

Reclaiming the American Dream:

Expanding
Financial Security
and Reducing the
Racial Wealth Gap
Through Matched
Savings Accounts

A REPORT BY THE NEW JERSEY
INSTITUTE FOR SOCIAL JUSTICE



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THE NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

The Institute's mission is to empower urban residents to realize and achieve their full potential. Established in 1999 by Alan V. and Amy Lowenstein, the Institute's dynamic and independent advocacy is aimed at toppling load-bearing walls of structural inequality to create just, vibrant, and healthy urban communities. We employ a broad range of advocacy tools to advance our ambitious urban agenda, including research, analysis and writing, public education, grassroots organizing, the development of pilot programs, and legislative strategies.

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RECLAIMING THE AMERICAN DREAM: Expanding Financial Security and Reducing the Racial Wealth Gap Through Matched Savings Accounts

EXECUTIVE SUMMARY

New Jersey suffers from devastating racial and income inequality. Developing a robust and inclusive IDA program in the state would begin to address these systemic challenges.¹

Individual Development Accounts (IDAs) are matched savings accounts where the amount of money that an individual or family contributes is matched by a sponsoring organization, helping the person or family more quickly save for a goal.² People typically use IDAs to save for a home purchase, to start a business, or to continue their education. IDA programs are operated by sponsoring organizations—usually a non-profit, faith-based organization, or government agency—in partnership with a bank or financial institution.³ In addition to providing matched savings, IDA programs also offer financial literacy classes, case management, and other supportive resources to help participants build and sustain financial assets.⁴

New Jersey is the ninth worst state in the nation for income inequality, where incomes of households in the top 20% are 5.1 times higher than the incomes of households in the bottom 20%.⁵ Further, New Jersey has one of the worst racial wealth gaps in the nation, where the current median net worth for white families is \$309,396, but the most recent data available shows that the median net worth for New Jersey's Black and Latino families is just \$5,900 and \$7,020, respectively.⁶

Given New Jersey's shameful degree of income and racial wealth inequality, this report argues for the creation of a statewide IDA program with up to a 5:1 match. By powerfully investing in systematically deprived communities, the proposed IDA program will allow low-income residents to build wealth and finally realize the American Dream, while reducing our state's staggering racial wealth gap.

This report will: 1) detail the history of IDAs in the United States; 2) provide best practices for developing an IDA program, and 3) set forth policy recommendations that, if adopted, will establish New Jersey as a national leader in working to build wealth through IDAs.

INTRODUCTION

THE CHALLENGE AND THE OPPORTUNITY

Tamika, a Black woman, longed to own a home. A newly-divorced single mother of four, Tamika's low-wage job barely provided enough money for rent, with little leftover for anything else. Even with a second job, and her determination and resilience to overcome housing insecurity and even a period of homelessness, Tamika feared she would never realize her dream of homeownership—the primary driver of building wealth in this country.⁷

Tamika's story represents a broader systemic challenge for women and people of color in New Jersey, who struggle in the face of significant odds to achieve the “American dream” of financial stability and independence for themselves and their families.⁸ This dream is out of reach for an increasing majority of people in New Jersey—a state where incredible wealth exists alongside punishing poverty—because of structural barriers that create and perpetuate staggering rates of income inequality,⁹ asset poverty,¹⁰ and the racial wealth gap.¹¹ This is part of a national challenge, as more than half (54%) of Americans do not believe they will ever achieve financial security,¹² a belief supported by the fact that the wealthiest 1% of households now own 40% of our country's wealth.¹³

New Jersey is the ninth worst state in the country for income inequality with the top 20% of households having an average income that is 5.1 times as large as the income of the bottom 20% of households.¹⁴ This inequality results in significant income disparities for women and people of color, with women of color in New Jersey experiencing some of the highest pay disparities in the nation. Black women have one of the top 10 worst pay equity rates, and Latina women have the worst wage disparity in America.¹⁵

Because of systemic racial discrimination and the cumulative effect of women and people of color earning less over a lifetime, there is a staggering racial wealth gap. The racial wealth gap is calculated by measuring either the average¹⁶ or median¹⁷ net worth—meaning the assets minus liabilities¹⁸—of different



New Jersey should design an IDA program in response to structural inequality that is inclusive and large-scale in order to make deep, meaningful, and reparative investments in building wealth in communities that have been deprived of it.

groups of people. In non-economic terms, assets¹⁹ are things that people own—like money, equity in a home, and investments—and liabilities²⁰ are debts—like mortgages, car payments, and student loans debts.

Nationally, white households have a median net worth of \$127,390, while Black and Hispanic households have a median net worth of just \$8,050 and \$16,610, respectively.²¹ This racial wealth gap nearly tripled from the 1980s to the present, and was exacerbated by the substantial loss of homeownership among Black and Latino families during the 2007 to 2009 recession.²² It would take a Black family 228 years and a Latino family 84 years to achieve the wealth that the average white family has today.²³ Further, single women own only 32 cents for every \$1.00 dollar owned by single men, with women of color only owning pennies on the dollar in comparison to both white men and women.²⁴ This amounts to single women having an overall median net worth of

\$3,210, which drops to only \$200 for single Black women and \$100 for single Latina women—compared to the \$10,150 overall median net worth of single men and \$28,900 median net worth of single white men.²⁵

In New Jersey, one of the worst states in the nation for racial wealth disparities, the median net worth for white families is currently \$309,396.²⁶ By contrast, the median net worth for New Jersey’s Black and Latino families last year was just \$5,900 and \$7,020, respectively.²⁷ The consequences of the racial wealth gap are profound, as wealth is a transformational asset that enables individuals and families to both weather challenging times—like illness and unemployment—without losing their standard of living, and to leverage their assets for upward mobility through education, investments, and business.²⁸

A family is unable to temporarily weather a challenging time without falling into poverty, if it is “liquid asset poor,” meaning that it lacks enough liquid savings, such as cash or assets that are easily converted to cash, to replace income at the federal poverty line if a member of the household loses their job or

otherwise cannot work.²⁹ Many more households live in liquid asset poverty than in income poverty, as the national income poverty rate is 13%, while the rate of “liquid asset poverty” is 40%.³⁰ In New Jersey, nearly one-in-three of all households (32.2%) and more than half of households of people of color (52.2%) currently experience liquid asset poverty.³¹ For people living in asset poverty, an unexpected medical emergency, a car breaking down, or any other emergency will mean a financial crisis or sinking deeper into debt.³²

In Newark, New Jersey’s largest city, many working families are consistently living one emergency away from falling into poverty. Nearly two-in-three (64.3%) Newark households do not have sufficient liquid assets to live above the poverty line for three months, leaving them one job loss or emergency away from falling into poverty.³³ Moreover, one-in-five (20.6%) households are “unbanked,”³⁴ meaning they do not have a checking or savings account, and one-in-four (27.4%) are “underbanked,”³⁵ meaning they have a bank account, but still use check-cashing or payday lenders that often have much higher interest rates and higher fees than traditional banks.³⁶

IDA programs are intended to go beyond simply alleviating financial hardship for low-income people—they are a vehicle for true economic self-sufficiency and determination.





