

New Mexico Assets Consortium

Managed by

Prosperity Works



Individual Development Account Procedures Manual

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Section 1. New Mexico Assets Consortium

Welcome to the New Mexico Assets Consortium Individual Development Account (IDA) Procedures manual. This asset-building project is being implemented with the cooperation and resources of many partner organizations. Prosperity Works established the Asset Consortium in 2004 in order to create a best-practices network, reduce project administration costs, and decrease the project start-up time commonly associated with launching new IDA initiatives. Tools have been developed that are easily adaptable for local use. Prosperity Works is committed to providing excellent technical assistance, collaborative fundraising, and high-quality professional development to partners in the Consortium.

Glossary of Terms

Below are some basic terms that all Consortium organizations should use in common in order to facilitate communication. These are terms that “brand” our services, and that help promote the philosophy of the Consortium.

Applicant / Participant – A person with whom you are working to verify that he/she is eligible to open an IDA.

Asset Coach / IDA Coach – Each Consortium organization has one or more staff members who are assigned the role of Asset Coach. This person is a resource to help savers be successful in their IDA, but they are not in charge of savers’ success. Expectations of an Asset Coach are listed in Section 3.

Coaching – We believe that every IDA Savings Partner is creative, resourceful, and whole. Given the knowledge, resources, and opportunity, we believe that our savers know best what they need to move ahead in life. It is from this perspective that we approach our work, and coach the savers through their self-established goals.

Dormant Accounts – A saver’s bank accounts with no deposits, or activity within 6 months is considered a dormant account. At this point, the Financial institutions may charge a dormant fee and/or close the savers account.

A dormant account in the IDA program might exist when a saver has passed their expected purchase date with no plan for purchase of the asset.

EIN – Employer Identification Number. An identifier provided to a business entity by the federal IRS at no charge. This is required for many business transactions, including opening a business account at a financial institution, and bidding on many contracts and jobs.

EITC – The Earned Income Tax Credit (EITC) is a federal tax credit. If a person had earned income during the year and he/she falls within the federal income guidelines, he/she may be eligible for this income tax refund even if she/he does not owe any taxes.

Earned Income – Earned income are funds that are earned by working. Non-taxable income is not usually earned income. Combat pay is an exception, and there may be others. Most funding for IDAs requires that savings come from earned income.

Emergency Withdrawal – A Savings Partner needs to withdraw funds due to life emergencies such as: foreclosure or eviction, funds for living expenses, job loss, or medical expenses.

Enrolled – A person is considered enrolled after they have: (1) verified income eligibility; (2) met all the necessary qualifications to become a Savings Partner; and (3) the Asset Coach has determined that the potential saver is ready to open their IDA savings account.

Enrollee – This is a person you have determined to be enrolled in the IDA savings initiative and have met the eligibility qualifications. An IDA savings account should be opened within 30 days after enrollment.

Income – Income is the total earned income coming into a household. IDA funding sources set limits on the maximum household income for IDA eligibility.

Individual Development Account (IDA) – An IDA is a matched savings account that is set aside to help someone save for, and invest in, an asset that will help him or her build a more stable economic base and a more self-sufficient financial future. Consortium partners determine the rate of the match account. Our program allows anywhere from a 1-to-1 up through an 8-to-1 match. This is determined by the partnering agency by taking into consideration the income level of potential Savings Partners, expected participation, and the agency funds available.

Internal Review / Site Visit – At a minimum of annually, Prosperity Works will conduct a review of IDA files that are kept at the partner’s location. This review is to ensure consistency of project records throughout the statewide initiative, as well as to ensure compliance with the rules of funding sources.

Matched Withdrawal – A matched withdrawal is a withdrawal of savings from a custodial savings account that is eligible to be matched with IDA funds.

Perkins Eligible Education Institution – This is an educational institution falling under the U.S. Higher Education Act. These are educational institutions for which IDA funds can be used because they meet federal standards. One simple way to find out if a school is “IDA eligible” is to ask their financial aid office if they are able to receive federal Pell grants. If they are not, or if they do not know what you are talking about, then it is possible that the IDA funds cannot be used there. IDA funds are not Pell grants. You can check an institution’s eligibility at <http://ope.ed.gov/accreditation/Index.aspx>

Purchase Plan – A Purchase Plan is the blueprint for how to accomplish the required savings for the IDA asset (business, home, education, automobile, home repair) being saved for.

Qualified Purchase Plan – Business – This is a business plan that has been reviewed and approved by a Small Business Development Center (SBDC), a micro-enterprise development organization, or a financial institution that makes business loans. With approval from Prosperity Works, other kinds of organizations can be utilized to review and approve business plans. The plan must include a description of services or goods to be sold, a marketing plan, and projected financial statements.

Qualified Withdrawal – This is a withdrawal of savings from a custodial account that is allowable under Plan rules.

Savings Partner - This is someone who is enrolled in the IDA plan and is saving in a specified custodial account. S/he is generally referred to as a Savings Partner.

Successful Purchase – This occurs when a saver purchases his/her assets on or before the agreement date.

Web Site – Web site refers to the *prosperityworks.net* web site. We have a page with New Mexico Assets Consortium Resources including all the various forms needed to enroll, coach, and cash-out a saver in the IDA program.

Section 2. **Becoming a Consortium Partner**

Prosperity Works will begin the site-readiness process through an initial interview with the organization wishing to join the Consortium and offer IDAs. A Capacity Statement will be requested, which helps the organization determine how to effectively provide IDAs, and how to develop a strategy for offering IDAs through their organization. The Capacity Statement gives Prosperity Works a snapshot of the IDA program being developed. Next, a meeting will take place to understand the unique situation of the potential Consortium partner. At this time, the Memorandum of Understanding (MOU) will be discussed, and a signed copy will be requested at the time of the meeting along with the following:

- The Agency’s New Mexico tax exempt letter.
- The Agency’s current financial audit. (If an audit is not required, the Executive Director or financial director must provide us with a letter stating that this is the case. (Agencies with a budget of \$500,000 or more in federal money must have a financial audit submitted to Prosperity Works every year.)
- Signed Site Management Agreement form from the New Mexico Asset Consortium Policies and Procedures manual. (This is the last page of this manual.)

The MOU will spell out the obligations of each party, general agreements, and program fees.

Prosperity Works provides match funds for IDAs to partners willing to provide IDAs to their community.

These and other options, such as goal amount, match rate, fund collection process, etc., will all be spelled out and determined in the MOU and/or addendum, which must be signed by the agency and retained in Prosperity Works’ files.

Data Collection, Evaluation Tools, and Saver Communications

The primary project funders require certain sets of information to be gathered and tracked regarding Savings Partners.

Data Report: Each year all demographics, financial information, savings information, and asset purchase information is compiled in a required report for our funders. Consortium partners are required to monitor and verify saver data in the database provided.

Ongoing Evaluation: Prosperity Works periodically initiates evaluations that help demonstrate the effectiveness of asset building strategies. Prosperity Works maintains the right to have direct communication with the Savings Partners in order to collect customer service data, as well as impact data.

Saver Communications: Prosperity Works also maintains the right to have direct communication with the Savings Partners at any time during the IDA cycle.

Partnership Agreements

Each New Mexico Assets Consortium (NMAC) partner has signed a Memorandum of Understanding (MOU) with Prosperity Works that defines the roles and responsibilities of each organization.

Each NMAC partner is expected to attend orientation, training, and meetings as follows:

Mandatory training and meetings:

- Executive Director and Asset Coach orientation
- Asset Coach training
- Tracking database training
- Annual NMAC meeting (usually scheduled in the autumn)
- Financial Asset coach training class needs to be taken within 3 years of signing initial MOU
- Review Best Practices, and Asset Coach Expectations documents

Fund responsibilities:

- Prosperity Works provides funds to match local funds obligated by Consortium partners. The following items are determined by the partnering agency:
 - rate of match
 - savers' maximum goal that will be matched
 - which assets will be offered for the IDA (could be all of them, or select assets)
 - timeline by which funds must be disbursed

The IDA saver's file at each of the partner organizations is owned by Prosperity Works. Prosperity Works is tasked with ensuring compliance with all funding guidelines that are available to match savers' deposits. If state funds are used to match, all non-state funds that are used for matching state funds will follow state requirements.

In our role as program administrator, Prosperity Works is mandated to monitor the "sub-grantees" (NMAC partner organizations) use of match funds. Although the match funds are not physically distributed to the partner organizations to manage, each time an IDA is opened the partner organization is obligating match funds for which Prosperity Works is accountable. Each partner receives an annual site visit audit of their files and compliance with the rules. Items collected at the site visit are:

- Sub-grantees Compliance Instructions form.
- Photo release form for any new IDA staff.
- Current financial audit. (If no audits are required, the Executive Director or financial director must provide us with a letter stating that this is the case. Agencies with a budget of \$500,000 or more in federal money must have a financial audit turned in every year.)

