

## Dear IDA participant:

Welcome to Indiana's Individual Development Account (IDA) Program. I would like to congratulate you for taking an important step toward creating economic self-sufficiency and building your assets.



At the Indiana Housing and Community Development Authority (IHCDA), our goal is to provide every Hoosier with the opportunity to live in safe, decent, affordable housing in economically stable communities. Providing all Hoosiers access to self-sufficiency programs, like the IDA, helps us accomplish this goal. These programs help individuals build financial stability and personal wealth through asset development and financial literacy.

The IDA program began in 1997. Since then, the program has helped thousands of hardworking Hoosiers develop financial skills and build a brighter future for themselves and their families.

By enrolling in the IDA program, you have set an important goal. We will provide you the tools to help you get there. I encourage you to stay focused and work hard to achieve that goal. Be proud that you have joined the ranks of Hoosiers who have used this program to create a better future. Best of luck on achieving your dream!

Best Wishes,

A handwritten signature in black ink that reads "Becky Skillman". The signature is written in a cursive, flowing style.

Becky Skillman  
Lieutenant Governor, Indiana

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\* revised October 2007

# Introduction

The Indiana Individual Development Account (IDA) Program is an asset development program for low-income individuals. In establishing the IDA Program in 1997 to build more assets for Hoosiers around the state, Indiana became a nationally recognized leader in asset development.

Since 1997, Indiana has utilized Individual Development Accounts as one strategy to help lower-income families save for the purchase of an asset and enter the economic mainstream. In 1998, the United States Congress passed the Assets For Independence Act (AFIA) that created a parallel demonstration program that complements Indiana's IDA Program.

Our objective for Indiana's IDA Program is to assist people with limited means in achieving financial independence and becoming financially self-sufficient by providing the skills to:

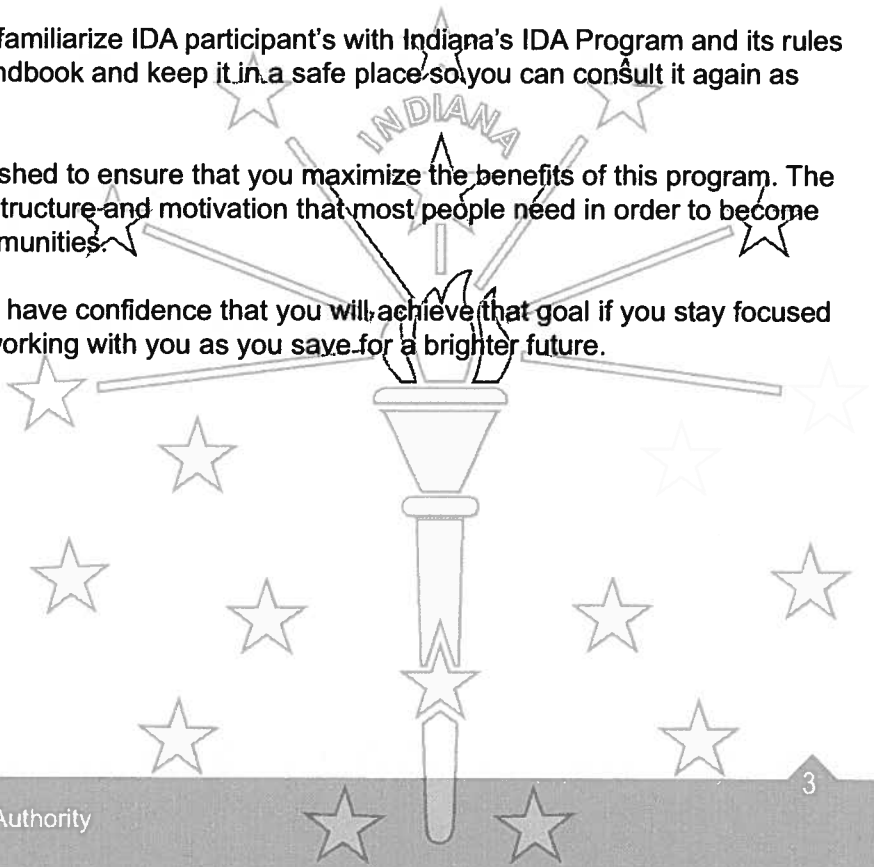
- Develop a budget and set goals;
- Establish regular savings habits; and
- Invest in assets.

The IDA Program meets these objectives by providing financial literacy, case management, homeownership counseling and other asset-goal specific training to its IDA participants.

The objective of this handbook is to familiarize IDA participant's with Indiana's IDA Program and its rules and regulations. Please read the handbook and keep it in a safe place so you can consult it again as necessary.

The rules of this program are established to ensure that you maximize the benefits of this program. The rules are also set up to provide the structure and motivation that most people need in order to become good financial stewards of their communities.

You have set a worthwhile goal! We have confidence that you will achieve that goal if you stay focused and work hard. We look forward to working with you as you save for a brighter future.



# Program Overview

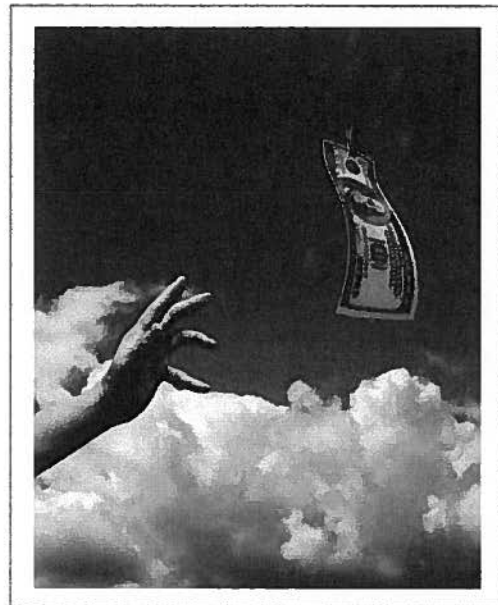
*"The process was guided, and I was supported, in such a way that I never felt overwhelmed... It was exciting and inspiring to be involved in a program that empowers and instills life skills, which provide you the opportunity to reach your dreams."*

*– Lorretta M., Goshen, IN.*

## What is an IDA?

Individual Development Accounts are matched savings accounts, designed to help low to moderate income individuals accumulate assets and build wealth for purposes of:

- Higher education;
- Small business capitalization;
- Home purchase; and
- Asset preservation through rehabilitation.



## Match Ratio

Indiana's IDA program offers a minimum 3:1 match. Which means, for every one dollar saved by an IDA participant, he/she will receive at least a three dollar match on their deposit.

## Time Limits/Match Caps

All IDA participants must save for a minimum of six months before they may make their first withdrawal for a qualified asset purchase. The length of time an IDA participant may be considered active, and therefore eligible for match, varies greatly depending on the savings rate of the individual IDA saver. While most participants' tenure last four years, with recent passage of new legislation, participants may now opt to be active for the lesser of four years or until they reach the state program match cap (\$4800). Thus, if funds are available, some IDA participants may graduate in as little as two years.

## Program Fund Sources

As one of the first state-wide IDA programs in the country, IHCD receives funds from the state's General Assembly to administer Indiana's IDA Program. Those funds are then disseminated to various non-profits around the state, who work directly with participants to administer the IDA Program on behalf of the state.