Importantly, these racial disparities reflect systemic, not individual, failures. These systemic challenges require systemic solutions.³⁷ New Jersey can begin to address systemic challenges, reflected in its shameful degree of racial wealth inequality, and alleviate asset poverty, through the development of a robust and inclusive individual development account (IDA) program. IDAs are matched savings accounts that empower people to save money for a particular asset or goal, like buying a house, starting a small business, or financing a college education.³⁸

America has a long history of enacting large-scale policies—such as universal public education, the Homestead Acts of the nineteenth century, the creation of the thirty-

year mortgage, and the GI Bill—to generate economic growth.³⁹ While these policies created economic opportunity “for some people, mostly white men, they failed to expand opportunity for people of color, women, and others.”⁴⁰ For its part, New Jersey should design an IDA program in response to structural inequality that is inclusive and large-scale in order to make deep, meaningful, and reparative investments in building wealth in communities that have been deprived of it.

IDA programs provide financial education and financial incentives that help low-income people save, start or expand a business, pursue post-secondary education, or buy a home, among other goals.⁴¹ Participants in IDA programs experience significantly fewer hardships related to utilities, housing, and health, and they help people enter the financial mainstream and reduce their use of alternative check-cashing services.⁴²

New Jersey’s current small-scale, federally-funded IDA program helped Tamika overcome substantial odds and become the first and only single woman in her family to own a home.⁴³ Even through serious illness, Tamika enrolled in New Jersey’s IDA program, attended financial literacy classes, and saved enough money to purchase a home in Newark. Tamika’s story is a powerful example of what happens when government invests in people.

Given New Jersey’s persistent, systemic racial wealth inequality, this report urges the Garden State to create an IDA program with up to a 5:1 match, and based on national best practices, to powerfully invest in building wealth in communities that have been systematically deprived of it so that low-income residents, like Tamika, can finally realize the American Dream.

I. BACKGROUND



IDAs are matched savings accounts that provide an opportunity for people to save for a specific goal over a set period of time.⁴⁴ These accounts help low-income people build wealth and assets towards buying a home, starting a small business, and obtaining a post-secondary education for themselves or their children.⁴⁵

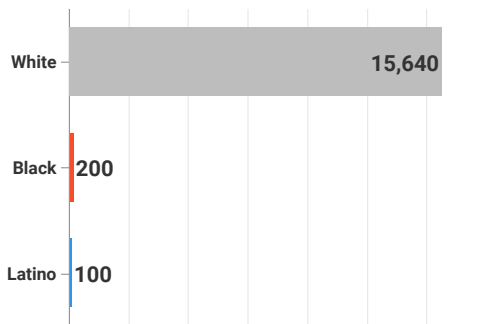
IDA programs are operated by sponsoring organizations—typically a non-profit, faith-based organization, or government agency—in partnership with a bank or financial institution.⁴⁶ In addition to providing matched savings, IDA programs also offer financial literacy classes, case management, and other supportive resources to help participants build and sustain financial assets.⁴⁷

For participants, IDA programs operate similarly to 401k savings accounts: a participant makes contributions to the account, and those contributions are then matched at a certain rate by the program (like employers often match 401k contributions).⁴⁸ Early withdrawals from IDA accounts are usually restricted to limited circumstances, such as the need to cover emergency costs.⁴⁹ When early withdrawals are allowed by the program, those withdrawals do not include any of the matched funds earned.⁵⁰

Among IDA programs in operation nationally, eligibility requirements vary, although there tend to be several similarities.⁵¹ Most IDA programs are limited to low-income people (usually 200% of the federal poverty level), and they may also require limited net worth.⁵² Participants are typically enrolled in the IDA program for one to five years, and they receive matched savings at anywhere from a 1:1 to an 8:1 ratio.⁵³

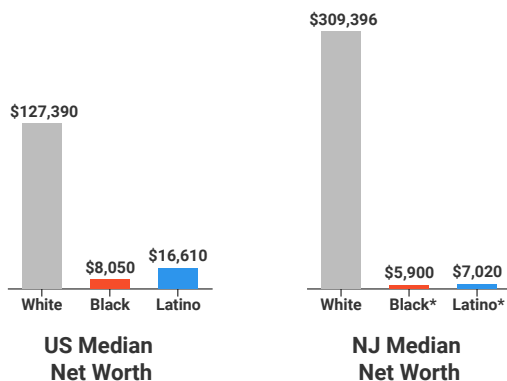
The concept of IDAs was first proposed by Michael Sherraden and popularized by his 1991 book, *Assets and the Poor: A New American Welfare Policy*, in which he described IDA programs as a vehicle to encourage saving and break the cycle of poverty.⁵⁴ Sherraden argued that assets promote long-term financial planning and greater attention toward gaining and preserving resources, and that they promote other positive behaviors and attitudes, such as household stability, civic engagement, and a greater belief in one’s ability to succeed.⁵⁵ Thus, IDA programs are intended to go beyond simply alleviating financial hardship for low-income people—they are a vehicle for true economic self-sufficiency and determination.

Single Women's Median Net Worth Shows Racial Wealth Gap



HEATHER MCCULLOCH, CLOSING THE WOMEN'S WEALTH GAP (CWWG) INITIATIVE, CLOSING THE WOMEN'S WEALTH GAP: WHAT IS IT, WHY IT MATTERS, AND WHAT CAN BE DONE ABOUT IT 4 (2017), <https://womenswealthgap.org/wp-content/uploads/2017/06/Closing-the-Womens-Wealth-Gap-Report-Jan2017.pdf>.

The U.S. has a racial wealth gap problem. New Jersey has a disaster.



Scorecard: Financial Assets & Income, Net Worth by Race, PROSPERITY NOW, <https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/net-worth> (data from last year downloaded on Aug. 13, 2018) & Scorecard: Financial Assets & Income, Net Worth by Race, PROSPERITY NOW, <https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/net-worth> (last visited Mar. 7, 2019).

*These statistics are from 2018 because the 2019 data was not available due to both smaller sample sizes and a larger margin of error.

A Federally-Funded IDA Programs

Congress first incorporated IDAs into federal law through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which brought about substantial welfare reform and made IDA programs eligible to receive federal funds.⁵⁶ Today, there are two major sources of federal funding for IDA programs: the AFI Act and Temporary Assistance for Needy Families (TANF).⁵⁷

In 1998, the Assets for Independence (AFI) Act authorized the U.S. Department of Health and Human Services (HHS) to issue grants to state agencies and organizations to implement IDA programs in partnership with community development financial institutions, eligible credit unions, and local, state, or tribal governments.⁵⁸ For Fiscal Years 1999 through 2003, the AFI Act authorized up to \$25 million annually for competitively-awarded IDA demonstration programs.⁵⁹ AFI became the largest federally-funded IDA program in the country, and although Congress has not appropriated new funds toward AFI since the 2016 fiscal year, many programs continue to operate under grants issued in prior years.⁶⁰

Under the AFI Act, non-profit organizations, state, local, and tribal governments (in partnership with non-profits), credit unions, community development financial institutions, and faith-based organizations are eligible to apply for AFI grants to operate IDA programs.⁶¹ The AFI Act also “grandfathers” in eligibility to state programs that were already in operation at the time the AFI Act was enacted and were funded at \$1 million or more.⁶² These organizations are not required to comply with AFI’s rules for operating IDA programs.⁶³

AFI also has eligibility rules for people interested in participating, including that they:

- are eligible to receive TANF assistance; or
- live in a household with an income below 200% of the federal poverty line and have a net worth of less than \$10,000.⁶⁴

The program assesses a person’s net worth by measuring the market value of all assets, excluding the household’s primary residence and the value of one motor vehicle.⁶⁵



It is important that women and people of color have opportunities to both increase income and to acquire assets through homeownership, business ownership, and education.