- A new Capacity Statement, requesting additional match funds for more IDAs.
- Files of Savings Partners who have cashed out.

Prosperity Works Procedures for Handling Additional Grant MOUs

1. A new MOU will be sent to the participating agency with information about new funds.
2. Partner agencies will sign the MOU. MOU's can be signed electronically or paper and pen. If the agency chooses to use paper and pen, please return two original copies of the signature page of the MOUs to Prosperity Works.
3. When the signature pages of the MOU are received by Prosperity Works, they will be directed to the Office Manager, who will ensure the MOU is signed by Prosperity Works' CEO.
4. The Office Manager will verify that the proper signatures are present.
5. The NM Asset Consortium Director will then ensure that the Capacity Statement, agency financial audit, and the state tax exempt letter are all present.
6. The Office Manager will send one of the original completed signature pages of the MOU and Addendum to the partnering agency and will file the second copy in Prosperity Works' MOU file after notifying the NMAC Director that the MOU was received.
7. The NMAC Director will verify the MOU and update the Capacity Statement, then it will be placed in the agency's file.

New Grant – Fund Preparations

The NMAC Director will verify previous requests from partnering agencies for match funds as documented in the Capacity Statement or other communications between Prosperity Works and partner agencies, and will:

- Send out emails to confirm that match funds are available to match partner local fund obligations.
- Send out emails of fully funded IDA funds being offered to agencies to get confirmation of acceptance of funds.
- Changes will be updated when new funds and obligations are confirmed to partners, along with a request for a completed Capacity Statement for file.
- The suggested timeline for the complete IDA process follows.

Elements of the IDA -- General Timeline

The timeline below provides a picture of the full process of initiating IDA services:

Estimated Timeline – 18 Months

<u>Time Frame</u>	<u>Action</u>
Partnership development	<p>Partnership MOU developed by Prosperity Works and the organization's Executive Director. Then, when finalized, staff are selected to serve as coaches.</p> <p>Training of Executive Director and asset coaches in the NMAC/IDA programs which is offered once or twice a year. Training consists of: organization orientation for all involved in the NMAC -- IDA asset coach training, database tracking, and financial coach training. Sometimes, there is a fee associated to the financial coach training.</p>
1 st to 6 th month, to end of grant	<p>Recruitment of clients. This is ongoing until slots are filled, or up to 9 months before the grant deadline. No new clients should be enrolled after 9 months to the end of the grant.</p> <p>Financial education classes and coaching are ongoing until enrollment is complete and all savers, or possible clients, have completed the class.</p>
3 rd to 6 th month, to end of grant	<p>Enrolled in the IDA program.</p> <p>Formally opened up an account with an authorized financial institution and making monthly deposits. This will continue until the goal is met, which should match with the expected purchase plan and saver's end date. If a saver does not purchase soon after reaching their goal, they should make a small deposit every six months to keep the account from becoming dormant.</p>
1 st to 3 rd month Asset plan development – as soon as the saver is ready; best practice is to begin the plan early	<p>Asset plan development should start within the first 3 months. (This takes a while but must be completed before submitting a withdrawal request.)</p> <p>Meet with external resources to complete needed portions of the asset plan (first-time home buyers' information, small business development centers, school advisors, etc.).</p>
7 th month or 4 th months prior to purchase request	<p>Saver must have received financial coaching before withdrawal. Asset Coach must log meeting into the saver's file. This will allow a withdrawal when requested.</p>
12 months into the saving process; verify just prior to purchase request that asset plan is in saver file	<p><u>Business IDA:</u> Complete a qualified business plan and have it reviewed and by a small business development center or a certified micro-enterprise organization.</p> <p><u>Education IDA:</u> Be ready to enroll, or be enrolled, in an institution for higher education.</p> <p><u>Home Purchase IDA:</u> Complete final purchase agreements with home purchasing agencies, lenders, and home purchase assistance for home ownership.</p> <p><u>Home Improvement / Repair:</u> Complete the home improvement plan and get two estimates.</p>

	<p><u>Vehicle Purchase or Payment on Vehicle loan:</u> Develop a purchase plan, have assured credit, start search for vehicle, establish insurance.</p> <p>Each of these milestones must be provided to NMAC director to complete the matched withdrawal.</p> <p><i>All of these are time-sensitive tasks. Work with the saver to determine estimated withdrawal date at the time of enrollment.</i></p>
5 weeks before the anticipated date of withdrawal	<p>Request withdrawal of funds for the asset. This should be done <u>at least 4 weeks prior to the date the funds are needed.</u> Withdrawals can start as soon as 6 months after savings begin and all requirements are met.</p> <p>Partial withdrawals are allowed for each asset but are most common for the education asset. Partial withdrawals may be requested after all savings requirements are met.</p> <p>An exception is the education asset. The saver may request partial withdrawals -- up to the amount currently saved -- before fully reaching his/her established savings goal.</p>
Within 60 days after final asset purchase of the saver's IDA	<p>Saver's file must be returned to Prosperity Works. Confirm that the file is complete and closed out, and return it to Prosperity Works by mail, or arrange for pick up at the site visit. Copies may be made for your organization's files, but originals must come to Prosperity Works.</p>

Program Administrative Fee

There is a 15% program administrative fee that is charged on the local match funds, whether provided by your agency or Prosperity Works. Prosperity Works will invoice the agency for the 15% program fee once the match amount has been confirmed in the MOU process.

What To Do If Things Go Wrong

First: Please voice your need or concern to the NMAC Director at Prosperity Works, 505-217-2747. Be clear about what is and is not working for you. Your issues will be responded to immediately. Your ideas will help improve the process as the project continues to grow. ***Please speak up.***

Second: Work with Prosperity Work's CEO to create a plan to resolve concerns. Together we will work to put in writing what you should expect to happen from the project administration personnel, as well as resources that will be provided to the local agency.

Third: If you have issues that are not being resolved, it is your Savings Partner who is the one at risk. Our goal is to do whatever it takes to ensure that measures are taken to keep the project running as smoothly as possible. If your issues have not been resolved, contact the Prosperity Works CEO directly and indicate the steps you have taken with the NMAC Director to resolve your issues, but that have not worked.

Every bit of input and feedback you and your Savings Partner provide is exceptionally valuable to maintaining a smooth and effective model project that has the highest possible impact for those we serve.

Section 3. Managing Your IDA Initiative

Asset Coach Expectations

The Asset Coach is someone who manages the IDA activity. The asset coach is an added resource to what the Savings Partners have available in their toolbox for success. The IDA process is just one thing that the asset coach is responsible for in his or her job. Working with the saver early on in the process, and using coaching rather than case-management techniques, will afford the Asset Coach much more time and many fewer headaches. Some savers need more assistance than others. However, all savers need to be motivated to earn the offered match on their savings.

There are two basic principles of effective coaching. First is that people can't be coached if they don't want to be. Second is that **people themselves**, not their asset coaches, **are responsible for their own performance and their motivation to establish new habits.**

Asset Coaches create optimal working conditions – they provide support and help to remove barriers to achieving peak performance.

Required Activities of an Asset Coach in Delivering IDAs

- Complete a contract (in the form of the IDA Participation Agreement) between the Asset Coach's organization and the IDA Savings Partner, outlining the expected results and the amount of time they are willing to invest in the process. (This form may be updated as needed by the asset coach and saver.)
- Work with IDA Savings Partners to create a budget that supports their savings goals, and to determine the amount of designated monthly deposits necessary to achieve those goals.
- Ensure access to financial capability training.
- Guide the saver through the asset purchase plan process and define the specific steps that are required to achieve asset purchase. This includes providing community resources that can support the IDA Savings Partner in both creating and completing the asset purchase plan.
- Work with the IDA Savings Partner to successfully complete the necessary paperwork, forms, and training related to the IDA savings opportunity.
- Document the date, results, and follow-up steps for each contact you have with the IDA Savings Partner in the Contact Log.

Best-Practice Activities of an Asset Coach

- Review the Savings Partner's credit report with him/her and refer the saver to a credit counselor if credit rebuilding help is needed.
- Meet with the saver on a regular basis to review his/her progress and create ideas for action if needed.
- When possible, the asset coach should provide information about resources and training that is available to the Savings Partner.
- Send a note to celebrate saver successes.
- The asset coach should become familiar with the saver's family subsystems that can be used to support the Savings Partner's progress.

Characteristics of an Effective IDA Asset Coach

- Has the ability to see strengths in every saver.
- Understands that savers choose for themselves.
- Has active listening skills.
- Is careful not to offer advice, but rather supports the saver in finding his/her own solutions.
- Respects savers' differences; values diversity.
- Understands that savers are the experts on their own lives.
- Looks for ways to frequently acknowledge the saver's progress.