In addition to state funding, Indiana has the opportunity to receive Federal match dollars for its IDA program through a competitive application process. Though not guaranteed, Indiana has historically been successful in receiving an annual match award through the Assets for Independence Act (AFIA), which almost doubles its annual program income.

# Eligibility

In order to qualify for Indiana's IDA program, participants must meet one or both of the following household income limitations:

- Participant is a qualifying individual that receives, or is a member of a household that receives, Temporary Assistance for Needy Families (TANF) under I.C. 12-14-2; or,
- Is a member of a household with an annual household income that is less than 175% of the federal income poverty guidelines, published annually.

The chart below displays the 2007 maximum program, household income, based on household size. These figures represent 174.9% of the federal poverty guidelines.

Household Size	100% Poverty Guidelines	Maximum Household Income Allowed Annually	Maximum Household Income Allowed Monthly
1	\$10,210	\$17,867.49	\$1,488.96
2	\$13,690	\$23,957.49	\$1,996.46
3	\$17,170	\$30,047.49	\$2,503.96
4	\$20,650	\$36,137.49	\$3,011.46
5	\$24,130	\$42,227.49	\$3,518.96
6	\$27,610	\$48,317.49	\$4,026.46
7	\$31,090	\$54,407.49	\$4,533.96
8	\$34,570	\$60,497.49	\$5,041.46
For each additional person, add	\$3,480	\$6,090	\$507.50

In addition to the above mentioned income limitations, at the time of application, an IDA applicant must:

- Have earned income; and
- Be a resident of the state of Indiana.

## Frequency of Determination

Once an individual has been accepted into Indiana's IDA Program, an IDA participant may not be disqualified due to change in income, unless evidence of fraudulent application information is presented.

**Re-determination** of income is only necessary if 12 months have lapsed since the initial date of application to actual acceptance into Indiana's IDA Program. Otherwise, the initial income determination will determine eligibility of an IDA participant until either they reach their savings goal or are no longer an active IDA Program participant.

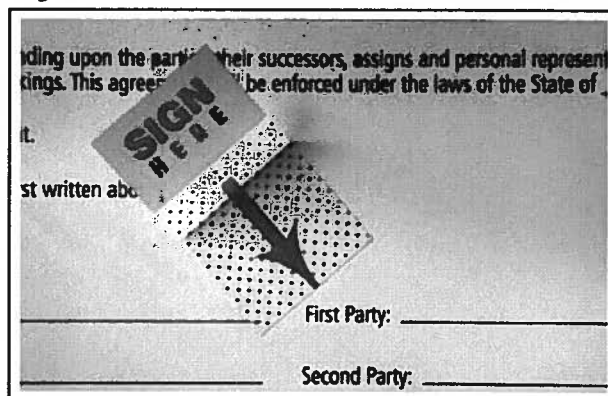
# Account Structure

## Account Type

Each participant will establish two interest bearing, fee-free, savings accounts. One account holds the IDA participants' personal savings, while the other holds the participants' match funds. Participant savings accounts are "custodial accounts" and are jointly owned by the participant and the administering IDA Organization.

Participants shall make regular deposits at designated locations as specified by the participating bank and administering IDA Organization. Participants may not make withdrawals without the written consent of the administering IDA Organization.

*Sign Here!*



There are several reasons for this custodial account structure:

1. Federal and state law requires that IDAs be established as custodial accounts.
2. The majority of IDA savers indicate that they prefer to have limited access to their IDA funds to discourage them from withdrawing funds and losing match funds that they've earned.
3. Custodial account ownership distinguishes IDAs from other savings accounts and emphasizes the unique nature and asset-oriented purpose of the IDA account.
4. These restrictions encourage participants to seek out alternative solutions when crisis situations occur, due to the time it takes them to obtain dual party signatures for consent to withdraw.

## Banking Features

Each IDA participant account, due to compliance regulations, will have ATM, telephone and online banking service features restricted. This control has been put in place to ensure the safety of participant funds (both individual and match) and continued program success.



# Eligible Uses of Funds

The Individual Development Account Program is designed to help participants invest in assets, which will increase in value over time. Participants may use their IDA savings and match funds for the following qualified asset purchases:

**To purchase a primary residence,** this includes a house, pre-fabricated house or condominium. Funds may be used to purchase a primary residence for the IDA participant or his/her dependent, or to reduce the principal amount owed on a primary residence when originally purchased with IDA funds. Funds may not be used to purchase a second home or to “flip” a house.

**To start or expand a small business.** Qualified expenses include costs associated with stocking initial inventory or the purchase of business equipment. Additionally, funds may be used for purposes of marketing and other start-up costs, provided all expenditures follow an approved business plan.

**Education and Job Training.** IDA funds may pay for costs associated with attending an accredited institution of higher education, vocational school, or licensing training program that may lead to employment for the IDA participant or his/her dependant. Qualified expenses may include tuition, lab fees, books or the purchase of a computer for educational use.

**Owner-Occupied Rehabilitation.** IDA funds may be used to rehab the home of an IDA participant (when a primary residence) for permanent, essential improvements including, but not limited to, costs associated with: Weatherization; heating and cooling; siding; and other necessary improvements which add value to the home and its resale price.

*Achieve Home Ownership*



# Savings Requirements

Once accepted into Indiana's IDA program, participants are expected to meet the following conditions to remain enrolled in the program:

## Earned Income

According to program regulations, IDA deposits should come from earned income. Earned income is any taxable wages, salaries, tips, net earnings from self-employment and/or gross income received as a *statutory* employee.

IDA participants may deposit money from an income tax refund; however, an IDA participant **may not** deposit income from Temporary Aid for Needy Families (TANF) payments.

Other sources of income which are **not** considered as earned income include:

- Interest and dividends;
- Pensions and annuities;
- Social Security and railroad retirement benefits;
- Alimony and child support;
- Welfare benefits;
- Workers Compensation benefits;
- Unemployment Compensation (insurance); or
- Veteran's benefits.

## Regular Savings Deposits

Upon acceptance into Indiana's IDA Program, each IDA participant is required to fill out a Savings Plan Agreement, which acts as a written contract between IHCD, the administering IDA Organization and the IDA participant. This agreement should be followed explicitly. Failure to comply may result in termination from Indiana's IDA Program (see section on Program Termination for additional details).

Dependent upon date of account opening, Indiana's IDA Program Savings Plan Agreement offers four options of saving:

1. Regular Weekly Deposits (approximately \$8/weekly)
2. Regular Bi-Weekly Deposits (approximately \$15.50/bi-weekly)
3. Regular Monthly Deposits (approximately \$35/month)
4. Regular Quarterly Deposits (approximately \$100/quarter)

While generally prohibited, under rare conditions, lump sum deposits may be approved.



***Each IDA participant should make a concerted effort toward saving regularly and meeting his/her regular savings plan obligation.***

If the IDA participant is unable to meet his/her regular savings obligation, he/she is expected to at least make a minimum savings deposit as outlined in the section below titled, *Minimum/Maximum Deposits*.