AFI IDAs may benefit one individual, as well as the individual’s spouse and any dependents.⁶⁶ Notably, because AFI IDA programs frequently aim to assist people and families who qualify for government aid, the AFI Act requires that the IDA funds be disregarded when assessing eligibility for federal assistance programs.⁶⁷

Once admitted, AFI IDA program participants are required to contribute to their IDA account with cash or a check, and those



Successful IDA programs are more than matched savings accounts—they are programs that provide people with the skills and knowledge necessary to save for and attain the type of assets that build wealth, including homeownership, business ownership, and education.

contributions are matched at a rate of at least \$1 for every \$1 contributed.⁶⁸ The matching contributions are funded through both federal and non-federal sources, but non-federal sources must make up at least 50% of the matched funds, and the maximum matching amount from federal funds is \$2,000 for an individual and \$4,000 for a household.⁶⁹ Participants may withdraw their funds, the matched funds, and any interest accrued for a set of specific purposes, including post-secondary

educational expenses, the purchase of a home, or starting a business.⁷⁰

Beyond AFI, the other major source of federal funding for IDAs comes from TANF.⁷¹ Under this program, people eligible for TANF assistance can make contributions from earned income to the IDA account.⁷² TANF IDA programs follow the same rules as AFI IDA programs: contributions are to be matched by non-profit organizations or state or local governments, and funds may be withdrawn for educational expenses, purchasing a new home, or starting a business.⁷³ However, unlike the AFI Act, TANF IDA programs do not limit matching rates or amounts.⁷⁴ There are also no provisions for emergency withdrawals from TANF IDAs.⁷⁵

In addition to TANF and AFI, there are smaller federal IDA programs and other initiatives to incentivize saving. For instance, the Office of Refugee Resettlement of the U.S. Department of Health and Human Services offers an IDA program with rules and requirements that are similar to AFI and TANF, but that also accounts for the unique needs of refugees, such as the need to be trained in the American financial system.⁷⁶

There is also the Beginning Farmer and Rancher Individual Development Account program, which is designed to help new farmers and ranchers with limited financial means through business and financial education and a matched savings account.⁷⁷ This IDA program was first authorized in the 2008 Farm Bill as a pilot program, but has not yet received any funding through the annual appropriations process.⁷⁸

Beyond traditional IDA programs, there are also legislative initiatives to incentivize saving, such as the Refund to Rainy Day Savings Act, a bill introduced in the Senate in July of 2018.⁷⁹ If enacted, the Refund to Rainy Day Savings Act would allow low-income tax filers to receive government-sponsored matches for saving the funds from their income tax refunds.⁸⁰

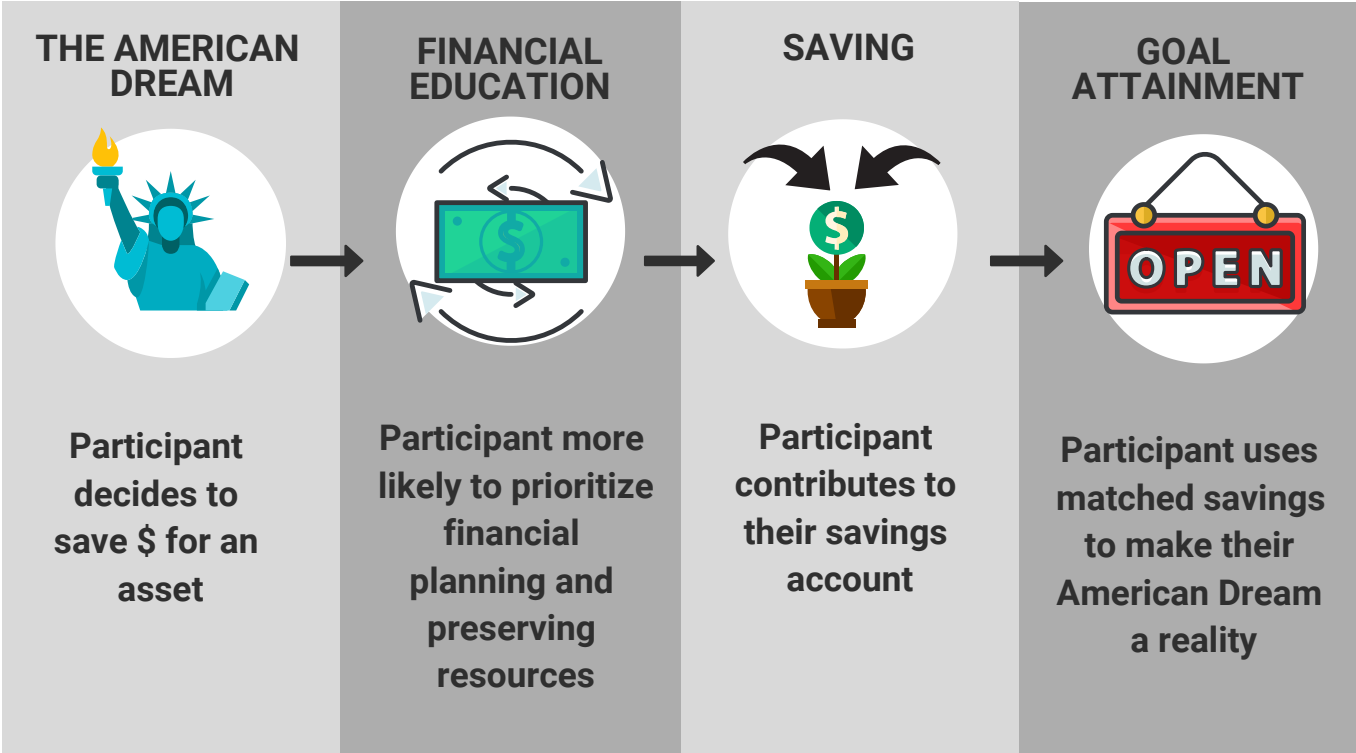
B State Funding for IDA Programs

Whether an IDA program receives federal funding from AFI or TANF, non-federal funding sources are necessary.⁸¹ In 2017, 12 states and the District of Columbia allocated money from the state budget to fund IDA programs.⁸² There are two main costs associated with administering IDA programs: savings account matching funds and administrative costs.⁸³ IDA programs can raise these funds through a combination of public and private sources, including philanthropic organizations and private funders, national and regional financial institutions, and local, state, and federal agencies.⁸⁴

Beyond allocating money from the state budget, several states have funded their IDA programs through tax policy. With this type of fundraising plan, organizations must solicit donations from individuals, organizations, and businesses to raise the money needed to match the savings of IDA program participants, using allocated tax credits as leverage.⁸⁵ In other words, sponsoring organizations request a certain amount of tax credits to be used in their fundraising efforts, and coordinate with the state in issuing the tax credits to the people, businesses, and organizations that donate to the IDA program.