Credit Coaching / Rebuilding

Throughout the time period of a Savings Partner's savings process, helping the saver know and understand his/her credit score is essential. We most often think of credit with home ownership. However, it is also critical in obtaining school and business loans, and in creating business accounts with vendors. Even more critically, a sound credit score will enable the household to have greater disposable income by paying lower interest fees on many essential needs.

At a minimum, the Asset Coach should pull a credit report at the start of the savings initiative. Asset Coaches and/or local credit counselors should work with the Savings Partner to check for errors, or possibly identify theft issues. The ongoing need for credit advice, as well as advice on how the saver can protect her/himself from identify theft, is an excellent opportunity to bring the full group of participants back for special sessions. This will also help with retention and encourage participants to remain engaged in the savings and goal-setting process.

File Management

The primary saver's file will be kept at the local site throughout the term of the Savings Partner's saving period. Within 60 days of the asset purchase, the Savings Partner's file is to be transferred to the Prosperity Works office for retention. If you need a copy of the file for your own records, you can make a copy prior to transferring the records to Prosperity Works.

Step-by-Step for File Management

1. Pull out any information that is not required by Prosperity Works before sending the file to Prosperity Works after the asset purchase or termination of the saver's initiative.
2. Ensure that the required documents are in the file that is sent to Prosperity Works, including a record of all contacts you had with the saver. If you keep these records electronically, please provide them electronically to Prosperity Works.
3. Double check to see that you have all the required information in the file that is transmitted to Prosperity Works. Required information in each file is:
 - Application with all verifications attached.
 - Rationale or worksheets used to determine eligibility.
 - Participation Agreement.
 - Record of contacts with the saver during the time of the IDA.
 - Copy of the financial education completion certificate.
 - Completed and approved Purchase Plan.
 - Signed withdrawal form(s).
 - Verification of eligibility for withdrawal.
 - Documentation of Asset Purchase.

Annual Site Visit

Prosperity Works will arrange an annual visit to your site in order to audit your files and ensure that you are enrolling eligible participants, and to confirm that all the verifications are kept in the participant's file.

Step-by-Step for Annual Site Visit

1. You will receive a letter no later than two weeks prior to the scheduled visit with the proposed date and time of the visit.
2. Documentation that will be requested during the visit includes a sampling of participant files for review, verification that the partner MOU is up to date, a copy of your most recent audit (if applicable), and an updated Capacity Statement identifying your current IDA target market and strategy (if needed).
3. Files of closed IDA participants will be requested for transfer to Prosperity Works.
4. An interview with the Asset Coach and the Executive Director is required to learn how the project is going.
5. You will receive a follow-up report of the site visit that details any issues of non-compliance with file management, and you will be asked to correct those issues and demonstrate the corrections in writing within 45 days of receiving that letter.

Section 4. Application, Eligibility, and Enrollment

The IDA application is the beginning point for determining eligibility. The application collects the demographic data that is required by Prosperity Works, as well as the income information that is needed to determine if the applicant is eligible. **It is essential to double check all parts of the application for completeness.** Each and every question on the application form is a *required* question. Make sure that you have supporting documentation for all answers in the Income sections of the application. Asset Coaches should check the address information against the applicant's photo ID, and check that the application has the most recent—and complete—address information available. Very often an applicant leaves out an address indicator such as NW, SE, or an apartment number. In the section that requests an additional contact person, make sure you confirm that this is someone who does not live in the home. (Also, check that you have the most recent and complete address and phone number for that contact.) Collect email addresses, when possible, because those don't seem to change as often as phone numbers or even addresses. Check as closely as you can for full and complete information.

The information from the **IDA Application** will be entered by Prosperity Works staff into the tracking database. Prosperity Works staff will verify eligibility calculations again, but it is the Asset Coach's responsibility to ensure that the information provided is correct, according to the applicant, on the supporting documents collected. These supporting documents should be kept in the saver's file. It is important to show your rationale for determining eligibility. This can be accomplished on a worksheet that demonstrates how the income was figured and compared with current federal poverty guidelines/AMI.

There are two elements to determining financial eligibility:

- Amount of household income.
- Whether the household has earned income.

Each of these elements must have verification and documentation for eligibility. Occasionally sources of matching funds may impose additional requirements. For example, New Mexico state funds require that a participant be a citizen of the U.S., a New Mexico state resident, and over the age of 15. Other funders may have very targeted geographic or participant demographic requirements. The Asset Coach should be aware of any requirements for the source of funds being used by your organization to offer the IDAs.

The eligibility checklist below is taken from the Participant File Checklist (available on the Prosperity Works web site) and outlines the eligibility requirements. The checklist guides the Asset Coach regarding acceptable documentation to be kept in file for each potential saver. Discussion of each of the eligibility requirements follows this checklist. **Keep in mind that tax laws change from time to time and may differ from those that were in effect at the last review of this document. If a partner enrolls an IDA Saver who is not eligible, the partner agency must reimburse the saver's match fund to Prosperity Works.**

Application Package Contents

Each application package needs to have a checklist included on which the Asset Coach has identified what documents are on file as verification of the claims in the application. It is important to freely make notes and comments to clarify any missing documentation, or other decisions made by the asset coach. *Initial and date all comments!* **It is important that the information in the file, and the rationale that is used to make decisions, be traceable.**

Eligibility checklist:

- IDA Participation Application (complete with signatures).
- Does the Saver have current earned income? Provide one (1) of the following:
 - Current pay stub of saver (within the last 30 days).
 - Completion of the self-employment verification form for saver (within the last 30 days).
- What is the household's adjusted gross income?
 - Most recent IRS tax forms for all members of the household.
 - In addition, if the applicant is a business owner, provide one (1) year of NM CRS filings.
 - The one (1) most recent month of employment pay stubs for all household members if tax forms from the immediate past year are not available.

The following three requirements apply only when using **New Mexico state funds** as matching funds.

- Does the applicant live in the state of New Mexico? (You need **ONE** of the following documents.)
 - Utility bill (in the applicant's name).
 - Rental/lease agreement (in the applicant's name).
 - Voter registration card.
 - Social services statement.
 - New Mexico Real ID.
- Is the applicant a U.S. citizen or legal permanent resident? (You need **ONE** of the following documents.)
 - Tribal registration card.
 - U.S. passport.
 - Birth certificate.
 - Green card.
- How old is the applicant? Generally, only adults open IDA accounts. Exceptions can be made with permission from Prosperity Works to open an account for a young adult. However, most asset purchases require that the young adult be 18 years old to purchase. (You need **ONE** of the following documents.)
 - State (Real) ID.
 - Birth certificate.
 - Passport.
 - Tribal registration card.

Amount of Household Income

To **be eligible** to open an IDA, the applicant must be in a household whose total adjusted gross income is less than 200% of the federal poverty guidelines or 80% AMI. The potential Savings Partner should have his/her own source of earned income.

Income eligibility can also be achieved if: (1) the applicant is eligible for TANF; or (2) the applicant is eligible for the Earned Income Tax Credit (EITC).

For a current listing of the Federal Poverty Guidelines, please go to

[2023 Federal Poverty Guidelines / Federal Poverty Levels \(payingforseniorcare.com\)](https://www.payingforseniorcare.com/2023-Federal-Poverty-Guidelines-Federal-Poverty-Levels)

In New Mexico there are times in which close examination of how the “unit” functions will be necessary if two or more families are dwelling together. Due to overcrowded housing, more than one family unit often exists under the same roof. Shared food and shared expenses may define several families as one household, but it is not an open-and-shut definition. It is important to gather information on how the family units’ function, and how they complete their IRS Form 1040. This will assist in determining the definition of “household.” It is possible for a committed couple to live together or with one of their families, and they keep most expenses separate. If they file taxes separately, and keep their primary expenses separate, they can be considered separate family units.

Note: If you have an applicant that you believe may be eligible for the Earned Income Tax Credit, but you do not see from the tax return that the EITC has been claimed, please let them know to claim that credit. Taxpayers may claim up to 2 years prior for credit.

Families do not need to be re-qualified each year. Income eligibility is determined at the time of opening the account. It is not revisited. If a household goes over the initial income amount during the course of savings, it is okay.

However, if a Savings Partner has completed a savings plan and exited the program, and you choose to allow that partner to open a new savings plan, then you do need to re-qualify that person with up-to-date information.

