is limited by availability of funds, as IDA's infrastructure of fiduciary organizations and network of community partners are well positioned to accommodate double or even triple growth. The demand for IDAs in Oregon will continue to climb as our economy recovers over the next biennium. This demand underscores the need to preserve the state's continued investment in IDA. OHCS plans to promote growth in IDA by leveraging IDA funds with other sources as we navigate a post-pandemic economic environment. A few examples include:

- Integrate IDA with OHCS Homeownership Division's infrastructure to optimize policy and programmatic design that includes IDAs
- Align goals and outcomes between Homeownership Centers and IDA fiduciary organizations offering Homeownership IDAs
- Create potential access to funding associated with goals of the state and community partners to address the racial bias and disparate impact homeownership in Oregon has on Black, Indigenous, and People of Color (BIPOC) communities
- Address financial barriers to purchasing homes – with consideration for the unique needs of both rural and urban communities – by leveraging OHCS bond and down payment assistance funds with IDA savings and match

Chair Jama asked about the geographic reach of the program and who is served:

IDA's infrastructure allows the Initiative to balance the need for service delivery and asset-building for both metro and rural communities and allows Oregonians to access IDAs in all 36

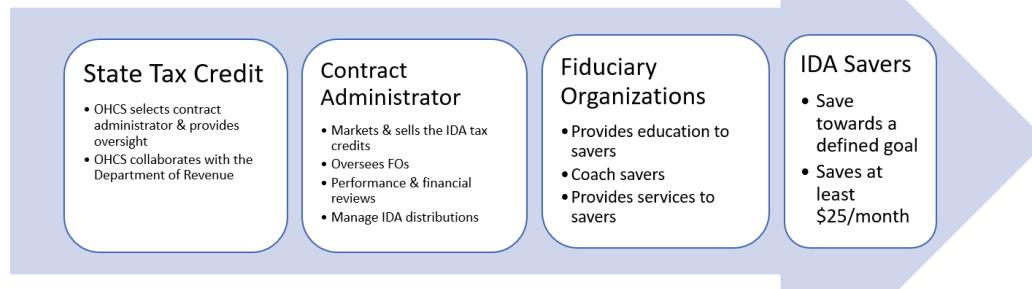


counties. With this said, the IDA program is under continuous improvement. The Initiative has identified a few service gaps in rural counties with lower population rates and IDA partners are committed to finding new ways to reach these communities. Program highlights from 2019-20 detail the reach of the IDA:

- 29% of IDAs were opened by households in Oregon's rural communities and IDAs were opened by residents in 32 of Oregon's 36 counties over the last three years.
- Oregon's communities of color participate in the IDA program with 53% representation based on the following demographics: 6% Asian or Pacific Islander, 13% Black/African American, 25% Hispanic/Latinx, and 9% Native American.
- The top three IDA savings goals were 34% home purchase, 29% education, and 20% to start a small business. Other significant savings goals went toward vehicle purchase or repair, assistive technology, home repair, rental assistance, and retirement savings.
- Most savers are living on extremely low or very low household incomes with 26% extremely low, 26% very low, 40% low, and 8% moderate. Most households earned less than 50% area median income.

Senator Linthicum asked how funds flow from the state to the IDA saver:

For background, the IDA Initiative is a collaborative effort. It is funded with contributions by individuals and businesses which qualify for the Oregon IDA Tax Credit. OHCS provides oversight and leadership capacity to support the Initiative in its entirety in collaboration with the Oregon Department of Revenue. Neighborhood Partnerships (NP), a statewide nonprofit, serves as the program contract administrator for the IDA Initiative. NP provides a number of services, some of which include marketing and selling IDA tax credits, overseeing fiduciary organizations, completing performance and fiscal reviews, and managing IDA funds to include distribution and investment. NP also provides technical assistance to fiduciary organizations and collaborates with them, throughout the year, to advance work on a number of key projects to support the program. Fiduciary Organizations (FOs) are direct service providers. FOs provide IDA savers with financial education, coaching, and other support services until they achieve their savings goals. IDA savers 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. This is detailed in the graphic below.



OHCS provides funding authority to NP to allocate IDA funds as grants to 10 FOs. The two FO networks further allocate funds to sub-grantees. OHCS authorizes NP to sell the state's investment of \$7.5M Oregon IDA tax credit. NP maintains all IDA funds accounts and disburses funds to FOs to support program and administrative costs and for the disbursement of IDA match funds to IDA savers. In some cases, the IDA match funds are paid directly to a third-party, such as an Institute of Higher Education or a Mortgage Lender.

Senator Linthicum asked about historical state general fund investments for IDAs:

IDAs currently receive a baseline of \$7.5 million a year in tax credits. Historically, this tax credit provided investors 70 cents in tax credits for every dollar of investment (70% credit value) meaning the \$7.5 million tax credit could raise approximately \$10.7 million. Due to federal tax code changes that made the credit less valuable to donors, selling the tax credit has become more challenging. In the 2019 session, the credit value was increased to 90% meaning the \$7.5 million in state investment *could* raise \$8.3 million for the program in the tax credits are fully utilized.

Tax credits sales have varied in recent years: 2016 revenue was \$10.85 million, 2017 revenue was \$10.91 million, 2018 revenue was \$10.8 million, 2019 revenue was \$7.3 million, 2020 revenue was \$7.2 million. Due to the tax credit short fall in 2020, the IDA received \$2 million in General Fund in the August 2020 Special Session.

Senator Linthicum also inquired about administrative resources for the IDA Initiative:

IDA's yearly budget for oversight, operations, and management is \$1 million, which includes OHCS' cost (\$100,000). IDA fiduciary organizations' program and administrative budgets vary by organization and average at 20-25%.

Senator Linthicum raised concerns about the ability for savers to access their savings as outlined in Senate Bill 82 and potential concerns about abusing access:

Director Bell had to leave the hearing before this question was raised due to previous commitments. This letter provides some context, but the agency would be happy to come back to discuss this issue with the committee.

Senate Bill 82 provides additional flexibility to savers to access the money they saved. To clarify, savers only receive matched savings *if* they meet their savings goal. IDA savers are not able to withdraw matched savings for emergency purposes, under Section 6 (2)(a). OHCS believes savers are best poised to know when they are facing a crisis or emergency and need access to their funds. Our goal is to remove barriers for Oregonians facing hardship and allow savers immediate access to their savings.

IDA savers complete financial education and are better poised than most low-income Oregonians to weather financial distress. They learn about predatory or risky lending as part of their comprehensive education, which makes it difficult if not impossible to regain



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financial stability. That education also includes budget creation and management. We know from exit data that IDA savers are more likely to continue to utilize a budget than the average American. To put it shortly: IDA savers are financially responsible individuals.

Initiative data does not indicate a history or pattern of unauthorized withdraws as referenced in the statute. Program design helps to ensure success is achieved through close one-one coaching between IDA saver and IDA provider. Any withdrawals from saver accounts are discussed, approved, and coordinated between saver, provider, and the financial institution where saver accounts are held.

SB 82 also ensures IDA savers are not punished for a financial emergency. The current statute is too rigid and provides a time limited opportunity for savers to get back on their feet. If 2020 has taught us anything, it's that government and government programs must be nimble in order to best respond to Oregonians in crisis. SB 82 builds in needed flexibility to the IDA program.

Thank you for the opportunity to discuss the IDA program and the improvements OHCS is seeking through Senate Bill 82. Please reach out if you have any questions,

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