Missouri, for example, which refers to IDAs as “Family Development Accounts” (FDAs), issues state tax credits through its Department of Economic Development (DED) to eligible taxpayers who donate money to organizations approved to operate FDA programs.⁸⁶ For the 2018 Fiscal Year, DED had an annual allocation of \$300,000 in 50% tax credits to award to organizations applying to administer IDA programs.⁸⁷ An organization may receive up to \$100,000 in tax credits, allowing the organization to leverage up to \$200,000 in cash contributions.⁸⁸ If the organization does not reach its fundraising or distribution targets, DED can recapture unused tax credits and redistribute them to other organizations.⁸⁹

In Indiana, the state’s IDA program is run through the Indiana Housing & Community Development Authority (IHCDA) in partnership with the Indiana Department of Revenue.⁹⁰ In the 2018 Fiscal Year, Indiana allocated \$1,170,000 to fund its IDA program.⁹¹ Individuals, businesses, and organizations who donate \$100 or more, but less than \$50,000, to the IDA program receive a 50% tax credit.⁹² This tax credit can be applied against any state tax liability.⁹³ Like in Missouri’s program, organizations must request a certain number of tax credits to use as leverage in their fundraising efforts when applying to administer an IDA program.⁹⁴



In Kansas, the IDA program is overseen by the Kansas Department of Commerce and administered by Interfaith Housing & Community Services, Inc., a non-profit.⁹⁵ The Kansas Department of Commerce and the Department of Revenue administer the tax credit program.⁹⁶ Any person, business, or organization who donates to the IDA program receives a tax credit worth 75% of the value of their contribution.⁹⁷ The state caps annual allocations at \$500,000.⁹⁸ Under the Kansas IDA program, the excess amount is refunded to the taxpayer when the funds credited to the individual or entity exceed the taxpayer's income tax liability.⁹⁹

Oregon also funds its IDA program, called the Oregon IDA Initiative, through a tax system.¹⁰⁰ The Oregon legislature currently authorizes up to \$7.5 million in tax credits to be distributed at a rate of up to 70% for check donations and 67% for credit card donations.¹⁰¹ An individual can claim up to \$500,000 in tax credits annually, and the three-year carry-over period remains.¹⁰² The Oregon IDA Initiative reports that it has consistently sold out of its statutory annual limit of available tax credits since 2012,¹⁰³ and in 2018, they entirely sold out by February.¹⁰⁴

C New Jersey's IDA Program¹⁰⁵

New Jersey currently has an IDA program, which is federally funded through TANF and governed by N.J.S.A. 44:10-90.¹⁰⁶ The program, which is run through the Department of Community Affairs (DCA), works with employed people whose families are current or former recipients of public assistance through Work First New Jersey, which is New Jersey's TANF program.¹⁰⁷ To be eligible to participate in New Jersey's IDA program, a participant's household income must not exceed 200% of the federal income poverty guidelines.¹⁰⁸ Once accepted into the IDA program, a participant may start saving for costs related to a first home purchase, education and job training, or opening a small business.¹⁰⁹

Participants are required to deposit at least \$10.00 into their IDA accounts each month, and the State will provide a 1:1 match of funds.¹¹⁰ Each year, an IDA recipient may earn up to \$1,500 in matched savings, with a maximum total of \$4,500 in matched funds over the course of three years.¹¹¹ A participant must complete 10 hours of basic financial literacy training and anywhere from 5-10 hours of asset-specific training before being allowed to withdraw the funds.¹¹² Participants are permitted to make an emergency withdrawal from their IDA account with permission of the administering agency in order to cover medical expenses, payments necessary to avoid eviction or foreclosure, or to meet necessary living expenses following the loss of employment.¹¹³ An emergency withdrawal does not include the matched funds earned throughout the participant's participation in the program.¹¹⁴

It is important that women and people of color have opportunities to both increase income and to acquire assets through homeownership, business ownership, and education.



D Research on the Impact of IDA Programs

IDA programs can help asset-poor Americans save, especially women and people of color. Due to both direct and systemic discrimination, women and people of color have been excluded from economic opportunities, which creates long-lasting barriers to accumulating assets and wealth.¹¹⁵ Among the many barriers to acquiring wealth for both women and people of color is discrimination in salary and wages, housing, and lending.¹¹⁶ For most Americans, home equity is the largest source of wealth,¹¹⁷ and the historic exclusion of women and people of color from homeownership is a significant driver of the race and gender wealth gaps.¹¹⁸

Access to wealth-building assets is important, because of the lasting—and even generational—implications.¹¹⁹ For instance, many white families had access to government programs to promote homeownership for at least the past 100 years, but these programs were largely closed to people of color until the Fair Housing Act was passed in 1968.¹²⁰ While these families were able to save money and acquire assets, and pass them down to future generations, many low-income families and people of color must build wealth from scratch.¹²¹ For these reasons, it is important that women and people of color have opportunities to both increase income and to acquire assets through homeownership, business ownership, and education.¹²²

IDA programs address this discriminatory history by successfully building wealth for low-income people, particularly for women and people of color. A national study of federal IDA programs found that the majority of program participants were women, people of color, and unmarried people, who were employed and had some college education.¹²³ Due to the racial wealth gap, IDA programs are especially effective at reducing asset inequality for Native Americans and Black people.¹²⁴

After three years, IDA program participants are 35% more likely to be homeowners, 84% more likely to be business owners, and nearly twice as likely to pursue secondary education as non-participants.¹²⁵ Research shows that high match rates, direct deposits, financial education, and an overall program structure that incentivizes saving are critical features of successful IDA programs.¹²⁶

Further, research on IDA programs proves that income is not associated with a participant's ability to regularly save.¹²⁷ In fact, IDA participants with very low incomes saved at a higher rate relative to their income.¹²⁸ These results show the power of IDA programs to positively impact the ability of low-income individuals to save and attain assets.



II. BEST PRACTICES

Based on a review of the most successful IDA programs, several best practices should be implemented, including broad eligibility requirements, flexible asset goals, accessible financial education classes, adequate staffing, and match schemes designed to incentivize saving.

1 Broadly-Defined Eligibility Requirements

Many of the hardworking people struggling to save and build wealth are ineligible to participate in IDA programs.¹²⁹ In New Jersey, 38.5% of households persistently struggle to afford a basic household survival budget based on the cost of living in the state.¹³⁰ Yet, because most of these households live above the federal poverty line, they are ineligible to participate in federally funded IDA programs.¹³¹ To ultimately reach the growing number of people struggling to save, state IDA programs should move away from the restrictive requirements of federally-funded IDA programs and adopt expansive eligibility requirements.¹³² IDA programs should also have low monthly deposit requirements and no penalty fee for withdrawing funds prematurely.

Some state-sponsored programs have eligibility requirements that are far more inclusive than the federal government programs.¹³³ Both the Oregon IDA Initiative and the Community Action Partnership of North Dakota program have a scaled household income eligibility requirement that accounts for the size of the household, making the income eligibility requirement

lower or higher based on the number of people, with Oregon's program considering the county in which the household resides as well.¹³⁴ The Oregon Initiative also requires that a participant have no more than \$20,000 in net worth,¹³⁵ a limitation that is \$10,000 higher than the requirements of AFI.¹³⁶ Like the Oregon IDA Initiative, IDA programs should have flexible and expansive eligibility to include the many people who may struggle to save and build sustainable assets, but fall above the federal poverty line and have a net worth greater than \$10,000.