Documentation for income eligibility needs to be gathered and kept in the Savings Partner files. Remember, you are gathering income information to fulfill two requirements: (1) that the person or household currently has earned income coming into the household; and (2) that the full household adjusted gross income is under 200% of the federal poverty guidelines, that it qualifies for EITC, or that it qualifies to participate in TANF. **See the checklist in the following pages for documents that may be used to verify income.**

Income eligibility is based on **adjusted gross income**, which is the calculation of a person's income (e.g., from wages, salaries, tips, dividends, business income or loss, and other sources), **less deductions and expenses** allowed by the IRS (e.g., student loan deductions, self-employment tax, self-employment health insurance, and so forth). ***The adjusted gross income is the amount shown on the IRS Form 1040.***

The household adjusted gross income is simply the **sum of all household members** adjusted gross income. The simplest way to determine this is through adding the adjusted gross incomes that appear on each household member's federal tax forms.

Earned Income – IRS Definition

The IRS defines "Earned Income" as described below.

Earned income (IRS definition) includes all of the following types of income:

- Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employees' pay, such as certain dependent care benefits and adoption benefits, is not earned income. *But there is an exception for nontaxable combat pay, which you can choose to include in earned income, as explained below.*
- Net earnings from self-employment.
- Gross income received as a statutory employee. (Generally, this means an independent contractor.)

Following are detailed descriptions of many of the types of income that would be considered "earned income":

Wages, salaries, and tips: Wages, salaries, and tips you receive for working are reported to you on Form W-2. You should report these on Form 1040EZ or Forms 1040A and 1040.

Nontaxable combat pay election: You can elect to have your nontaxable combat pay included in earned income for the earned income credit. The amount of your nontaxable combat pay should be shown on your Form W-2 with code Q. Electing to include nontaxable combat pay in earned income may increase or decrease your EIC.

Net earnings from self-employment: You may have net earnings from self-employment if:

- You own your business, or
- You are a minister or member of a religious order.

Minister's housing: The rental value of a home, or a housing allowance provided to a minister as part of the minister's pay, generally is not subject to income tax, but is included in net earnings from self-employment. For that reason, it is included in earned income for the EIC (except in certain cases described in *Approved Form 4361 or Form 4029* below).

Statutory employee (generally this means an independent contractor): You are a statutory employee if you receive a Form W-2 on which the “Statutory employee” box is checked. You report your income and expenses as a statutory employee on Schedule C or C-EX (Form 1040).

Strike benefits: Strike benefits paid by a union to its members are earned income.

Disability benefits: If you retire on disability, the benefits you receive under your employer’s disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. You must report your taxable disability payments on either Form 1040 or Form 1040A until you reach the minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension, and are not considered earned income. Report taxable pension payments on Form 1040, or Form 1040A.

Disability insurance payments: Payments you received from a disability insurance policy for which you paid the premiums **are not** earned income. It does not matter whether you have reached the minimum retirement age. If this policy is through your employer, the amount may be shown on your Form W-2 with code “J”.

Income That is NOT Earned Income

Examples of items that are not earned income include interest and dividends, pensions and annuities, social security, and railroad retirement benefits (including disability benefits), alimony and child support, welfare benefits, workers’ compensation benefits, unemployment compensation, nontaxable foster care payments, and veterans’ benefits including VA rehabilitation payments. Do not include any of these items in your earned income calculations.

Earnings while an inmate: Amounts received for work performed while an inmate in a penal institution are not considered earned income when figuring the earned income credit. This includes amount for work performed while in a work release program, or while in a halfway house.

Workfare payments: Nontaxable workfare payments are not earned income for the EIC. These are cash payments certain people received from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as: (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities.

Community property: If you are married, but qualify to file as head of household under special rules for married taxpayers living apart and who live in New Mexico, your earned income for the EIC does not include any amount earned by your spouse that is treated as belonging to you under those laws. That amount is not earned income for the EIC, even though you must include

it in your gross income on your income tax return. Your earned income includes the entire amount you earned, even if part of it is treated as belonging to your spouse under New Mexico's community property laws.

Nontaxable military pay: Nontaxable pay for members of the armed forces is not considered earned income for the EIC. Examples of nontaxable military pay are combat pay, the Basic Allowance for Housing (BAH), and the Basic Allowance for Subsistence (BAS). See **Nontaxable combat pay election** in the Earned Income section above.

Age Eligibility

In general, anyone 18 years or older qualifies to open an IDA. Exceptions can be made with prior approval for young adults who are interested in opening an IDA. In general, it is important to help a younger saver think through any limitations that age has on their asset purchase in the future. For example, if a person is under the age of 18 and not emancipated, can they enter into a contract to purchase their asset? Young adults who are 15 years or older and are in foster care are eligible for an IDA.

Resident & Citizenship Eligibility

Prosperity Works does not require an applicant to be a US citizen or permanent resident. Occasionally, Prosperity Works raises match funding that requires a saver to be a legal resident or citizen of the United States. In cases where match funding requires citizenship or permanent residency, a partner may choose to enroll undocumented clients by providing the full funding for the saver. Restrictions on match funding will be clarified during the fund obligations process.

Step-by-Step to Determine Eligibility

1. Provide the potential applicant with a checklist of items that s/he will need as part of the application package (found on the Prosperity Works website). Answer as many questions ahead of time as possible, and those questions from the saver, so that you receive a full and complete application package.
2. Review the application for completion; ensure that the applicant has marked each of the areas. Double check with the applicant that the address is complete and correct, that they have added phone, cell phone and emails for themselves and emergency contacts.
3. Use the Participant File Checklist to indicate what documents you are using to determine eligibility, and what documents are to be maintained in the file. Also, initial that you have reviewed and accepted the documents.
4. Review sources of income; double check that all household income is provided. If using tax forms, find the adjusted gross income, and use this as the annual income.

5. Make clarifying notes regarding the applicant on the Participant File Checklist to explain your rationale in determining that the person was eligible. Initial and date your notes.
6. Decide whether or not to move forward with enrollment.
7. If enrolling, send the application and participation agreement to Prosperity Works staff. Prosperity Works will enter the application information into the tracking database , and will send out an Open Account Letter to the asset coach and saver so that the saver can open their account.

Section 5. Setting the Savings Plan & Opening the IDA

Participation Agreement

The IDA Participation Agreement (available on the Prosperity Works website) is a form that must be worked through together between you and your applicant. Never just mail it to the applicant without having a conversation about the contents of the form. It is vital that both you and your applicant understand what is in this form. Signatures are required, and the form must be in the saver's file.

This form is used at the beginning of the application process. It allows the applicant to see the full requirements of the savings initiative before agreeing to open an account. **The saver should be given a copy of this form to keep in her/his records. *When you are coaching a participant that has violated one of the conditions of participating in the IDA opportunity, it is essential to draw the participant's attention back to the Information that is included in the Participation Agreement. (Please note: It is okay for your organization to modify this form in consultation with Prosperity Works. There are some disclosures that are included in the Participation Agreement that are required by various funders, and these must remain. If you wish to modify this agreement, please consult Prosperity works first.)***

When working through the Participation Agreement, you are also working with the eligible participant to **establish their Savings Goal**. It is important that the saver set a goal that is based on need rather than the desire to achieve the full match. *Remember, the saver must be able to use all of the funds prior to the date that the grant expires.*

Excellent coaching is conducted when the Asset Coach starts with the saver's ultimate goal. For example, a business saver may need a total sum of \$2,000 to either launch the business or move it to the next level. With a need of \$2,000 at a 4:1 match ratio, the IDA Savings Partner's goal would be \$400 (to be matched by \$1,600 for a total of \$2,000). Education can be tricky, as well, because *the saver must be able to use the funds before the grant expires.*

Another example of the importance of working with the saver is coaching him/her through the budget exercise. How much can the saver afford (comfortably) to save each month? Using the simple Savings Plan Worksheet (available on the website), the IDA savings Partner is able to visualize how much will need to be deposited into the IDA savings account each month to reach the savings goal. The saver is also able to pre-plan to use potential refunds at tax time as a means of depositing more into the savings account. **No more than 60% of the total amount to be saved may be deposited in one deposit** and still be considered "matchable". Anything in excess of 60% will be considered an over-save, or non-matchable savings. Remember, there may not be withdrawals made from this account without purchasing the asset being saved for or requesting an emergency withdrawal that has very specific criteria. (See Emergency Withdrawal Policy on page 33.)

Determining the Savings Goal

The Savings Partner determines the savings goal, *not* the Asset Coach. The Asset Coach works with the Savings Partner to help determine what may be affordable after a careful review of the household budget and household expenses. It is okay for a saver to have more than one goal, as long as the total sum of the match funds does not exceed total match amount. For example, a saver may need \$2,000 for a new piece of equipment for the business but may also want to save funds for a down payment on a house. The saver is able to have two IDA goals.