According to national research, IDA participants who choose to make regular deposits, statistically have a higher rate of average savings. Some of the advantages noted are that regular saving:

1. Encourages IDA participants to learn budgeting skills in order to meet their annual savings goal.
2. Allows IDA Administrators to more quickly identify, and therefore offer additional assistance to, participants who might struggle to save.
3. Discourages participants from borrowing money in order to obtain matching funds through short-term, large, lump sum deposits.

#### **Minimum/Maximum Deposits**

While Indiana's IDA Program requires its IDA participants to save on a regular basis, we also understand that occasionally circumstances arise that may otherwise preclude an IDA participant from meeting their regular savings obligation. In those circumstances, when approved by the administering IDA Organization, a participant may instead choose to make a minimum deposit of not less than 50% of their regular savings obligation (savings obligation x .5).

**For Example:** If a participants' regular savings obligation is \$35/month, when approved by the administering IDA Organization, the participant may instead deposit \$17.50 into their IDA account and not be penalized.

While Indiana's IDA Program does require at least a regular minimum deposit, it does not limit the amount a participant can deposit in their IDA in a given period of time. IDA participants are encouraged to save often, and save lots.

According to state regulation, IDA participants may not be taxed on any interest earned in their IDA, nor can money in their IDA account be considered an "asset" when determining eligibility for TANF benefits. We, therefore, encourage all IDA participants to take full advantage of these features to reach or exceed their savings goal.

### Missed Deposits

If an IDA participant fails to make the minimum savings requirement, upon notification to the IDA Administrator, the IDA participant may miss up to three scheduled deposits without repercussion. While onus is placed on the IDA participant to contact the administering IDA Organization regarding inconsistent savings, in the event that a participant misses or fails to make a full deposit, the administering IDA Organization may contact the participant to remind him/her of the terms of his/her Savings Plan Agreement.

After three missed deposits, at the discretion of the administering IDA Organization, a participant may forfeit his/her right to receive matching funds on his/her savings and continue enrollment in Indiana's IDA Program

### Deposit Options

IDA participants have three options for making deposits to their IDA:

**Option 1:** IDA participants may arrange to have regular savings deposits made via direct deposit from their paycheck to their IDA. This is a great option, because it saves time, eliminates trips to the bank, and ensures that deposits are made automatically on a regular basis.

**Option 2:** If an IDA participant's employer does not offer direct deposit, they can instead set up automatic payments from another savings or checking account to their IDA. Like direct deposit, this saves time, eliminates trips to the bank and ensures regular, timely deposits.

**Option 3:** If an IDA participant is unable to set up regular electronic deposits, he/she may instead visit their Partnering Financial Institution. However, since IDA accounts are not set up to have access to ATMs, the IDA participant will need to make his/her regular savings deposits during regular business banking hours.

For information on how to set up regular electronic deposits, IDA participants may contact their local Partnering Financial Institution or IDA Administrator.

## Withdrawal Process

Before a participant may withdraw funds for a qualified asset purchase, he/she must:

- Participate in the required Financial Literacy Education provided or outsourced by their administering IDA Organization.
- Participate in the required Asset-Goal Specific Education (i.e. homeownership counseling or micro enterprise training).
- Be in compliance with their Savings Plan Agreement.

### Qualified Withdrawals

IDA participants may use their IDA savings and match funds to make the following asset purchases:

- To purchase or rehab a primary residence.
- Start or expand a small business.
- Further their education at an institution of higher education, vocational school or an accredited job training program.

# Pre-Request Checklist

Although some withdrawal request procedures may vary based on asset purchase type, several phases are involved in all qualified withdrawal requests. Below is list of procedures that IDA participants should reference prior to making a request for withdrawal.

1. **Verify account balances** – participants must have accumulated enough personal savings in their IDA so that, when combined with match funds, they can cover the proposed asset purchase.
2. **Attend and complete Financial Literacy Education** – prior to any qualified withdrawal request, IDA participants **MUST** have graduated from Financial Literacy. For more information, reference section titled, *Training Requirements*.
3. **Attend Asset-Goal Specific Education** – prior to submitting any qualified withdrawal request, participants **MUST** have successfully completed at least six to eight hours of asset-goal specific training based on asset purchase type.
4. **Credit & Credit Repair** – participants must have reviewed and achieved any specific participant goals related to credit repair that were documented at time of application as necessary.
5. **Seek individual counseling or guidance** – participants are encouraged to discuss their asset plans with their IDA Administrator at time of application and prior to asset purchase. Input from program staff can help IDA participants clarify and achieve their goals more readily, as well as ensure that the withdrawal process is smooth and speedy.
6. **Qualify for financing** – for asset purchases that require financing other than IDA funds, participants should apply and receive approval for the loan or mortgage needed to make the asset purchase possible.
7. **Shop for the asset** – participants must have specific purchase plans; reimbursements for qualified expenses are not permissible. Most asset purchases require multiple estimates; take advantage of the time afforded by a long-term saving process to make the most educated and wisest purchase choice possible.

### Qualified Asset Purchase Procedure

Once an IDA participant is ready to make a qualified asset purchase, he/she should follow the procedure listed below:

1. Complete the IDA Pre-Request Checklist.
2. Notify the administering IDA Organization of intent to purchase -- As a general rule, IDA participants should request qualified withdrawals at least 30 – 60 days in advance, but no less than two weeks out from the anticipated purchase date.
3. Consult checklist for asset-goal specific purchase type and acquire necessary documentation as deemed appropriate.
4. Set up appointment to meet with IDA Administrator and fill out corresponding IDA Asset Purchase Withdrawal form - IDA participants should be certain to bring copies of any bills or invoices, as funds disbursed for a qualified asset purchase must be in the form of a check written to a third-party vendor.  
**Note:** If the cost of asset purchase is more than the combined total of savings and match, the IDA participant must show proof that he/she can cover the difference in costs.
5. Make arrangements with IDA Administrator for check disbursement - In most cases, the check will be mailed directly to the vendor unless other arrangements have been made first.
6. Return copies of receipts resulting from asset purchase – additional requests for withdrawals may be hindered until the administering IDA Organization is supplied with receipts from previous IDA asset purchases.

Below is a checklist to reference when ready to make an asset-goal specific purchase. IDA participants will want to reference this and contact their IDA Administrator at least 30 days prior to asset purchase.

### Checklist for Homeownership



- ☐ Completed Financial Literacy Education
- ☐ Completed Homeownership Counseling
- ☐ Obtained copy of Good Faith Estimate of Closing Costs/Settlement Statement
- ☐ Retained copy of mortgage approval letter and/or down payment assistance
- ☐ Signed Sales Agreement



### Checklist for Education/Job Training

- ☐ Completed Financial Literacy Education
- ☐ Submitted Educational/Career Plan  
A written description of the IDA participants education/career goals and an estimated cost of their education, including tuition, books, room and board etc. and what resources the IDA participant plans to use to pay for these expenses.
- ☐ Retained copy of acceptance letter or Bursar bill
- ☐ Collected copies of invoices or bills for expenses

### Checklist for Small Business Capitalization

- ☐ Completed Financial Literacy Education
- ☐ Submitted Business Plan, approved by a financial institution or non-profit loan fund  
An approved business plan should include a description of services or goods to be sold, a marketing plan and projected financial statements.
- ☐ Retained written estimates or purchase costs for products to be purchased



### Checklist for Owner-Occupied Rehabilitation

- ☐ Completed Financial Literacy Education
- ☐ Submitted Renovation/Rehabilitation Plan  
A written description of work proposed, expenses to be incurred and what resources the IDA participant plans to use to pay for these expenses.
- ☐ Retained 2-3 written estimates for the costs associated with proposed work to be done

# Emergency Withdrawal

IDA participants are encouraged to open a regular checking or savings account to pay bills and create a “rainy day” reserve for emergencies and special expenses. While strongly discouraged, emergency withdrawals may be approved at the discretion of the administering IDA Organization.