In addition to income and net worth limitations, IDA programs also typically require that a potential program participant be able to regularly save. This often means the participant must be employed and be able to make a minimum monthly deposit into his or her IDA account.¹³⁷ American Dream Demonstration¹³⁸ IDA programs, for example, require that participants be employed and be able to deposit at least \$10.00 into his or her IDA at least nine months of every year in the program.¹³⁹ Similarly, Oregon's IDA program requires participants to deposit \$25.00 each month, unless the participant is a middle school or high school student, in which case there is no set minimum deposit so long as the student makes a contribution each month.¹⁴⁰ However, a late or missed deposit does not ordinarily result in a penalty or dismissal from these programs.¹⁴¹ As is reflected in certain elements of both American Dream Demonstration and the Oregon IDA Initiative, IDA programs should have low minimum monthly deposit requirements, with the focus being on creating consistent saving habits.

2 Flexible Asset Goals

IDA programs are most useful when they allow participants to save for a variety of assets.¹⁴² American Dream Demonstration IDA programs, for example, offer a variety of different asset goals, including home ownership or home repair, post-secondary education, business start-up or expansion, and even funding an IRA account for retirement.¹⁴³ Oregon’s IDA Initiative also offers the ability for participants to save for many different assets, including: (1) “post-secondary education or job training”; (2) “purchase of a primary residence”; (3) “rental of a primary residence”; (4) “capitalization of a small business”; (5) “improvements, repairs, or modifications necessary to make a primary dwelling habitable, accessible, or visitable for the account holder or household member”; (6) “purchase of equipment, technology, or training to make a business competitive, start a business, or maintain employment”; (7) “purchase or repair of a vehicle”; (8) “retirement savings”; (9) “payment of educational or medical debts”; (10) “creation or improvement of a credit score”; and (11) “replacement of primary residence if the new residence would significantly improve habitability or energy efficiency.”¹⁴⁴ Programs such as the one administered by the Community Action Partnership of North Dakota also allow parents to save for their child’s education.¹⁴⁵ Offering a full range of asset goals will allow individuals to build wealth in a way that makes the most sense for their life and circumstance.

3 Accessible Financial Education Courses

Successful IDA programs are more than matched savings accounts—they are programs that provide people with the skills and knowledge necessary to save for and attain the type of assets that build wealth, including homeownership, business ownership, and education. Understanding how wealth-building assets are acquired and how they can be used to maximize financial benefits often requires some degree of specialized knowledge. For instance, when buying a home, a person must understand the concept of building equity,¹⁴⁶ or when starting a business, a person must know how to develop a profitable business plan.¹⁴⁷ For these reasons, the financial education component of IDA programs is critical to ensure participants permanently build wealth.



Successful IDA programs are more than matched savings accounts—they are programs that provide people with the skills and knowledge necessary to save for and attain the type of assets that build wealth

Therefore, IDA programs must be carefully designed to ensure that the financial education classes are easily accessible, and not excessively costly or burdensome for participants to attend.¹⁴⁸ IDA programs should also ensure that financial education courses are accessible to people with disabilities or with limited English proficiency. By avoiding or removing logistical barriers for participants to complete these courses, there is a greater likelihood that participants are able to successfully complete the program.

In addition to offering general and asset-specific financial training, IDA programs should assist with acquiring and maintaining the asset, particularly for participants who save to purchase a home. Communities of color are often the targets of predatory lending, including high-interest mortgages.¹⁴⁹ Because these practices both exploit and perpetuate the racial wealth gap,¹⁵⁰ it is important that IDA programs have safeguards for

protecting participants. For example, some IDA programs offer loans, or have partnerships with lenders that provide loans and additional down payment assistance products to participants.¹⁵¹ It is also important for IDA program case managers to review and approve of the loan terms prior to issuing the matched savings to ensure that the IDA participant is entering into a loan that he or she will be able to successfully repay over the life of the loan.¹⁵²

When a participant enters an IDA program with the intent to purchase a home, an IDA program with matched savings, financial, education, homeownership counseling, and program oversight would likely lead to a down payment that starts participants with equity in the home, more affordable loan terms, and a lower investment risk. Accordingly, an IDA program with these types of safeguards aimed at helping participants purchase and maintain an asset could help build wealth in low-income communities.

4 Ensure Sufficient Staffing of the IDA Program

Case management and stable staffing is critical to program success because IDA participants often must adhere to strict budgets and overcome financial obstacles for an extended period of time to successfully complete the program.¹⁵³ Sponsoring organizations should have the necessary staff and resources to carry out the IDA program in the areas of marketing, fundraising, and case management.

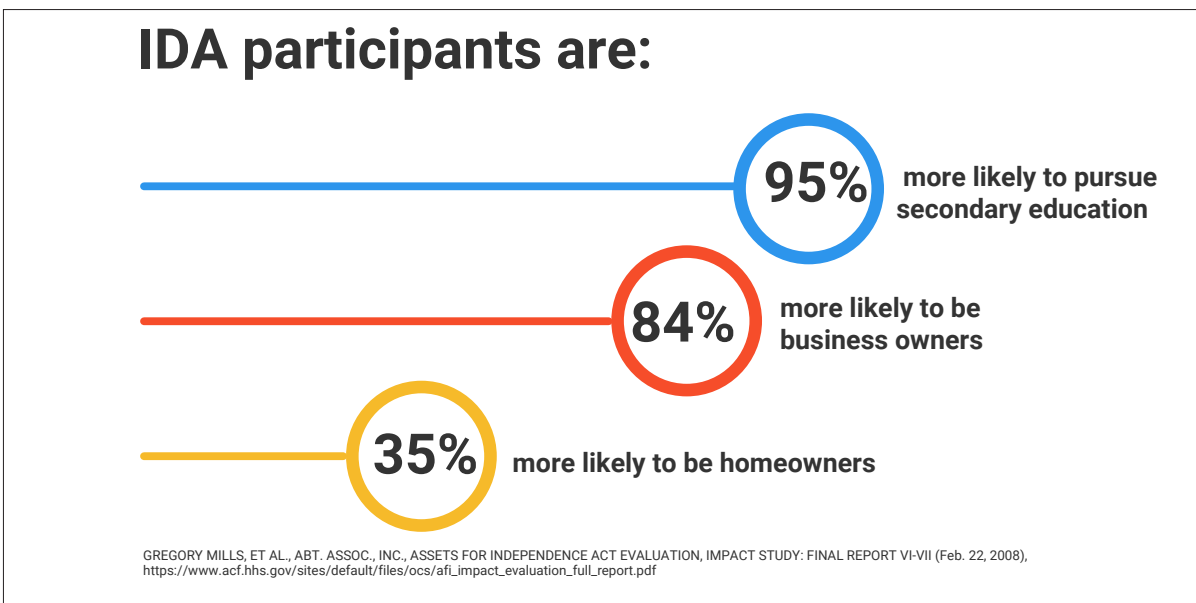
Sponsoring organizations are typically responsible for recruiting people to participate in IDA programs, which can be challenging—particularly for a newly-established IDA program.¹⁵⁴ Such programs ask families and individuals to change their behaviors around money and saving, and to make a commitment to investing money with an organization that may be new to them.¹⁵⁵ In order to effectively recruit program participants, fiduciary organizations should use their established and successful programs to market the IDA program and build trust with community members.