Purchase Plans for each asset must be completed prior to requesting matching funds. Excellent coaching includes providing full information to the saver, so as soon as possible, set up a coaching session to provide the format of the required Purchase Plan to the IDA Savings Partner. This is also the best time to introduce any support resources to the saver, such as, Small Business Development office, first time home owner classes, or direct them to the advisor at their educational institution. The sooner the saver begins working with the asset professional and starts on the Purchase Plan, the better. *It is critical that the saver understands up front what the funds can and cannot be used for*, as well as how the payments must be distributed. Purchase Plans are discussed again in **Section 7**.

Home Ownership

The primary funder for the IDA saver accepts IDA funds for home purchase IDA. The only exception is if the Savings Partner has lost his/her home through devastation. In this case, the IDA can be used to partially finance reconstruction of the home. *The qualified purchase costs cannot exceed 120% of the average area purchase price applicable to a residential purchase.*

A qualified first-time home buyer is an individual who has had no ownership interest in a principal residence during the last 3 years.

Eligible use of the IDA funds, i.e., “qualified purchase costs,” means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

Using IDA funds for earnest money – or escrow hold-back on mandated repairs – in order to secure the purchase of a home is only allowable when there is a guarantee that those funds will not be lost if the sale of the home falls through. Generally, the funds are secure when receiving an FHA loan, or when an affordable housing developer is also the entity that is holding the earnest money or escrow. For these situations, contact Prosperity Works before moving forward so that we can ensure the use of the funds falls within the “authorized uses” as stated by our funders.

IDA match funds may be used for home ownership (purchase or construction) in situations where the land is in some form of shared or common ownership, as in land trusts, reservation land, etc. You would, of course, want to be clear on what the IDA saver actually owns, and that

whatever s/he owns is an asset that can be leveraged to build wealth. IDA funds will not be distributed until final closing, or once the home is completed and the Certificate of Occupancy is issued.

There are many things to consider when it comes to a home ownership goal. A primary consideration is that a home, although an asset, also creates a long-term liability for the household. It is important to work closely with an agency that specializes in home ownership in order to help the Savings Partner purchase a home that is affordable over the years.

Special Management Considerations with Homeownership

- Good credit is essential.
- First-time home buyer training is an added resource for the Savings Partner and should happen early in the process.
- Additional down payment assistance programs are available, should be discussed, and should be used to bring the long-term cost of the mortgage as low as possible.
- Verification of use of funds for purchase includes a copy of the executive HUB-1 statement, or equal document.

Business Capitalization

The eligible use of the business IDA account includes the expenses covered in a qualified business plan, including capital, plant, equipment, working capital, and inventory expenses.

IDA funds are made payable directly to a **business capitalization account** that is established in a federally insured financial institution. A business capitalization account is a business operating account (checking or savings) established at a financial institution. The financial institution will only open a business account with proof that a legal business exists – i.e., a business license, or corporate certification if applicable.

This definition is very broad, making business IDAs one of the most flexible uses within this program. The business can be a start-up, retention, or expansion. The IDA can be used for capital purchases, like equipment or real property. An IDA could also be used as “owner equity” if it is placed into a business account, thus providing a means by which the business owner could leverage a small-business loan.

The qualified business plan is a business plan that has been reviewed and approved by a Small Business Development Center (SBDC), a micro-enterprise development organization, or a financial institution that makes business loans. **The plan must include a description of services or goods to be sold, a marketing plan, and projected financial statements.** The financial section of the qualified business plan should show the IDA funds and their use. A Business Plan Checklist (which can be found on the Prosperity Works website) must also be signed by the reviewer.

Special Management Considerations with Business Ownership

- Good credit is essential to receiving a business loan, and in opening business credit accounts with local and national vendors.
- The business plan development process can be lengthy and may take extensive training, as well as one-on-one assistance.

Post-Secondary Education

There are many eligible uses of IDA funds for education. They include items that are required to enroll and attend such as tuition, fees, supplies, books, and equipment. It also includes costs that are needed to stay enrolled such as past education debt that restricts the ability to enroll, housing, parking, or other enrollment/retention costs. Approved post-secondary institutions must be certified under the Perkins Act. Eligible uses above are intended to be illustrative and should not limit other potential expenses that impact enrollment or retention in college.

Educational expenses can be paid directly to a variety of vendors that support enrollment and retention. Expenses should follow the Education Plan which has been approved by an educational career counselor, advisor or internal staff qualified to work with life/family planning issues.

Special Management Considerations with Education

- An Education Plan should include projected use of IDA funds.
- The asset-purchase check(s) may be written to the educational institution, its designated bookstore, or vendor that carry the supplies or equipment needed.
- If you have a saver that needs to purchase something for their school through a different vendor, this is allowed.
- If the saver is unable to purchase their items by check, other payment methods are allowed.
- If you encounter a complex payment issue, please speak with NMAC director for assistance for support before making any purchases.
- Career counseling is an excellent support for education IDAs.
- Scholarship and financial aid should also be explored with the saver to help with the costs of education.

Vehicle Purchase/Payment

This asset has unique guidelines. The vehicle is considered necessary to ensure transportation to a job or for getting to the site of education. Must have purchase agreement or bill of sale to access funds. Funds may pay one-time car insurance, title, registration fees and/or car warranty. (Salvaged title vehicle or substantially overpriced is not eligible.)

Special Management Considerations with Vehicle IDA

- The saver must be 18 years of age.
- Must have a current driver's license.

- Be able to obtain and maintain auto insurance.

When purchasing a used car from an individual it is required to provide:

Vehicle Carfax

Kelly Blue Book Value

Home Improvement / Repair

The following are guidelines for this IDA asset. This asset is to support the homeowner with assistance to maintain good living conditions, bring the property into local compliance, or to increase the value of the property.

Special Management Considerations with Home Improvement / Repair

- Verification of homeownership of the property to be repaired/improved.
- A minimum of two (2) estimates by bonded and licensed contractors for the work to be done.
- Home improvement or repair funds may be disbursed 50% upon submission of the final accepted contract; 50% with verification of satisfactory completion of the contracted work.
- Copies of the building permit (if needed), the final signed contract, and/or home improvement loan.

The Length of the Savings Plan

The length of time needed to save is primarily dependent upon three things:

- The amount of savings necessary for the asset purchase.
- The amount that the Savings Partner can afford to save each month.
- The ending date of the match funds.

It is the role of the Asset Coach to determine the cut-off date for Savings Partners to make deposits into their savings accounts. This becomes critical as the time limitations (the end of the match funds period) for funding come closer. The Savings Partner must be able to spend their savings by the end of the match fund period.

Dormant IDA Accounts

Dormant accounts are addressed extensively in Section 6. They generally consist of:

- Bank accounts with no deposits or activity in the last 6 months.
- Saver has saved the goal amount but has passed the expected purchase date with no asset purchase. The asset coach should have contact with the saver to develop a new and current plan. Changes to the participation plan must be sent to PW to be confirmed and entered into the tracking database.

Potential causes:

- House is not yet being built.
- Illness.

- Government shutdown.

Multiple Savings Goals

It is okay for one Savings Partner to have more than one savings goal. This does not mean that the match cap will be raised. There are times when a Savings Partner may not need the full amount s/he is allowed to save to be applied to one goal. In this case s/he may have two savings goals that total the maximum amount of the IDA.

Changing a Savings Goal

There are times when the original savings goal of the Savings Partner is no longer applicable. It is okay to change the savings goal. To change a savings goal, the Savings Partner should complete a revised Participation Agreement with an attached brief explanation of what led to the change in goals. Any changes must be added to the tracking database. Savers must know that they will now need to complete all requirements for the new goal selected, including a new Purchase Plan.

This may also be applicable when a saver is unable to use the full amount saved and wishes to cash out the balance. The savings goal must be changed, and the savings agreement updated to the amount being used to complete a successful purchase.

The Asset Coach can, and should, make a judgement call regarding the reason the saver is changing his or her goal. Please review the savings behavior to date, as well as the Savings Partner's updated household budget (important), and help the Savings Partner determine if there needs to be a change in the monthly savings in order to meet the new goal.

Transferring Savings of IDAs to Family Members

Sometimes a saver simply no longer needs the IDA funds. Although a transfer is not something that is promoted within the project, it is important for Asset Coaches to know that transfers of accounts are acceptable, as long as the recipient of the funds is eligible to participate. It is possible to transfer the savings and earned match to a family member, as long as the family member is a spouse or a dependent.

The reason for an account being transferred must be well documented in both of the Savings Partners' files. The person receiving the transferred IDA must still complete the program requirements, including personally completing financial education, completing a purchase plan, and ensuring that the 6-month savings period has been met.

These accommodations are made so that the Savings Partner is never "punished" for encountering life circumstances that happen to the average person. The household should benefit from the intent of the Savings Partner, even if the Savings Partner no longer has the need for the IDA savings plan.