Examples of when an emergency withdrawal may be approved are:

- To prevent eviction.
- To prevent foreclosure on a participant’s primary residence.
- To pay for critical health care services or critical living expenses such as food supplies or heating expenses.

**Approved withdrawals** may only be made from an IDA participant’s personal savings, with the approval of the administering IDA Organization. Match funds may **NOT** be used for unqualified expenses, including emergency withdrawals.

**Approval and amount of emergency withdrawal** may be restricted at the discretion of the administering IDA Organization due to:

- Length of time participating in Indiana’s IDA Program;
- Amount of funds in personal savings;
- Non-compliance of Savings Plan Agreement; and
- Frequency of emergency withdrawal request(s).





In the event of a **denied request for emergency withdrawal** by the administering IDA Organization, an IDA participant may choose to:

- Do without the emergency withdrawal and continue participation in the IDA Program.
- Withdraw from the program and receive a full refund of all personal savings deposits and interest and forfeit the right of future participation in Indiana's IDA Program.

**To request an emergency withdrawal**, an IDA participant should follow the procedure below:

1. Complete and submit an Emergency Withdrawal Request Form to the administering IDA Organization.
2. Schedule a meeting with their IDA Administrator to discuss their situation and review possible alternative solutions—most problems can be solved without having to draw down on an IDA participant's personal savings.
3. If approved, develop a revised savings plan that will allow withdrawn amounts to be re-deposited into the IDA participants account within the lesser of 90 days or by April 30th. When savings that were matched do not return to the participant's IDA account, any corresponding matching funds must be returned to the State.
4. Coordinate with program staff to arrange for the withdrawal of funds from the IDA participant's savings account. Remember, any withdrawal from a custodial (joint) account requires a dual signature from the IDA participant and the administering IDA Organization.

***Important Note: Any unauthorized withdrawal from an IDA participant's matched savings account will result in immediate termination from Indiana's IDA Program and prohibition from future participation.***

# Examples of Qualified and Unqualified Asset Purchases

Below is a list of some permissible uses of IDA funds. Please note, while we have attempted to provide a comprehensive list, it may not be exhaustive. If you have any questions regarding possible use of funds, please contact your IDA Administrator. Remember, any and all expenditures must be approved prior to purchase.

Type of IDA Withdrawal	Examples of Qualified Expenses	Examples of Unqualified Expenses	Payable to	Required Documentation for Withdrawal
Home Purchase	Settlement fees, financing or closing costs, title insurance, attorney fees, inspection fees, acquisition costs, appraisal fees, mortgage insurance (as part of closing costs) and other customary "pre-paid" expenses.	Homes purchased on Land Contract, mobile home purchase, Rent-to Own or Lease-to-Purchase properties and general land acquisition.	The settlement agency or title company.	Signed Settlement sheet, Good Faith Estimate, home appraisal estimate, proof of completion of homeownership counseling and any additional down payment assistance.
Education & Job Training	Tuition, lab fees, books, supplies or equipment (including purchase of a computer when directly related to a student's course work), registration fees and other costs associated with attendance.	Pre-existing school debt, rent, extra-curricular activities, travel and reimbursement for any qualified or non-qualified expenses.	Accredited institution of higher learning or job training program.	Documentation of enrollment, copy of Bursar Bill, invoices and evidence of submission of Education/Career Plan.
Small Business	Start-up inventory, licensing fees, supplies or equipment, marketing materials and other expenses as included in an approved business plan.	Payroll, general funds/working capital and other expenses not included as part of an approved business plan.	Vendor	Copy of approved business plan and copies of any relevant invoices or estimates.
Owner-Occupied Rehabilitation	Energy efficient windows, siding, roofing, water heater replacement, insulation installation, heating and cooling, and other essential improvements.	Purchase of pool, cosmetic rehab and other non-essential improvements.	Vendor	Estimates, invoices, pre and post photos when available and copy of Renovation/Rehabilitation Plan.

# Training Requirements

## Financial Literacy Education

All IDA participants are required to complete approximately 8-10 hours of basic Financial Literacy Education **prior to saving**. Basic Financial Literacy includes:

- Setting and reaching financial goals;
- Developing and maintaining a household budget;
- Understanding credit and your credit score;
- Differentiating between needs and wants;
- Understanding how financial institutions work;
- Knowing your consumer rights; and
- Understanding insurance and taxes.

## Asset-Goal Specific Training

In addition to basic financial literacy, each IDA participant is required to complete asset-goal specific training as appropriate for asset purchase. Generally speaking, Asset-Goal Specific Training should last approximately 6-8 hours and should cover the following topics:

### Homeownership Counseling

- Learn how much house you can afford;
- Understand what a sub-prime loan is and what predatory lending practices are like;
- Learn where to get down payment and settlement help;
- Learn how to qualify for First Home, First Home Plus or USDA loan programs;
- Understand the settlement process;
- Get tips on how to maintain your home; and
- Learn how to avoid foreclosure.

### Small Business Training

- Identify potential customers and target markets;
- Develop a business plan;
- Develop a marketing plan;
- Learn how to track the cash flow of your business;
- Learn about different types of small business loans; and
- Learn what professional resources are available.

### Higher Education and Career Counseling

- Meet with a counselor to discuss your education/career goals;
- Write an education/career plan;
- Get help with the college search and application process;
- Learn about local job training programs and services; and
- Learn to identify different grants and scholarships which can help subsidize the cost of your education.



# Account Closings/Program Termination

## Account Closings

At any time, IDA participants may voluntarily or involuntarily have their IDA account closed. Some common reasons an Individual Development Account may close is:

- **Graduated** – the IDA participant maximized his/her match cap and/or match eligibility time limit and made one or several asset purchases which left his/her IDA with a zero balance.
- **Terminated** – the IDA participant was in violation of Indiana's IDA Program rules and regulations and was subsequently terminated.
- **Voluntarily Closed** – the IDA participant voluntarily decided, due to circumstances or fit, to close his/her account and discontinue participation in Indiana's IDA Program.
- **Dormant or Abandoned** – the account was closed by an administering IDA organization for lack of account activity or communication with the IDA participant.
- **Moved out of State** – the IDA participant moved out of state and is no longer eligible to receive state matching funds.

When an IDA account is closed, for either voluntary or involuntary purposes, the personal savings (plus interest) of the IDA participant is sent back to the last known address of the saver and any remaining match funds are sent back to the state.

