Chapter 365-205 WAC
INDIVIDUAL DEVELOPMENT ACCOUNTS

WAC

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WAC 365-205-010 Purpose. The purpose of the individual development accounts (IDA) program is to create incentives and support for savings and purchases of major assets by low-income people in Washington state. IDAs will promote job training, home ownership, and business development among low-income individuals and provide assistance in meeting the financial goals of low-income individuals. Additionally, a special IDA program for foster youth is described below.

The changes made in state statute to create this program can be found in RCW 43.79A.040 and chapter 43.31 RCW.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-010, filed 10/18/05, effective 11/18/05.]

WAC 365-205-020 What are individual development accounts (IDAs)? IDAs are matched savings accounts for low-income households that are designed to help them invest in assets, such as home ownership, small business, or postsecondary education. The state will match eligible savings at a rate of one dollar for every dollar deposited by an IDA accountholder into their account. Accountholders can earn up to four thousand dollars in state match.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-020, filed 10/18/05, effective 11/18/05.]

WAC 365-205-030 What assets may be purchased with an IDA? An IDA may be used for:

• **Postsecondary education and training.** Education and training may be provided to the accountholder, their spouse, or a dependent child and must be provided through an educational institution or training provider approved by the Washington state work force education and training coordinating board. Nonapproved training providers may be granted a purchase waiver by CTED.

• **First-time home ownership.** The accountholder cannot have owned a home during the three-year period prior to enrollment into the IDA program.

Exceptions include:

(1) Any individual who is a displaced homemaker or a single parent on the basis that the individual, while a homemaker and/or married, owned a home with his or her spouse or resided in a home owned by the spouse; and

(2) An individual who owns or owned, as a principal residence during such three-year period, a dwelling unit whose structure is:

(a) Not permanently affixed to a permanent foundation in accordance with local or other applicable regulations; or

(b) Not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

• **Small business capitalization.** Eligible uses include capital, land, plant, equipment and inventory expenses or for working capital pursuant to a business plan. The business plan must have been developed with a business counselor, trainer and/or financial institution approved by the IDA service provider. The business plan must include a description of the services and/or goods to be sold, a marketing strategy and financial projections.

• **Computer.** The purchase of a computer must be determined by the IDA service provider to be necessary for work-related activities and/or postsecondary education or training.

• **Automobile or truck.** The purchase of a vehicle must be determined by the IDA service provider to be necessary for work-related activities and/or postsecondary education or training.

• **Home improvements.** Eligible improvements include repairs and other modifications to improve the health and safety, accessibility, or energy efficiency, of a home owned and occupied by the accountholder. The service provider may approve other improvements of a nonluxury nature.

• **Assistive technologies.** Eligible uses include the purchase or enhancement of technologies that will allow persons with disabilities to participate in work-related activities.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-030, filed 10/18/05, effective 11/18/05.]

WAC 365-205-040 Who is eligible to become an IDA accountholder? Any individual whose household income at program entry is equal to or less than either:

(1) Eighty percent of the area median income, adjusted for household size; or

(2) Two hundred percent of federal poverty guidelines.

Local IDA service providers may choose to target incomes below these levels in their local IDA programs.

Additionally, the net worth of the individual's household as of the end of the previous calendar year may not exceed ten thousand dollars. Household net worth is defined as the total market value of all assets that are owned in whole or in part by any household member minus the total debts or obligations of household members, except that, for purposes of determining IDA eligibility, a household's assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by a member of the household.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-040, filed 10/18/05, effective 11/18/05.]

WAC 365-205-050 How is the IDA program operated? The Washington state department of community, trade and economic development (CTED) administers the IDA program through contracts with service providers for local service delivery. Service providers are responsible for local IDA program management and operations including:

• Accepting applications and determining eligibility for the program;

• Developing individual savings plans for each accountholder;

• Providing financial literacy and other types of training and/or counseling to prepare accountholders for their asset purchase;

• Providing basic support management for each accountholder and coordination with other resources and support services;

• Approving asset purchases and disbursing match to the person or organization from whom the asset is being purchased; and

• Ensuring compliance with program policies and procedures.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-050, filed 10/18/05, effective 11/18/05.]