Step-by-Step to Setting the Savings Plan

1. Discuss the desired savings goal with the participant. Ask the participant if he/she knows how much is needed in order to purchase that asset.
2. Once the need is established or estimated, figure out how much the saver will need to save. At a 4-to-1 match ratio, you take the total amount needed and divide it by 5 in order to get the saver's portion. Example: the saver needs \$2,750, divided by 5 = \$550. The saver needs to save \$550, which will be matched with \$2,200. Always coach the saver based on the saver's need, rather than the amount of funds desired or available.
3. Review the Participation Agreements with the potential saver, clarifying any questions, and having the saver initial each section. Leave the savings plan portion blank until you are ready to complete it.
4. Work on a basic budget with the saver in order to determine how much the saver will be saving each month. Stress that the saver is able to update the budget once he/she has completed the financial education course.
5. Have the saver complete a Savings Worksheet to identify how long it will take to reach the goal, and if they will need to make any tax-time deposits.
6. Complete the Savings Plan portion of the Participation Agreement.
7. You and the saver must both sign the Agreement.
8. Give the saver a copy of the Agreement.
9. Move on at this point to opening the IDA account.

Opening the IDA Account

Once the potential saver has established her/his goal and worked through a budget, it is time to open the IDA. A minimum of \$10.00 is required to open the savings account.

Prosperity Works will prepare the Open Account Letter when the saver is ready to make a deposit into the account. **Before completing an Open Account Letter**, Prosperity Works will double check that adequate match funds set aside for the saver.

- Prosperity Works will send asset coach and the saver a copy of the Open Account Letter. Ensure that the saver has signed the letter giving permission to open a custodial account in his/her name. **It is critical to have the saver's permission – in writing – to open the account.**
- Keep a copy of the Open Account Letter for your file, email a copy to Prosperity Works **as soon as the saver signs it**. Once Prosperity Works has a copy of the open account letter, the saver can go to the bank to open the account.

- The saver takes the Open Account Letter to one of the qualified financial institutions that have an active agreement with Prosperity Works.
- The Asset Coach immediately faxes or emails a copy of the Open Account Letter to Prosperity Works. (See third bullet above.)

The IDA savings account is a **custodial account** between the Savings Partner and the legally responsible grant recipient, Prosperity Works. Because it's a custodial account, two signatures are **required** to remove funds from the account. ***Please contact Prosperity Works immediately*** if the Savings Partner needs to withdraw non-matched funds.

Prosperity Works has agreements with financial institutions across the state which offer savers a choice of where they can open their account. However, if the financial institution you would like to work with is not one with which we have an agreement to hold IDA accounts, please contact Prosperity Works to work with you in gaining an agreement with that financial institution. An MOU that obligates the financial institution to comply with rules imposed by Prosperity Works needs to be in place before IDAs can be opened there.

Step-by-Step to Opening the IDA

1. Have your now-eligible saver decide in which financial institution s/he would like to open the IDA. (Some communities do not have more than one choice.)
2. Prosperity Works will complete the Open Account Letter. Open Account Letter will be sent out to the asset coach and saver to be completed and signed. Asset coach will ensure that the saver signs the custodial agreement and beneficiary designation.
3. Make two copies of the Open Account Letter. Send a signed copy to Prosperity Works immediately. Keep one signed copy for the saver file. Give one copy to the saver.
4. Stress to the saver how important it is to make the first deposit within two (2) weeks of establishing IDA enrollment. The saver must let you know when that account is opened by bringing you the first deposit receipt. In turn, you must email a copy of this receipt to Prosperity Works.
5. Make a note to yourself to check up on the saver to make sure that they have opened their account within 30 days of receiving the open account letter.
6. Regularly check on the savings behavior of your participants. All bank and credit union statements come to Prosperity Works for input into the tracking database. Accounts are current by the end of the month for the previous month. If the saver has made a deposit after the monthly statement cut-off date, the deposit will not appear until next month's statements are entered.

7. If the saver has concerns regarding the financial institution account, such as a discrepancy in the balance, misspelled name, or not receiving a statement from the financial institution, and cannot rectify it through their own research, please get the complete information from the saver and contact Prosperity Works to research the concern.

Section 6. Coaching & Financial Education

Coaching

It is the belief of Prosperity Works that all Savings Partners are resourceful and whole and that they are the best resource for directing their own path. We do not case-manage IDA Savings Partners. However, we ensure that they have the information that they need to navigate a course to success. Asset Coaches monitor that the saver is on track with their savings plan from their Participation Agreement. When a savings plan is off course the Asset Coach should contact the saver and re-connect him or her to the original goal. For example: *“John, your deposits have slipped over the past several months. Let’s discuss the goal that you have been saving for and determine if the timing to reach that goal has changed.”*

The Asset Coach can use a Savings and Match Statement which shows the match earned to date. *This tool is a strong motivator for savers to see the match that they have earned during the savings period.* It is a great reminder for the saver that they are close to their purchase goal. These statements can be created by using the tracking database and the Saving and Match Statement form is on the Prosperity Works website.

Limitations – Savings Standards

There are some minimal **savings standards** that must be met, and they are described below:

Minimum Monthly Deposit. The account needs to be opened with a minimum \$10 deposit. Monthly deposits are acceptable at whatever level the Savings Partner can accommodate. The focus is on consistent monthly savings, not on the amount of the deposit. The Savings Partner will indicate the targeted amount of savings that they budget for monthly deposits. Pay attention to missed deposits, which will throw the savings goal off balance. The saver may need a re-budgeting exercise, as well as a check-in to see that the asset can still be purchased before the grant expires.

Minimum Savings Time. No individual may withdraw funds from an IDA earlier than six (6) months after the date on which the individual first deposits funds in the account. This applies when the Savings Partner wants to receive her/his match funds. There are, however, maximum deposit limits. See Lump-Sum Deposits.

Maximum Amount of Match from the Grant. The maximum amount that can be matched will be designated in the MOU between Prosperity Works and the agency.

Number of Accounts Within the Household. Any one household is able to open as many accounts as participants who are: (a) eligible to open an account; (b) have earned income to support savings; and (c) are able to utilize the funds by the end of the grant period.

Lump-Sum Deposits. Participants are allowed to make deposits that are significantly larger than the projected monthly deposit as long as they do not exceed 60% of the savings goal and must save for 6 months. Deposits over 60% will not be eligible for matching.

Exceeding the Savings Limit. The Savings Partner may exceed his/her maximum savings limit by any amount he or she chooses. However, the saver will not receive a match of more than the match rate that was available to them when they opened the account.

Emergency Withdrawal Policy. Family emergencies are a fact of life. If there is an emergency situation, and the Savings Partner needs to withdraw funds but still wishes to remain a Savings Partner, the Asset Coach should request an Emergency Withdrawal. The amount must be repaid within a year. The following are common reasons but are not limited to:

- Foreclosure or eviction.
- Living expenses in the event of job loss.
- Medical and emergency expenses.

The Savings Partner may remain in good standing with the project and has up to 12 months from the date of withdrawal – or less if the grant is close to expiring – to resave the portion that was withdrawn IDA without losing the proportionate match funds. In the case of an emergency withdrawal, the Asset Coach will need to spend additional time with the Savings Partner to rework the household budget and review the monthly savings deposit goal.

Financial Capability Education

The partner agency is responsible for ensuring that their savers have access to financial capability training. This can be done in several ways.

- Arrange for a financial education course to be available to the IDA Savings Partners.
- Provide information about self-study options such as Money Smart, The Motley Fool Personal Finance Workbook or Consumer Financial Protection Bureau's Consumer Education topics.
- Connect saver to a financial capability class offered by Prosperity Works.
- Provide Certificates of Completion to each IDA saver and keep a copy in the file.

Prosperity Works is able to help the Asset Coach think through curriculum that is available and appropriate for their target market, as well as how to deliver financial education.

Financial Capability Standards

The primary purpose of delivering financial capability education services is to assist savers and community members, and train them to develop personal and social assets, as well as financial ones. This is achieved as follows:

- Make the course open to the community at large: strive to reach a standard where at least 20% of the seats are filled by non-IDA-eligible participants.
- Hold the training over a course of time, rather than in a couple of long sessions.
- Bring professional resources to the community members.
- Touch on banking, financial planning subjects, and risk assessments, as well as household budgeting.
- Maintain a minimum absentee requirement of no more than two classes during a ten-week session.
- Individuals with a financial education certification older than three years must re-take the class. Implement additional tasks to hone the skills learned in the financial education class for those whose certification is more than two years old.
- Consider allowing participants to choose which modules are most relevant to their situation. This allows participants the freedom and flexibility to choose what is best for them.

Consistency in the quality of the financial capability education provided is essential to the commitment to our Savings Partners, as well as to our funders. Please talk with Prosperity Works if there are any questions regarding this requirement. When an organization is unable to offer financial capability training, Prosperity Works can offer training with other organizations.