## Program Termination

Indiana reserves the right to dismiss an IDA participant who fails to meet, or is in violation of, Indiana's IDA Program requirements, as set forth in Indiana Code the IDA Savings Plan Agreement or Participant Handbook. Examples of behavior which merit dismissal from Indiana's IDA Program are:

- Falsifying personal, income or application information.
- Non-compliance of IDA Savings Plan Agreement, including failure to comply with IDA savings requirements.
- Failure to complete Financial Literacy Education or Asset-Goal Specific Training.
- Unauthorized savings withdrawal(s).

Termination from Indiana's IDA Program can be made at the discretion of IHCD or the administering IDA Organization. To avoid termination and loss of match funds, it is recommended that each IDA participant keep in regular contact with his/her IDA Administrator, especially in the event of loss of income or other household changes that may negatively impact the IDA participants' ability to save.

**Failure to comply with these regulations may not only result in dismissal from the program, but also, the ability of the participant to participate in Indiana's IDA Program in the future.**

As with regular account closures, once a participant is terminated from Indiana's IDA Program, his/her account will be physically closed and any personal savings (plus interest) accrued to date, will be sent back to the last known address of the IDA participant, while matching funds will be sent back to the state.



# Appeals Process

This handbook shall serve as the primary definition of what qualified withdrawals/asset purchases are acceptable uses of IDA funds. In the event of a denied withdrawal request, participants may request, in writing, for their request to be reviewed by the State's IDA Program Administrator. Requests can be submitted to:

**Jacqueline Troy**  
**IDA Program Administrator**  
**Indiana Housing & Community Development Authority**  
**30 South Meridian Street; Ste 1000**  
**Indianapolis, IN 46204**

IDA participants that anticipate submitting an unusual asset purchase withdrawal request, should ask their IDA administrator for a ruling about the acceptability of their request as far in advance of requiring IDA funds as possible.



# Additional Policies

## **Confidentiality**

All applications, bank statements, documents and other files related to an IDA participant will be kept confidential by IHCD and its partnering administering IDA Organizations. For purposes of reporting, certain information may be shared with Family and Social Services Administration (FSSA) or Health and Human Services (HHS). However, at no time will any information unnecessarily be shared with anyone not affiliated with Indiana's IDA Program.

## **Non-Discrimination**

No person shall, on the grounds of race, gender, age, creed, ethnic origin, disability, or sexual orientation, be excluded from participation in, be denied the benefits of, or be subjected to discrimination in Indiana's IDA Program.

## **Multiple Household IDAs**

According to Indiana Code, only one member per household may simultaneously hold an IDA at a given time. Information regarding the definition of what constitutes a household may be retrieved from any administering IDA Organization.

## **Nepotism**

IHCDA does not condone the appearance of impropriety, conflict of interest or nepotism. For that reason, IDA program staff as well as friends or family members of IDA program staff are prohibited from participating in Indiana's IDA Program, at the program site where their affiliation takes place. When possible, however, the affiliated individual may seek participation in Indiana's IDA Program at a neighboring IDA Organization.

## **Beneficiary Designation**

Upon acceptance into Indiana's IDA Program, each IDA participant must designate an account beneficiary in the event of death. According to Indiana Code, when the account beneficiary is member of the participant's family, all funds (savings and match) will remain and the IDA will transfer to said family member, who is subject to the same rules and regulations of the IDA Program as the deceased. Conversely, when the designee is not a member of the IDA participant's family, all matching funds are forfeited and returned to the state, while any personal savings will be transferred directly to the beneficiary.



# FAQ's

## **What are Individual Development Accounts?**

Individual Development Accounts (IDAs) are matched savings accounts, used to help low-income individuals save money and purchase assets.

## **When can an IDA participant make their first asset purchase?**

After at least six months of participation in Indiana's IDA program, IDA participants can make an asset purchase, provided they've completed their Financial Literacy Education and/or Asset-Goal Specific Training (as appropriate). See section titled, *Withdrawals* for more information.

## **Can checks be written to an IDA participant?**

No. Program regulations state, without exception, all checks must be written to a third-party vendor.

## **If an IDA participant wants to use his/her IDA funds for small business capitalization, can a check be made payable his/her business account?**

No. IDA funds cannot be used as general capital or reserve funds. They must be used to make specific, planned purchases, as set forth in the participant's approved business plan.

## **What if an IDA participant wants to make multiple asset purchases?**

He/she will need to submit separate requests for each qualified withdrawal.

## **How long does it take to process a request for withdrawal?**

Time may vary from organization to organization, however, IDA participants are required to give their administering IDA Organization at least a two week notice for receipt of funds.

## **If an IDA participant has already paid for a qualified asset purchase out of pocket, can he/she be reimbursed or receive cash for that purchase?**

No. Under no conditions can an IDA participant receive cash or be reimbursed for any asset purchase (including qualified).

## **How many IDAs can an individual have in a lifetime?**

One. Once an individual has participated in Indiana's IDA Program, he/she may not participate again.

## **Do IDA participants have to pay taxes on their savings?**

No. According to Indiana Code, individuals who participate in Indiana's IDA program are not responsible for paying taxes on match funds or interest on their savings.

## **If an IDA participant is no longer eligible for match, but still has money in his/her IDA account, does he/she still get the money?**

Yes. An IDA participant may use his/her IDA funds for a qualified use until he/she become deceased or his/her account is closed. To avoid having the account closed due to dormancy or abandonment, we recommend that each IDA participant keep in regular contact with his/her IDA Administrator.

## FAQ's

**Can an IDA participant keep his/her IDA account after he/she has exited the program?**

No. IDA accounts are closed upon graduation or termination. However, we encourage IDA participants make arrangements to switch their accounts over to regular savings accounts for continued savings success.

**What if an IDA participant's situation changes during program participation?**

Regardless of whether an IDA participant's situation changes negatively or positively, IDA participants should always maintain communication with their IDA Administrator and corresponding administrating IDA Organization. Not communicating with their IDA Administrator can negatively impact their enrollment in Indiana's IDA Program.

# Additional Resources

Below is contact information for some helpful consumer resources, arranged by category. Many of these agencies provide FREE services. For more information, please contact the corresponding agency directly.

## Car Information

[www.autosite.com](http://www.autosite.com) - Good collection of resources regarding cars, including fact sheets, reports on used and new cars, and information on repairs and financing.

Kelly Blue Book ([www.kbb.com](http://www.kbb.com)) - offers extensive information on new and used cars including: trade-in and retail values; promotional cash bonuses and credits, vehicle reviews and vehicle specification information.

Car Wizard ([www.carwizard.com](http://www.carwizard.com)) - Car pricing and safety information for new and used cars.

## Credit Bureaus

Equifax ([www.equifax.com](http://www.equifax.com))

Experian ([www.experian.com](http://www.experian.com))

TransUnion ([www.transunion.com](http://www.transunion.com))

To receive a free copy of your credit report go to [www.annualcreditreport.com](http://www.annualcreditreport.com).

## Financial Institution

Federal Deposit Insurance Corporation ([www.fdic.gov](http://www.fdic.gov)) - FDIC is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships. Additionally, the FDIC houses an extensive collection of consumer materials with regard to credit, identity theft, financial education, real estate and housing.

## **General Consumer and Legal Sites**

**AARP** ([www.aarp.org](http://www.aarp.org)) - Provides information about elder-related issues, including many consumer issues such as reverse mortgages and predatory lending.