To ensure that program participants are poised to reach their financial goals, sponsoring organizations should employ a full staff of case managers to counsel IDA program participants.¹⁵⁶ These case managers should closely monitor a participant's deposits, withdrawals, and attendance at financial education classes, as well as offer coaching to participants as they progress toward their financial goals.¹⁵⁷

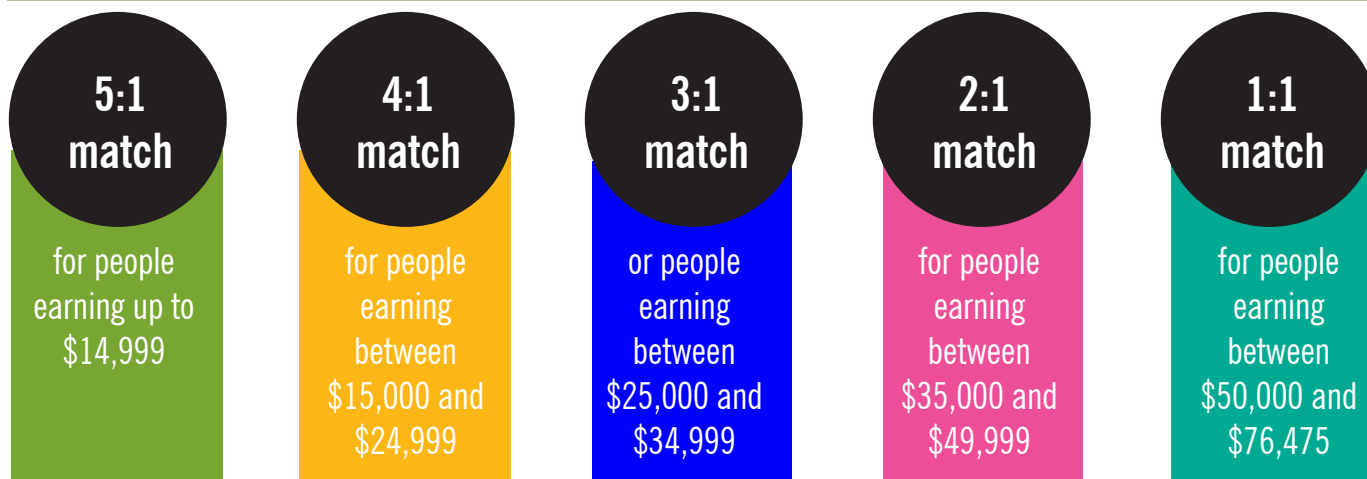
Relatedly, the sponsoring organization must be able to support the IDA program over the course of a long period of time. IDA participants typically remain in the program anywhere from one to five years,¹⁵⁸ so it is important that sustaining the IDA program over many years is aligned with the sponsoring organization's long-term strategic plan.

Some IDA programs operating under Oregon's IDA Initiative provide a good example of the institutional support and

IDA research has also shown that programs with structured incentives and higher match rates encourage saving.



With an eligibility requirement that IDA program participants be at or below New Jersey's median household income, which is currently \$76,475, a progressive match rate would be as follows:



U.S. CENSUS BUR., AM. CMTY. SURVEY, 2013-2017 *Selected Economic Characteristics: Median Household Income* (data retrieved for New Jersey), factfinder.census.gov/ (last visited Mar. 10, 2019).

counseling that IDA program participants should receive. In the DreamSavers program, for instance, participants are assigned an IDA specialist and, if saving for a home purchase, a Pre-Purchase Counselor.¹⁵⁹ All participants create a Savings Plan Agreement, which will determine how much should be deposited in the participants' account each month for the participant to reach his or her saving goal.¹⁶⁰ If a participant anticipates that he or she will not be able to deposit the agreed amount that month, they are instructed to contact their IDA specialist right away.¹⁶¹ And, for participants who seek to purchase a home, they meet with their Pre-Purchase Specialist to review the participant's income, debt, and credit to determine whether the participant will be able to obtain a loan by the end of completing the program.¹⁶²

5 Match Structures that Incentivize Saving

IDA research has also shown that programs with structured incentives and higher match rates encourage saving.¹⁶³ Match rates vary significantly across IDA programs, with some programs staggering match rates based on the participant's asset goal. American Dream Demonstration IDA programs, for instance, offer a 1:1 match for all assets except home purchases, which receive a 2:1 match.¹⁶⁴ The IDA program administered by the Community Action Partnership of North Dakota also offers a variety of match rates, including from 2:1, 4:1, to 8:1.¹⁶⁵

IDA research shows that higher matching is an effective way to encourage savings.¹⁶⁶ This means that a program could offer a range of match rates based on categories of income. As Robert E. Friedman argues in *A Few Thousand Dollars: Sparking Prosperity for Everyone*, a progressive match rate would address our country's discriminatory history, especially involving people of color and women.¹⁶⁷ Specifically, Friedman argues that a match rate graduating from 3:1 to 1:3 over five economic quintiles (determined by an individual or family's assets) would level the playing field while continuing to economically advance everyone.¹⁶⁸

Finally, research on IDA programs shows that deposits increase sharply in March, suggesting that participants deposit funds from their income tax refunds.¹⁶⁹ Thus, IDAs should incentivize participants to deposit their income tax returns, and may do so through offering a higher match rate.

Drawing upon the best practices identified through the study and evaluation of IDA programs, below is an outline of several policy recommendations to create a state-based IDA program in New Jersey.¹⁷⁰ These policy recommendations include broadly defined eligibility, flexible asset goals, having the program be properly staffed and accessible, creating matched savings that incentivize savings, and a state tax policy that will help raise funds for the matched savings.



III. POLICY RECOMMENDATIONS FOR A STATE-BASED IDA PROGRAM IN NEW JERSEY

New Jersey can achieve these policy recommendations through legislation that creates a new, statewide IDA program overseen by one of its agencies, such as the DCA, which currently oversees the state's federally-funded IDA program. Non-profit organizations across the state, in collaboration with financial institutions, could administer New Jersey's IDA program, ensuring that there are accessible locations in the southern, central, and northern parts of the state. Upon the launch of the state-based IDA program, New Jersey should initiate a publicity campaign to make residents aware of the new program and its eligibility requirements. New Jersey should also work closely with financial institution partners to advocate for the tax credit program, making sure that their clients are aware of the tax credits they could receive if they donate to the IDA program.

1. New Jersey should define eligibility requirements broadly.

New Jersey's state-based IDA program should have broadly defined eligibility requirements to enable the greatest number of working people and families to build wealth and assets. Specifically, New Jersey should allow any household at or below the state median income to participate in its IDA program, staggering its income requirements based on the size of the household, like the structure of the Oregon IDA Initiative and the Community Action Partnership of North Dakota program.¹⁷¹ This means that households with more people would have higher income eligibility requirements, and households with fewer people would have lower income eligibility requirements.

Furthermore, like the Oregon IDA Initiative, New Jersey should limit participation to individuals with a net worth of less than \$20,000, to ensure that scarce program resources are going to people who have the fewest assets and wealth. To ensure that participants can succeed in the IDA program, New Jersey should also require that participants be employed and able to deposit a minimum of \$1 of earned income¹⁷² into his or her account each month.