Core Elements of Financial Capability Education

Financial Capability classes must meet Prosperity Works' requirements and guidelines. Classes will be for a minimum of 10 hours of instruction or one-on-one advanced financial coaching. Following are core topics that may be useful to your savers:

- How our Financial belief systems impact our financial habits
- Budgeting
- Debt reduction
- Financial products and consumer protections
- Significant financial life events (New job, job loss, retirement, marriage or divorce, birth of a child)
- Understanding the system of credit
- Retirement
- Predatory loans
- Paying for college
- Home ownership
- Vehicle purchase
- Home repair costs

Termination or Saver Withdrawal

There are times when a saver must be terminated for non-compliance when s/he has refused to follow the rules of the initiative and is unresponsive to your coaching. There are also times when saver's life circumstances create a situation where it is better to withdraw from the saving's opportunity than to stay in the program.

Step-by-Step to Termination or Saver Withdrawal

1. Complete the saver's portion of the withdrawal form with the request for the full amount of the saver's funds. The form must be signed by the saver.
2. Request that the saver complete a Customer Satisfaction Form and Testimonial (optional but encouraged).
3. Double check the saver's file to ensure that all required documents are in order before terminating the saver.
4. Send the termination form to Prosperity Works for immediate processing. *In these cases, submit a withdrawal request to PW for administrative withdrawal. Write on the form itself "termination or administrative withdrawal."*
5. Expect four (4) weeks before the saver's check is sent to your attention if it is not an emergency withdrawal. *Note: if it is an emergency for the saver, please call Prosperity Works and alert them to the situation.*

Dormant Accounts & Unclaimed Property

It is critical that the Asset Coach and the saver maintain regular contact throughout the savings period. There are times when a saver has moved, or can no longer be communicated with, which results in the bank account becoming dormant. It is Prosperity Works' goal to minimize the number of dormant accounts and bank accounts with zero balances to as few as possible.

Dormant accounts are handled as follows:

- If an account has NO deposits after 6 months of being open, Prosperity Works may administratively close the account.
- If an account DOES have a balance but has been dormant/inactive for three (3) months, Prosperity Works will contact the Asset Coach. Prosperity Works will request information on the asset coach's attempts to contact the saver. The asset coach should keep documentation of all attempted contact.
- After three (3) months of trying to contact the saver, the Asset Coach must send a certified letter in another attempt to contact the saver and re-orient him/her toward the initial goal. Because the savings budget will be out of alignment, the asset coach and saver will need to rework the savings agreement.

At this point, if there is no response from the saver, the account changes from a dormant account to unclaimed property, which is handled as follows:

- If, after the three (3) months of attempting to contact the saver with no success, the attempts being documented, and the Asset Coach being unable to contact the saver in any way, the Asset Coach will notify Prosperity Works. The Asset Coach will continue to attempt contact a **minimum of once every month** for the next three (3) months. Contact will be attempted for a total of six (6) months by the Asset Coach.
- Notification of loss of contact with the saver starts the five (5)-year dormancy-and-holding period required by the state. The saver's name will be put on the Inactive Accounts (With a Balance) List.
- After six (6) months of no contact and no-account activity, the Asset Coach will send another certified, return receipt requested letter with completed withdrawal forms to the saver to inform him/her that they have money in the account, but that they will be withdrawn from the program. The Asset Coach will inform Prosperity Works of the saver's contact information if the receipt from the mailing returns to a different address.
- If there is no response after a certified letter is sent, and another six (6) months of attempted contact is made by Prosperity Works (a minimum of once a month for one [1] year total), withdrawal forms originated from Prosperity Works will be sent to the bank requesting that the balance be issued to Prosperity Works, where it will be deposited into an Unclaimed Property Account with a notation of the saver's name. (Some banks will not allow this, as they will need the saver's signature as well.)
- Once the saver's funds have been deposited into the Unclaimed Property account, attempts will be made by Prosperity Works to locate the saver once every year to fulfill the five (5) years required by the state.
- After five (5) years of no communication to either the Asset Coach or Prosperity Works, Prosperity Works will add the saver's name to the list of names on the Unclaimed Property report, and the funds will be turned over to the State of New Mexico Unclaimed Property Department.

Section 7. Asset Planning and Purchase

Asset-based **planning** should begin immediately after the Savings Partner opens his or her IDA. It is important for the saver to have sufficient time to save, build credit, and prepare a complete and thoughtful Purchase Plan. Unless your organization specializes in the asset that your saver wants to purchase, you will be referring your saver to a partner in the community to assist with the Purchase Plan. The amount of time involved in developing the Purchase Plan is dependent upon the Savings Partner's progress through the plan.

Sample Purchase Plans are available on the website. The Purchase Plan must contain a description of the proposed asset, and the estimated value of the asset.

Home Ownership Plan

Unless there is an unusual situation in securing the resource, the Savings Partner should receive home ownership counseling from a HUD Certified Home Ownership Counselor. This process is best initiated through an introduction to home ownership orientation (or first-time homebuyer training).

Business Plan

Participation involved in business ownership will be working on their business plan throughout the term of their savings. This process is best initiated through an early introduction to the Small Business Development Office or other qualified Micro-enterprise Development Organization.

Business development training courses are available through Small Business Development Centers (SBDC), on-line through many micro-enterprise lending organization, and from fee-based private sources, all of which are considered to be qualified to review the business plan. The end result needs to be a qualified business plan which is reviewed by a Small Business Development Office or other qualified Micro-enterprise Development Organization. The business plan must include financial projections.

The Savings Partner's file must have a signed business plan check list, indicating that the business plan has been reviewed and approved by a qualified entity. A copy of the signed business plan check list, or a letter from a qualified business review organization, must be submitted to Prosperity Works along with the Withdrawal Request Form.

Education Plan

Depending on the Savings Partner's goals, helpful educational training could include career and vocation planning, and information and assistance on financial aid and scholarship opportunities. Most higher education schools and training institutions employ counselors and educational advisors to work with prospective students to help them plan for the future.

An education IDA must be used at an institution that falls under the U.S. Higher Education Act, or the Carl Perkins Act (information on this is available at <http://ope.ed.gov/accréditation/Index.aspx>.) The quickest way to determine if the institution is eligible is to ask if they offer federal financial aid. If it does not, it is not a qualified educational institution. *This is an important piece of information to immediately let the saver know when they sign up for the IDA.*

Vehicle Purchase Plan

The plan for a vehicle purchase should begin with determining how the vehicle will be used. There is often a need for transportation to get to work or school in New Mexico. Funding for a vehicle purchase may be an important asset. Make sure the saver is 18 or older and has a current valid driver's license and is able to pay for insurance – not only initially, but ongoing.

Once purchasing a vehicle is determined, the next consideration is to determine if a new or used vehicle will be purchased. Allowable purchases under this purchase plan, in addition to the actual vehicle are:

- (a) a one-time payment of vehicle insurance in conjunction with the purchase of a vehicle;
- (b) fees for the car title and registration for the vehicle purchase;
- (c) the cost of an extended warranty, if offered.

A used vehicle which has been salvaged or which is substantially over the Kelley Blue Book value will not be eligible for purchase under the IDA plan.

Home Improvement / Repair Plan

The saver must be the owner of the home to be worked on. The funds can be used for either home improvement or for home repairs.

The plan should begin with the saver educating him/herself on local repair policies and resources, and in obtaining and evaluating estimates from reputable contractors. Then an assessment of the improvements or repairs should be made. These should be prioritized by:

- (a.) need to lower costs to the homeowner such as energy costs,
- (b.) maintenance to prevent future costs, and
- (c.) those that will increase the value of the home. The timing of the improvements or repairs should be evaluated to determine if they can be accomplished within the timeline of the IDA funding. Determination should also be made as to whether the saver can use their own funds to pay for the repairs, or if the project can only be completed with additional funding in the form of a loan.

At purchase, the saver will need to provide:

- Verification of home ownership
- A minimum of two estimates by bonded and licensed contractors
- A copy of the final improvement/repair contract

- A copy of the Building Permit (if needed)
- A copy of the Home Improvement Loan (if applicable)

Home Improvement/Repair funds may be disbursed 50% upon submission of the final contract, and 50% with verification of completion of the project.

The Asset Purchase

Asset-purchase-readiness should not come as a surprise to the Asset Coach or the saver. You have full access to IDA database that shows the savings behavior of the participant. The Savings Partner should have become engaged in asset purchase planning early on in the savings process.

Fulfilling Project Requirements

The following three (3) requirements must be met before a Savings Partner can withdraw match funds:

- Completion of the financial education course.
- Six months of deposits.
- A Purchase Plan must be approved.