**American Bankruptcy Institute** ([www.labiword.org](http://www.labiword.org)) - Provide bankruptcy information for consumers and lawyers.

**America Saves** ([www.americasaves.org](http://www.americasaves.org)) - America Saves is a nationwide campaign in which a broad coalition of non-profit, corporate, and government groups help individuals and families save and build wealth.

**Better Business Bureau** ([www.bbb.org](http://www.bbb.org)) - Consumers can check a businesses' complaint record or file a complaint on-line.

**Center for Law and Social Policy** ([www.clasp.org](http://www.clasp.org)) - Website contains research and other information about economic security issues.

**Center for Medicare Advocacy** ([www.medicareadvocacy.org](http://www.medicareadvocacy.org)) - CMA is a non-profit organization which can provide consumers with just about everything they need to know about Medicare.

**Center for Responsible Lending** ([www.responsiblelending.org](http://www.responsiblelending.org)) - CRL is a unit of the Center for Community Self-Help (Self-Help), based in Durham, NC. The website provides a wealth of information for opponents of predatory lending.

**Center on Budget and Policy Priorities** ([www.cbpp.org](http://www.cbpp.org)) - Excellent resource for information about Temporary Assistance for Needy Families (TANF) benefits and the Earned Income Tax Credit (EITC).

**Consumer Action** ([www.consumer-action.org](http://www.consumer-action.org)) - A California based consumer advocacy group that works on behalf of consumers nationwide. Consumer Education information translated into a number of difference languages are available on this website.

**Consumers Union** ([www.consumersunion.org](http://www.consumersunion.org)) Consumers Union, publisher of Consumer Reports, is an independent, non-profit testing and information organization serving consumers. The website includes information on a wide range of consumer topics.

**Credit Scoring** ([www.creditscoring.com](http://www.creditscoring.com)) - This is a private site that has news and information regarding credit scoring.

**National Association of Consumer Advocates** ([www.naca.net](http://www.naca.net)) - Provides a listing of consumer attorney members throughout the country, divided by practice area. Also includes updated information on hot consumer topics and other events.

**National Association of Consumer Bankruptcy Attorneys** ([www.nacba.org](http://www.nacba.org)) - Contains general information about consumer bankruptcy issues, as well as referrals to bankruptcy attorneys nationwide.

**National Employment Law Project** ([www.nhlp.org](http://www.nhlp.org)) - NELP offers a wealth of resources dealing with work and employment issues. Various publications can be downloaded or ordered from the website or by contacting NELP at (212) 285-3025.

**National Senior Citizens Law Center** ([www.nsccl.org](http://www.nsccl.org)) - A very helpful website for the latest information on issues of particular interest to seniors. The focus is on Social Security, Medicare and other health issues.

**Penn State Dickinson School of Law Bankruptcy Pro Bono Directory** ([www.dsl.psu.edu](http://www.dsl.psu.edu)) - The "publications" section of this website contains a directory of national bankruptcy pro bono programs sorted by state.

### **Small Business Development**

**U.S. Small Business Administration** (<http://www.sba.gov/>) - Established in 1953, SBA provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, in addition to a venture capital portfolio of \$13 billion, SBA is the nation's largest single financial backer of small businesses.

**SCORE** ([www.score.org](http://www.score.org)) - SCORE, the "Counselors to America's Small Business" is America's premier source of free and confidential small business advice for entrepreneurs. You can contact your local chapter at:

Anderson - [www.scoreanderson.org](http://www.scoreanderson.org)  
Bloomington - [www.bloomingtonscore.org](http://www.bloomingtonscore.org)  
Columbus/SE IN - [www.score419.org](http://www.score419.org)  
Elkhart - [www.elkhart.org/page.cfm?id=9#SCORE](http://www.elkhart.org/page.cfm?id=9#SCORE)  
Evansville - [www.scoreevansville.com](http://www.scoreevansville.com)  
Fort Wayne - [www.score-fortwayne.org](http://www.score-fortwayne.org)  
Indianapolis - [www.indyscore.org](http://www.indyscore.org)  
Kokomo/Howard County - [www.kokomoscore.org](http://www.kokomoscore.org)  
Logansport - [www.score615logansport.org](http://www.score615logansport.org)  
Marion/Grant County - [www.bloomington.in.us/~mscore](http://www.bloomington.in.us/~mscore)  
South Bend - [www.southbend-score.org](http://www.southbend-score.org)  
Terre Haute/Wabash Valley - [www.scorechapter661.org](http://www.scorechapter661.org)  
Valparaiso/NW IN - [www.scorenorthwestind.com](http://www.scorenorthwestind.com)

**Indiana Small Business Development Center** (<http://www.isbdc.org>) - is a state based organization offering a wealth of free and low cost information, management counseling, and educational services designed to support Indiana small business owners and potential entrepreneurs. Their mission is to help Indiana business grow and create new jobs within the state.

## Government Sites

### State

**Indiana** ([www.IN.gov](http://www.IN.gov)) - Provides information about Indiana specific programs, laws and employment.

**Indiana Housing Now** ([www.indianahousingnow.org](http://www.indianahousingnow.org)) - Indiana Housing Now is a website that can be used to search for and list accessible and affordable housing for rent and sale. The website is a free and anonymous search tool that allows visitors to search by city, and input criteria such as number of bedrooms and rent payment preferences.

**Our Indiana Home** ([www.ourindianahome.org](http://www.ourindianahome.org)) - Our Indiana Home is a website which provides a concentrated effort to help Hoosiers locate affordable, available housing for purposes of rent or purchase.

### Federal

**Federal Emergency Management Agency** ([www.fema.gov](http://www.fema.gov)) - Provides information about disaster relief programs.

**Federal Trade Commission** ([www.ftc.gov/bcp/menu-credit.htm](http://www.ftc.gov/bcp/menu-credit.htm)) - FTC provides publications on consumer credit rights.

**Housing and Urban Development** ([www.hud.gov](http://www.hud.gov)) - Includes information about HUD approved housing and other HUD related programs.

**Internal Revenue Service** ([www.irs.gov](http://www.irs.gov)) - an IRS site that is helpful in answering basic tax filing questions.

**National Do Not Call Registry** ([www.donotcall.gov](http://www.donotcall.gov)) - Gives consumers the choice to reject telemarketing calls at home.

**U.S. Department of Education** ([www.ed.gov](http://www.ed.gov)) - Offers a number of helpful, free publications, including, "Student Guide," a guidebook for understanding student loans and grants.



# Terms and Definitions

The following are commonly used finance terms and other words referenced within the context of Indiana's IDA program. We have attempted to provide a comprehensive list, but it may not be exhaustive.

## **Administrator**

Person(s) charged with coordinating and overseeing the day-to-day activities of the IDA Program, including but not limited to: recruitment, counseling, deposits and withdrawals, program compliance and liaison to partnering financial institution(s).

## **Acceleration**

When a creditor claims the total balance of a loan is due immediately. This cannot usually occur unless you have fallen behind on payments.

## **AFIA**

Assets for Independence Act

## **Arrears**

The total amount you are behind on a debt. Usually the amount of all back payments plus any collection costs.

## **Asset**

Anything owned that has exchange value. In the IDA field, generally a home, a small business, education or training that appreciates in value over time.