2. New Jersey should offer flexible asset goals.

To ensure participants have true economic self-determination, New Jersey's IDA program should follow Oregon's lead and allow people to save for a wide variety of assets, including (1) "post-secondary education or job training"; (2) "purchase of a primary residence"; (3) "rental of a primary residence"; (4) "capitalization of a small business"; (5) "improvements, repairs, or modifications necessary to make a primary dwelling habitable, accessible, or visitable for the account holder or household member"; (6) "purchase of equipment, technology, or training to make a business competitive, start a business, or maintain employment"; (7) "purchase or repair of a vehicle"; (8) "retirement savings"; (9) "payment of educational or medical debts"; (10) "creation or improvement of a credit score"; and (11) "replacement of primary residence if the new residence would significantly improve habitability or energy efficiency."¹⁷³ Allowing IDA participants to choose from a variety of different asset goals will allow participants to save and spend in a way that will provide the greatest benefit to them.



3. IDA programs should be sufficiently staffed and accessible to participants.

New Jersey should provide safeguards, ideally through legislation, that ensure IDA programs are properly administered and accessible to the participants. New Jersey should require that sponsoring organizations submit reports on their case management efforts, including the number of meetings held with each participant and the Savings Plan Agreements¹⁷⁴ created with each participant. New Jersey should also require that the program be administered at accessible locations, which are physically accessible (close to public transportation and with building infrastructure that is adapted for people with disabilities and limited mobility) and logistically accessible (open during flexible hours). To support these requirements, New Jersey should provide funding from its annual budget to cover these administrative and overhead costs. To help alleviate the start-up costs, New Jersey should also offer a statewide competitive grant program to cover start-up costs for developing and running an IDA program.¹⁷⁵

4. Matched savings should be designed to incentivize savings.

New Jersey's IDA program should offer a progressive match rate¹⁷⁶ to participants based on their household income to help incentivize saving, ranging from 5:1 to 1:1. This means that people earning the least would receive the highest match rate of 5:1, that the next income group would receive a 4:1 match, and so on. Beyond incentivizing saving among low-income people who face the most barriers to building wealth, a progressive match rate will also help alleviate the racial wealth gap by assisting communities of color impacted by discriminatory economic policies and exclusion from many of our government's wealth-building movements, such as the creation of the long-term, fixed rate, self-amortizing mortgage loan and the G.I. Bill.¹⁷⁷ Because this history of systemic racism, rather than personal failure, has left communities of color deprived of opportunities to build wealth, a progressive match rate is not only useful in addressing varying degrees of need, it is also an effective way of addressing the racial wealth gap.¹⁷⁸

In addition to offering a progressive match rate, New Jersey should also offer a higher match rate to participants who deposit their income tax return into their IDA. Furthermore, to make depositing into the IDA each month as convenient and accessible as possible, participants should be offered the option of a direct deposit or other online transfer options.

5. New Jersey should design a tax policy to raise funds for matched savings.

Like the Oregon, Missouri, Indiana, and Kansas programs, New Jersey should afford tax credits to eligible taxpayers who donate money to IDA programs.¹⁷⁹ Under this structure, organizations would apply for a grant to run an IDA program, and through this application process, request a certain number of tax credits to distribute to people who donate money to the IDA program. The number of tax credits issued to the sponsoring organization would be in proportion to the projected scope of the IDA program. Any unused tax credits awarded to an organization could be reclaimed and redistributed. Financial institution partners can play a role in fundraising by advising clients on the tax credit. In addition to managing the actual IDA accounts, financial institutions could counsel their higher-income clients on the benefits of receiving a tax credit through donating to the IDA program.



6. New Jersey should create a Child Saving Account Pilot Program

Child Savings Account (CSA) programs offer long-term savings accounts to children, especially low-income children, to build savings—especially for education.¹⁸⁰ Similar to IDA programs, CSA programs typically provide a financial incentive, such as matched savings.¹⁸¹ CSA programs also typically include “financial education, materials and activities designed to cultivate [attainment of] post-secondary education . . . and other family and student engagement strategies.”¹⁸² These programs are in more than 30 states, with approximately 313,000 children participants.¹⁸³

Alongside creating a state-based IDA program, New Jersey should develop a CSA Pilot Program specifically designed to help high school students build savings for assets related to education or entering the workforce. CSA programs have been shown to produce many of the same positive effects of IDA programs, such as developing financial capability by encouraging people to save, and they have also been associated with better educational outcomes.¹⁸⁴

Operating as a four-year pilot program, the CSA should allow high school students to enroll in the program as freshmen, save throughout their four years of high school, and upon graduation, withdraw their matched savings for a qualifying purpose, such as post-secondary education or to cover the costs associated with entering a career or apprenticeship program. New Jersey should also provide financial and other related education to participating students to assist them in achieving their long-term asset goals. A student’s eligibility to participate in the CSA pilot program can be determined by the child’s household’s eligibility to participate in the State’s IDA program.



Child Savings Account (CSA) programs offer long-term savings accounts to children, especially low-income children, to build savings—especially for education.



IV. CONCLUSION

New Jersey's severe wealth inequality, particularly along lines of race and gender, could be improved through the development of a robust and inclusive state-based individual development account program. By expanding beyond income and providing people the opportunity to save and acquire assets, New Jersey can take a significant step toward advancing economic equality. As Dr. Martin Luther King Jr. said in 1968:

Now our struggle is for genuine equality, which means economic equality. For we know that it isn't enough to integrate lunch counters. What does it profit a man to be able to eat at an integrated lunch counter if he doesn't earn enough money to buy a hamburger and a cup of coffee?¹⁸⁵

Given the persistent, systemic wealth inequality that exists today, over fifty years later, and its immeasurable impact on access to prosperity and opportunity, it is imperative for New Jersey to create pathways, particularly for people of color and women, to build financial independence and stability. In adopting national best practices of other states that are funding their IDA programs through tax credit policy, New Jersey can invest in its low-income residents and help people and their families finally realize the American Dream.

[ENDNOTES]

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- ⁵³ *Id.*; *Overview of Individual Development Accounts: How Does an IDA Work?*, CMTY. ACTION P'SHIP OF N.D., <http://www.capnd.org/what-we-do/statewideprograms/ida/overview/overview.html> (last visited Mar. 8, 2019) [CMTY. ACTION P'SHIP OF N.D. OVERVIEW].
- ⁵⁴ MICHAEL SHERRADEN, *ASSETS AND THE POOR: A NEW AMERICAN WELFARE POLICY* (1991).
- ⁵⁵ GREGORY MILLS, ET AL., ABT. ASSOC., INC., *ASSETS FOR INDEPENDENCE ACT EVALUATION, IMPACT STUDY: FINAL REPORT* 1 (2008), https://www.acf.hhs.gov/sites/default/files/ocs/afi_impact_evaluation_full_report.pdf; SHERRADEN., *supra* note 54, at 145-82.
- ⁵⁶ The concept of an IDA was appealing to federal lawmakers who were looking to incorporate economic self-sufficiency into social welfare policy. Dep't of Hous. & Urb. Dev., Off. of Pol'y Dev. & Res., *supra* note 52; MILLS ET AL., *supra* note 41, at 1.
- ⁵⁷ FALK, *supra* note 4.
- ⁵⁸ Dep't of Hous. & Urb. Dev., Off. of Pol'y Dev. & Res., *supra* note 52.
- ⁵⁹ Falk, *supra* note 4, at 1-2.
- ⁶⁰ ADMIN. FOR CHILDREN & FAMILIES, OFF. OF CMTY. SERVS., *ASSETS FOR INDEPENDENCE (AFI)* (2018), https://www.acf.hhs.gov/sites/default/files/ocs/comm_ocs_afi_factsheet_nov2018.pdf.
- ⁶¹ FALK, *supra* note 4, at 2.
- ⁶² *Id.* at 3.
- ⁶³ *Id.*
- ⁶⁴ *Id.*
- ⁶⁵ *Id.*
- ⁶⁶ *Id.*
- ⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.* at 3-4.