Preparing for Purchase

Each purchase requires verification that the Savings Partner is ready for that purchase. When completing the Withdrawal Request, you must be able to verify that the saver will purchase his or her assets.

Education: Enrollment verification, an invoice from the institution, receipts from the institution or bookstore.

Business: Has the saver received a business license; opened a business bank account? Has the a qualified business plan been signed by the SBDC or another qualified/compatible agency?

Home Ownership: Has the saver completed a settlement statement that shows all the costs associated with the home purchase? Is there a Good Faith statement, or a settlement statement with the address of the home for verification?

Vehicle Purchase:

The following must be determined to prepare for the purchase of a vehicle:

- The saver must be 18 years old or older and have a current valid driver's license.
- The vehicle VIN number must be reported on the Purchase Plan form.
- A purchase plan showing the monthly or cash-flow budget should be attached showing post-asset purchase ability to buy:
 - Insurance
 - Repairs

-- Gas and oil

At the time of purchase, the saver will need to provide:

- Vehicle information, including the VIN.
- The Carfax sheet if the vehicle is used.
- A copy of assurance that the vehicle is not priced over the Kelley Blue Book value.
- Information on the seller if it's a direct purchase from the seller.

After purchase, a copy of the bill of sale/loan agreement needs to be included with the IDA Purchase form.

Home Improvement/Repair:

At purchase, the saver will need to provide:

- Verification of home ownership.
- A minimum of two estimates by bonded and licensed contractors.
- A copy of the winning contractor's bid.
- A copy of the Building Permit, if needed.
- A copy of the Home Improvement Loan (if applicable).

Home improvement/repair funds may be dispersed in two checks if requested: 50% upon submission of the final contract; 50% with verification of completion of the work.

Requesting Match Funds

Allow a minimum of four (4) weeks to process the Withdrawal Request Form. The withdrawal request should happen in person between you and the saver. *It is important to understand the amount of time necessary to process the withdrawals, and not to be the cause of the saver missing out on a home purchase or a chance to get into those once-a-year educational courses.*

The process for requesting funds for the withdrawal follows:

- The saver's request must include a signature from the saver on the authorized Withdrawal Form (on the website).
- Submit a correctly completed withdrawal packet to Prosperity Works.
- The fund request is then sent from Prosperity Works to the saver's financial institution.
- Prosperity Works then completes a Withdrawal Request Form for the match funds in the reserve account.
- The asset coach will receive two checks – one (1) in the amount of the saver's portion, and one (1) in the amount of the match portion. *Note:* Interest accrued will also be matched, so the checks may be for a higher amount.
- The checks will be sent directly from the bank to the Asset Coach, who is then responsible for getting them to the saver.
- The saver needs to sign off that he/she has received the checks. Use a separate form for each check (available on the web site).

- The saver must submit the match check to the payee within six (6) months. Match checks will be cancelled at the six-(6) month mark, and the money will be returned to the IDA program. The saver will be logged as an unsuccessful purchase, and checks made from the saver's account will be monitored by the individual's banking institution's guidelines.

Credit Card Purchases

Prosperity Works allows agencies to use a credit card to support Saver purchases when the vendor is unable to take a check.

You must submit a completed withdrawal packet with the required documentation such as invoices, estimates, web order copy, etc. Do not purchase until the withdrawal form has been approved by Prosperity Works. Prosperity Works will authorize the purchase request with a signed withdrawal form that is sent to your organization. Once you have paid with your agency card, the receipt will be submitted to Prosperity Works for check reimbursement payment to your organization.

Agencies assisting savers with a purchase using an agency credit card must be approved before using this process.

Multiple (Partial) Withdrawals

IDAs are a tool to help someone achieve an asset, as well as manage their finances. This tool is best used when it is flexible, and when it can truly meet the needs of the Savings Partner. Multiple withdrawals are allowed. However, making multiple withdrawals will impact the time it takes to manage the account, and will require more pre-planning and oversight than one lump-sum withdrawal.

Step-by-Step to Asset Planning and Purchase

1. Stress to your saver throughout the course of the savings how important it is for her/him to manage the savings timeline, and the point at which s/he will need the IDA funds. Stress that a purchase request takes **four (4) weeks** to process, assuming that there are no questions related to the purchase. **HINT:** when it's about two months to your savers savings goal start preparing them to submit the purchase withdrawal form.
2. Check with the saver that he/she has completed the Purchase Plan document, and that the plan has been reviewed. In the case of a Business IDA, the Purchase Plan review sheet must be signed by a certified SBDC or micro-enterprise organization, or a financial institution.
3. Review the requirements of the Withdrawal Request Form with the saver. Make certain that the saver understands the requirements that are related to his/her asset. For example, depending upon the asset being purchased, these requirements would include enrollment or acceptance in a school, having a valid business bank account and qualified business plan, or receiving the HUD settlement statement or Good Faith statement on the pending home purchase. **Note:** If you have any questions regarding the validity of the withdrawal request,

call the NMAC Director at Prosperity Works immediately. Work through issues before you complete the form and send it to Prosperity Works.

4. Review the saver's file. Check to see that you are not missing any documentation that is required before purchase. Make certain that all forms have been signed, and that proof of eligibility is in the file.
5. Prepare the Withdrawal Request Form with the saver. Explain anything that needs explanation and initial all comments. Let the saver know that the savings will come in two (2) checks and will be sent to you for distribution to the saver.
6. Encourage the saver to complete the Customer Satisfaction Survey and Testimonial, which is included in the Withdrawal packet, and ask him/her to complete the survey and return it either to you or directly to Prosperity Works. This is an optional action, but please encourage the saver to help Prosperity Works secure continued financial support by providing the survey.
7. Scan, email, or mail the completed and signed Withdrawal Request Form to Prosperity Works (909 Copper Ave., NW, Albuquerque, NM 87102; send electronically to Prosperity Works. File the original Withdrawal Request Form in the saver's file.
8. **Allow four (4) weeks** to receive the checks once the withdrawal form is accepted as complete and correct. If you have not received them by four (4) weeks' time, contact Prosperity Works to check the progress.
9. Once the checks are in your hands, call the saver and set up a time for the saver to receive the checks. Have the saver sign the Check Receipt form (on the website). This form verifies that the saver has received the checks. Please send a copy(s) of the Check Receipt form (one (1) form for EACH check received) to Prosperity Works (909 Copper Ave., NW, Albuquerque, NM 87102; or send electronically to Prosperity Works. This allows Prosperity Works to start the closing process of the IDA file.

10. Celebrate a successful asset purchase and withdrawal!

Returning Checks If a Saver is Unable to Use One Or More of Them

Fill out the Check Return form (available on the website) for each check that could not be used. Please mail each check, and its corresponding form, to the Prosperity Works' office at 909 Copper Ave., NW, Albuquerque, NM 87102. Prosperity Works will redeposit the checks into the corresponding accounts. This process must be completed as soon as possible because failure to do so may result in lost funds. The account is closed upon full purchase. Uncashed match checks will be cancelled at the six-month mark.

Section 8. Site Management Agreement

Acknowledgement of having read these procedures, and agreeing to follow these procedures, is required prior to Prosperity Works approving funds for match disbursement to your Savings Partners.

The site Management Agreement on the following page ensures your organization's full commitment that the staff member assigned to serve as the Asset Coach will read, clarify questions, and agree to follow the policies and procedures of this document. This commitment also ensures the organization's Executive Director's commitment to comply with the operating procedures of the New Mexico Asset Consortium operated by Prosperity Works.

Please review this form, make a copy of it for your files, sign it, and return it to the Prosperity Works office at 909 Copper Ave., NW, Albuquerque, NM 87102 or email it to Prosperity Works.

A copy of this document follows on the next page:

Site Management Agreement

I attest that I have read the Individual Development Account Procedures Manual (updated in 2023) which provides guidance and instructions to the members of the New Mexico Asset Consortium in the handling of coaching asset savers, and I commit to reviewing the forms associated with the Individual Development Account Procedures Manual.

I agree to abide by the procedures within the manual. If my organization works outside of these procedures, I understand that Prosperity Works is under no obligation to fulfill the terms of my organization's commitment to an individual who opens an Individual Development Account.

Prosperity Works has the right to terminate its agreement with my organization if I fail to complete the file management and IDA Savings Partner management activities related to this initiative.

I understand that a member of the Prosperity Works staff will conduct an annual internal review of Savings Partner files that are kept on site at my location. This review is to ensure consistency of project records through the statewide initiative, as well as compliance with requirements of the funding sources. I will provide full access to the files that are maintained on site.

Name of Organization (please print)

Signature, Executive Director

Date

Signature, Assigned Asset Coach

Date

Signature, Associated IDA Staff Member

Date

For Prosperity Works and the New Mexico Assets Consortium

Monica Cordova, Director, NMAC

Date