## **Asset Building**

Engaging in long-term saving and investment behavior as a means to increasing economic independence.

## **Automatic Stay**

A bankruptcy case automatically prevents continuation of creditor collection activity. Filing bankruptcy is the only way to get this protection.

## **Balloon Payment**

A large lump-sum payment that is due as the last payment on a loan. Often used by lenders as a way to make monthly payments artificially low.

## **Bankruptcy**

A legal process available in all states that allows you to address your debt problems according to a set of special rules while getting protection from continued collection activity.

## **Budget**

A spending plan or schedule, adjusting expenses during a certain period to the estimated or fixed income for that period.

## **Capital**

The assets that are available for use towards creating further assets; it can also apply to the cash in reserve, savings, property or goods.

## **Capitalization**

Capitalization occurs when items owed on a loan are treated as part of a new principal balance.

## **CDC**

Community Development Corporation; a private, nonprofit corporation whose board of directors consists primarily of community representatives and business, civic, and community leaders; and whose principal purposes include the provision of housing, community based economic development projects; or social services; that primarily benefit low income individuals and communities.

## **Closed Account**

An account which is no longer eligible for match and has been physically closed by either the CDC or voluntarily by the IDA participant.

## **Closing Costs**

Expenses incurred when real estate is transferred from seller to buyer. These expenses may include items such as: broker and lender fees, mortgage and title insurance and inspection fees.

## **Collateral**

Property put up to secure a loan. If you have given a creditor collateral, that creditor may take and sell the collateral if you are not able to repay the loan.

**Compound Interest**

Money paid for the use of someone else's money; compound interest is calculated at regular (usually monthly) intervals and is added on to the principal each time it's calculated, so that interest from the previous interval earns interest.

**Custodial Account**

Similar to guardian accounts for children, custodial accounts are savings accounts under the participant's name, whereby the acting CDC is listed as a custodian on the account and acts on behalf of the participant. Put simply, this limits the type of transactions the participant may engage in to deposit activity. All other activity may only be done with the direct authorization of the custodian. For more information please reference section titled, *Account Structure*.

**Debt**

The amount of money or something of value that is borrowed from a person referred to as a debtor. Usually a debt that is borrowed will carry some type of penalty along with the payback such as an interest, or service.

**Debt Consolidation**

Debt consolidation is replacing multiple loans with a single loan that is normally secured on property. This can often reduce your (the borrowers) monthly outgoing interest payments by paying only one loan, which is secured on the property, sometimes over a longer term. Because the loan is secured, the interest rate will generally be considerably lower.

**Debt Management Plan**

Debt management plans are offered by many credit-counseling agencies. Through debt management plans (DMPs), consumers send the credit-counseling agency a monthly payment, which the agency then distributes to the consumer's creditors. In return, the consumer is supposed to get a break, usually in the form of creditor agreements to waive fees and to lower interest rates.

**Debt Settlement**

Negotiation and settlement services are different from debt management services, because the debt settlement agencies do not send regular monthly payments to creditors. Instead, these agencies generally maintain a consumer's funds in separate accounts, holding the money until the agency believes it can settle a consumer's debts for less than the full amount owed.

**Deed in Lieu of Foreclosure**

An agreement to turn real estate over to a lender as an alternative to foreclosure.

**Deed of Trust**

In some states, this is the term used for a pledge of real estate as collateral.

**Default**

Failing to meet the requirements of an agreement. Most defaults involve failure to make required payments. However, other types of defaults are possible, including failure to maintain necessary insurance and failure to keep collateral in proper condition.

**Default Judgment**

A judgment in a lawsuit against a party who did not meet legal requirements in connection with the case. The most common reason for a default judgment is failing to file an answer or other necessary papers before deadlines specified by law.

**Disclosure Statement**

This term is commonly used to refer to the document that explains loan terms according to the Truth in Lending Act. The consumer may have a defense to repaying a loan where the loan disclosures were not properly made.

**Earned Income Tax Credit (EITC)**

A refundable tax credit that transfers additional income to the working poor.

**Emergency Withdrawal**

A withdrawal for purposes outside of the regulatory uses of IDA funds, which includes home purchase, education; job training, small business capitalization and owner-occupied rehabilitation. For more information please reference section titled, *Withdrawal Process*.

**Equity**

Equity is the difference between the value of a product (for example a house) and the amount that is owed on it.

**Escrow**

Amount set aside for a particular purpose. One type of escrow is money you pay to your mortgage company to cover taxes and insurance. Escrow is also used when you have a dispute with a creditor. You may choose to set up an escrow to pay a debt in the event you lose the dispute.

**Expired Account**

An IDA account that is formally open (with a balance) but is no longer eligible for match.

**Fair Credit Reporting Act**

A federal (national) law that regulates credit bureaus and the use of credit reports.

**Fair Debt Collection Practice Act**

A federal (national) law that governs the conduct of debt collectors and that prevents abusive collection tactics.

**Family Self-Sufficiency Program (FSS)**

Implemented in 1993 by the U.S. Department of Housing and Urban Development (HUD) to promote the development of local strategies, integrate programs, and coordinate public and private resources to enable low-income families on welfare assistance to achieve economic independence and self sufficiency.

**Federal Poverty Guidelines**

Federal poverty measure, issued each year, in the Federal Register by the U.S. Department of Health and Human Services (HHS). Provides guidance for administrative purposes - for instance, determining financial eligibility for certain federal programs. The poverty guidelines are sometimes loosely referred to as the "federal poverty level" (FPL).

**Finance Charge**

The amount of money a loan will cost you expressed as a dollar figure. The finance charge includes the interest together with certain other loan charges specified by the Truth in Lending Act. You will find the loan's finance charge on the disclosure statement given to you when you sign the loan papers.

**Financial Institution**

As defined by IC 4-4-28-3 as "a bank, savings association, credit union, or any other institution regulated under IC 28 or Federal law.

**Financial Literacy**

Economic literacy training that teaches participants how to repair their credit, set up a budgeting and savings schedule, and educates participants on the basics of money management.

**Fixed Interest Rate**

An unchanging mortgage lending rate that is not impacted by inflation or other economic factors.

**Flexible Interest Rate**

A mortgage lending rate that responds to changes in inflation or other economic factors.

**Force-Placed Insurance**

The insurance policy your lender will "force" you to purchase if your insurance is cancelled or if your lender does not have proof of your insurance coverage. Force-placed insurance is very expensive.

**Foreclosure**

A legal process to terminate your ownership of real estate that is collateral for a debt, based on a mortgage or deed of trust.

**Garnishment**

A creditor's seizure, to satisfy a debt of property belonging to the debtor that is in the possession of a third party.

**Gross**

Before taking deductions for expenses, taxes, or the like.

**Homeownership & Equity Protection Act**

This is a federal (national) law that provides special protection to homeowners when they obtain home mortgage loans at high interest rates or with high fees.

**Homestead Exemption**

The right, available in most states and in the bankruptcy process, to treat your residence as exempt property that cannot be sold to satisfy the claims of unsecured creditors. In most states, the homestead exemption covers a certain dollar amount of your equity in your residence. A home cannot normally be sold to pay claims of your creditors unless your equity in the home exceeds the amount of the exemption. However, the homestead exemption will not normally protect you from foreclosure when you have voluntarily pledged your home as collateral.