WAC 365-205-060 What are the accountholder's responsibilities? Accountholders must sign an individual savings plan that identifies their savings and asset goal, and open a savings account at a financial institution that is participating in the IDA program. Accountholders must make deposits to their savings account on a regular basis and must attend financial literacy classes, which will help them with managing their finances. Additional training or counseling may also be provided to accountholders that will help to prepare them for their specific asset, such as home ownership counseling or micro-enterprise training. An accountholder may terminate their agreement with their service provider at any time and withdraw their savings, thereby giving up access to all IDA matching funds.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-060, filed 10/18/05, effective 11/18/05.]

WAC 365-205-070 Under what circumstances may an accountholder withdraw funds from their account? Once an accountholder is ready to make an asset purchase, they must request approval of the purchase from their IDA service provider. Upon approval of the purchase, the service provider will issue payment directly to the person or entity from whom the asset is being purchased. At the service provider's discretion, business capitalization expenses may be paid from an IDA match account directly to a business capitalization account that is established in a federally insured financial institution or state insured institution if no federally insured financial institution is available.

If an accountholder wishes to withdraw funds for some purpose other than an eligible asset purchase, they must request approval from their service provider. An accountholder may be allowed to withdraw all or part of their savings for the following emergencies:

(1) Necessary medical expenses;

(2) To avoid eviction of the individual from the individual's residence;

(3) Necessary living expenses following loss of employment; or

(4) Such other circumstances as the sponsoring organization determines merit emergency withdrawal.

The IDA accountholder making an emergency withdrawal from savings must reimburse the account for the amount withdrawn within twelve months of the date of withdrawal or the account will be closed. If an accountholder wishes to use their savings for an unapproved use, they must withdraw from the program and their account will be closed. Once an account is closed, any unused match associated with that account is forfeited.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-070, filed 10/18/05, effective 11/18/05.]

WAC 365-205-080 Over what period of time must assets be purchased? Accountholders must complete all program requirements and purchase their asset within four years of entering the program.

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-080, filed 10/18/05, effective 11/18/05.]

WAC 365-205-090 What about the foster youth IDA program? A special IDA program for foster youth is established to serve:

(1) A person who is fifteen years of age or older who is a dependent of the department of social and health services (DSHS); or

(2) A person who is at least fifteen years of age, but not more than twenty-three years of age, who was a dependent of DSHS for at least twenty-four months after the age of thirteen.

Foster youth IDAs follow the same general rules for operation and responsibilities as the regular low-income IDA program above with the differences noted below.

The state will match eligible savings at a rate up to two dollars for every dollar deposited by a foster youth IDA accountholder into their account. Foster accountholders can earn up to three thousand dollars in state match.

A foster youth IDA may be used for:

• **Postsecondary education or job training.** Education and training may be provided to the accountholder, their spouse, or a dependent child and must be provided through an educational institution or training provider approved by the Washington state education and training coordinating board. Nonapproved training providers may be granted a purchase waiver by CTED.

• **Housing needs.** Housing needs include rent, security deposit, and utilities costs and other costs deemed acceptable by the service provider.

• **Computer.** The purchase of a computer must be determined by the IDA service provider to be necessary for postsecondary education or training.

• **Car.** The purchase of a vehicle must be determined by the IDA service provider to be necessary for work-related activities.

• **Health insurance premiums.** Account funds must be used for paying premiums only, not insurance co-pays.

A foster youth participating in the program must contribute to an individual development account and develop an individual savings plan. The contributions may be derived from earned income or other income, as agreed to by CTED and the service provider. Other income shall include financial incentives for educational achievement provided by entities contracted with DSHS for independent living services for foster youth.

CTED has the authority to grant exceptions to rules (as long as they still comply with the statute).

[Statutory Authority: RCW 43.79A.040 and chapter 43.31 RCW. 05-21-091, § 365-205-090, filed 10/18/05, effective 11/18/05.]