**Household**

All individuals who share use of a dwelling unit as primary quarters for living and eating, separate from other individuals.

**Household Income**

Combined income of all household members; includes salaries, wages, and nontaxable income such as pensions, Social Security, child support and welfare payments.

**IHCDA**

Indiana Housing and Community Development Authority

**Individual Action Plan**

A Plan that outlines the activities and related resources necessary to prepare the IDA participant to reach their identified asset goal(s).

**Individual Development Account (IDA)**

A matched savings account for low-income individuals, which is held at a financial institution and is income qualified.

**Individual Retirement Account (IRA)**

A tax benefited account that encourages workers to set aside earnings for retirement savings.

**Individual Savings Account**

An interest bearing, no fees account, which holds only the personal savings of an IDA participant. This account does not hold any match dollars.

**Land Contract**

Sale and purchase of real estate in which the seller retains the legal title to the property until the purchaser has fulfilled the agreement, usually by completing the payment of the agreed-on purchase price.

**Lemon Law**

This is a state law that gives you protection if you purchase an automobile that does not work properly and cannot easily be fixed. Most lemon laws only apply to new cars, but some also apply to used cars.

**Liabilities**

Liabilities refers to the sum of all outstanding debts in which a company or individual owes to its debtors.

**Lien**

Also called a "security interest," it is a legal interest taken by creditors in your property to secure repayment of a debt. A lien can be created voluntarily in connection with a loan, such as when you pledge real estate by giving a creditor a mortgage or deed of trust. A lien can also be created without your consent by attachment based on a court order. A creditor with a lien is called a secured creditor.

**Lump Sum Deposit**

A single deposit of money that exceeds the total amount of money that a respective saver has committed to save on a routine basis, e.g., saver's income tax refund.

**Matching Funds**

Money designated for contribution toward an individuals annual participant savings at a 3:1 ratio up to a 6:1 ratio. These funds, in combination with personal savings, may be used for one of four asset purchases: home purchase, education or job training, small business capitalization and owner occupied rehabilitation.

**Match Rate**

Rate at which individual savings are matched in an IDA, expressed as a ratio. The typical match rate for an IDA is 3:1.

**Micro enterprise**

A small business with fewer than 5 employees and less than \$250,000 in revenue.

**Mortgage**

An agreement in which a property owner grants a creditor the right to satisfy a debt by selling the property in the event of a default.

**Negative Equity**

Negative equity arises when the value of an item of property you own is less than the total you owe on all the liens on that property, also known as being "upside down" on a loan. For example, if you own a home worth \$100,000 and borrow \$125,000 to consolidate debts, you have negative equity of \$25,000.

**Net**

The amount received after all costs are deducted.

**Nonprofit Loan Fund**

A not for profit agency which provides small business loans to low-income individuals who have little or no credit history or access to commercial bank loans.

**Notice of Right to Cancel**

This document explains your right to cancel a loan in some circumstances. You should receive such a notice in connection with most door-to-door sales and for mortgage loans that are not used to buy your residence.

**Parallel Savings Account**

A custodial account established by the CDC and an approved IDA participant, which holds an IDA participant's matched savings and which requires authorization from the CDC to make a withdraw.

**Payday Loan**

Also known as "cash advance," payday loan customers write the lender a post-dated check or sign an authorization for the lender to take money out of an account electronically for a certain amount. The amount on the check equals the amount borrowed plus a fee that is either a percentage of the full amount of the check or a flat dollar amount. The check is then held for up to a month, usually until the customer's next payday or receipt of a government check. At the end of the agreed time period, the customer must either pay back the full amount of the check, allow the check to be cashed, or pay another fee to extend the loan. Payday loans are quite costly, as the interest rate is sometimes upwards of 700%.

**Primary Residence**

A person's primary residence is the dwelling where they usually live. A person can only have one primary residence at any given time, though they may share the residence with other people. A primary residence is considered as a legal residence for the purpose of income tax and/or acquiring a mortgage.

**Principal**

Principal is used to describe the amount of money that is borrowed without including any interest or additional fees.

**Reamortization**

When a loan is reamortized, your payment is recalculated based on loan terms that are different from the original terms. For example, if you have paid for five years on a ten-year loan, your lender might consider starting the ten-year period again and recalculating your payments. This will lower your payments. Similarly, your arrears may be capitalized and your loan reamortized to reflect higher principal balance on which interest is accruing.

**Refinancing**

The process of paying back old debts by borrowing new money either from an existing creditor or new creditor.

**Rent to Own**

A process in which you rent property until you have paid enough to qualify for ownership. Most rent-to own deals are very expensive and a bad idea for the consumer.

**Replevin**

The legal process in which a creditor seeks to recover personal property on which it claims a lien.

**Reverse Mortgage**

A refinancing option usually available only to older homeowners (ages 62 and older) who have built up substantial equity in their property. In a reverse mortgage, money is drawn based on the value of the property without an immediate repayment obligation, because the lender expects repayment by sale of the property at some point in the future.

**Routine/Regular Savings**

An established pattern of savings in accordance with an IDA participant's Savings Plan Agreement. For more information please reference section titled, *Savings Requirements*.

**Savings Plan Agreement**

A plan developed for an individual saver, defining savings goals and program requirements, including the saver's anticipated use of their IDA funds. The approved plan shall serve as the contract between IHCD, the IDA participant and the IDA administrator and shall be for a specified contribution period of not less than 24 months.

**Secured Credit Cards**

A credit card for which the card issuer requires that the cardholder place a certain amount of money in a bank account with the card issuer. If the debtor does not repay the credit card, the card issuer can seize the money in the bank account.

**Short Sale**

A type of pre-sale in which the creditor agrees to let you sell property (usually real estate) for less than the full amount owed and to accept the proceeds of the sale as full satisfaction of the debt.

**Statutory Employee**

A worker who is treated as an employee for social security and Medicare tax purposes and as self employed for income tax purposes. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain home workers.

**Supplemental Security Income (SSI)**

Monthly payments made by the Federal government to people who are 65 or older, blind, or have a disability and who do not hold many assets or have a large income. Adults and children who are blind or have a disability can receive SSI.

**TANF**

Temporary Assistance for Needy Families (TANF), provides cash assistance and work support for low-income families with children. TANF replaces the former Aid to Families with Dependent Children program (AFDC) as a result of changes under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.

**Tax Deduction**

Reduces an individual or organization's tax liability (financial obligation, debt, claim or potential loss) in proportion to household size and tax bracket.

**Tax Refund Anticipation Loan**

A loan to the debtor to be repaid out of the debtor's tax refund. The refund is often then sent directly to the lender. These loans can be very expensive.

**Unsecured Creditor**

A creditor that has no collateral for the debt owed.

**Unsecured Debt**

A debt that does not involve collateral.

**Variable Rate Mortgage**

This is a mortgage loan in which the interest rate can change over time. The changes can affect the amount of your monthly payments.

**Wage Garnishment**

Garnishment of the debtor's wages from the debtor's employer.

**Workout**

This term covers a variety of negotiated agreements you might arrange with creditors to address a debt you are having trouble paying. Most commonly, the term is used with respect to agreements with a mortgage lender to restructure a loan to avoid foreclosure.