⁷¹ *Id.* at 4 (TANF “is a federal block grant that gives states broad flexibility in the use of its funds in aiding needy families with children. . . In addition, TANF provides specific authority and rules for states to operate IDA programs. States may use TANF and state maintenance of effort funds for IDAs either as an activity that furthers the statute’s broad goals, in which case it must confirm only to general TANF rules, or under TANF’s specific authority to use funds for IDAs, in which case it must follow TANF’s specific rules.”).

⁷² *Id.* at 5.

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *About Individual Development Accounts*, OFF. OF REFUGEE RESETTLEMENT, <https://www.acf.hhs.gov/orr/programs/ida/about> (last visited Mar. 9, 2019; last updated Oct. 25, 2017).

⁷⁷ *Individual Development Accounts*, NAT’L SUSTAINABLE AGRIC. COAL., <http://sustainableagriculture.net/publications/grassrootsguide/farming-opportunities/individual-development-account/> (last updated Oct. 2014).

⁷⁸ *Id.*

⁷⁹ Refund to Rainy Day Savings Act, S. 3220, 115th Cong. (2018).

⁸⁰ *Id.*

⁸¹ Falk, *supra* note 4, at 3, 5.

⁸² *Scorecard: Financial Assets & Income, Individual Development Accounts*, PROSPERITY NOW, <http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/individual-development-accounts> (last visited Mar. 8, 2019).

⁸³ WOODY WIDROW & LAUREN GATES, RAISE TEXAS, IDA TOOLKIT: EXPANDING SAVINGS OPPORTUNITIES IN TEXAS THROUGH IDAS AND MATCHED SAVINGS 5 (2012), http://raisetexas.org/resources/RAISE_Texas_IDA_Toolkit.pdf.

⁸⁴ FOUND. FOR THE MID SOUTH, CHANGING LIVES: AN INVESTMENT IN THE MID SOUTH 5, 17 (2008), http://ww1.insightcced.org/uploads/assets/Allen_Ivye%20L/IDA_Changing_Lives_report.pdf.

⁸⁵ *See, e.g.*, MO. FAMILY DEVELOPMENT ACCOUNT PROGRAM, *supra* note 51, at 8.

⁸⁶ *Id.* at 4, 8; MO. ANN. STAT. §§ 208.750-775 (West 2018).

⁸⁷ MO. FAMILY DEVELOPMENT ACCOUNT PROGRAM, *supra* note 51, at 8.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Individual Development Accounts*, IND. HOUS. & CMTY. DEV. AUTH. (IHCDA), <https://www.in.gov/myihcda/ida.htm> (last visited Mar. 10, 2019).

⁹¹ There is a chart of the state budgets for IDAs on the Prosperity Now website. *Scorecard: Financial Assets & Income, State Data: Individual Development Accounts*, PROSPERITY NOW, <http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/individual-development-accounts> (last visited Mar. 10, 2019).

⁹² IND. HOUS. & CMTY. DEV. AUTH. (IHCDA), INDIVIDUAL DEVELOPMENT ACCOUNT TAX CREDIT PROGRAM EXHIBIT A, https://www.in.gov/ihcda/files/IDA_Tax_Credit_Award_Packet_-_Final.pdf [hereinafter IND. INDIVIDUAL DEVELOPMENT ACCOUNT TAX CREDIT PROGRAM].

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ *Individual Development Account Tax Credit Program*, KAN. DEP’T OF COM., <https://www.kansascommerce.com/119/Indiv-Development-Account-Tax-Credit-Pro> (last visited Mar. 9, 2019) [hereinafter *Kansas Individual Development Account Tax Credit Program*] (“Commerce has designated Interfaith Housing & Community Services, Inc., a community-based organization located in Hutchinson, as the sole provider of IDAs in Kansas.”)

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ KAN. STAT. ANN. § 74-50, 208 (West 2019).

¹⁰⁰ OR. REV. STAT. § 315.271 (2017). AMY STUCZYNSKI & EM VANDRER, NEIGHBORHOOD P’S HIPS, EVALUATION REPORT OF OREGON IDA INITIATIVE: IMPROVING OREGONIANS’ FINANCIAL RESILIENCY 31 (2018), https://oregonidainitiative.org/wp-content/uploads/2018/02/NP_Evaluation-Report_Jan-2018_v071.pdf; *Learn about the IDA Tax Credit and Donate*, OR. IDA INITIATIVE, <https://oregonidainitiative.org/donate/> (last visited Mar. 10, 2019) [hereinafter OR. IDA INITIATIVE].

¹⁰¹ OR. REV. STAT. § 315.271 (West 2019); OR. IDA INITIATIVE, *supra* note 100; OR. IDA INITIATIVE, OREGON IDA TAX CREDIT DONOR FORM 2018, <https://oregonidainitiative.org/wp-content/uploads/2018/01/2018-Donor-Form.pdf> (providing the rate of tax credit distribution based on the form of donation).

¹⁰² OR. REV. STAT. § 315.271 (West 2019). The flexibility of allowing a tax credit rate *up to* 70% means that the rate can be decreased to solicit more donation funds without surpassing the \$7.5 million tax credit cap.

¹⁰³ STUCZYNSKI & VANDRER, *supra* note 100, at 31.

¹⁰⁴ Telephone Interview by Hafsa Mansoor with Jessica Junke, Dir. of Econ. Opportunity, Neighborhood P’ships in Portland, Or. (July 13, 2018).

¹⁰⁵ Prosperity Now shows that several IDA program sites are operating in New Jersey. These sites include Gateway Community Action Partnership, The Center for Aquatic Sciences, Camden County Council on Economic Opportunity, Inc., United Way of Greater Philadelphia and Southern New Jersey, Norwescap, Proceed, Inc., United Way of Essex and West Hudson, All Saints Community Service and Development Corporation, NHP Foundation, HOPES CAP, Inc., and Greater Bergen County Community Action. *See Find an IDA Program, supra* note 51.

¹⁰⁶ N.J. STAT. ANN. § 44:10-90 (West 2019) (This statute allows “an eligible individual [to], in agreement with a community-based organization . . . open an individual development account for the purpose of accumulating and withdrawing monies for specified expenditures[.]”).

¹⁰⁷ N.J. DEP’T OF CMTY. AFFAIRS, DIV. OF HOUS. & CMTY. RES., INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM (IDA) PROGRAM MANUAL 3 (2015), https://www.state.nj.us/dca/divisions/dhcr/offices/docs/ida_program_manual.pdf.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 7-8.

¹¹⁰ *Id.* at 6.

¹¹¹ *Id.* at 6 (If a participant is unable to meet their saving goal within three years, the participant may, with the permission of the New Jersey Department of Community Affairs, continue to save for a maximum of five years. If a participant fails to meet their savings goal and fails to withdrawal funds to purchase the asset within five years, the participant will forfeit the matched funds earned throughout their participation in the program. This limit may only be waived “upon approval of the Department to accommodate the needs of special populations and/or extraordinary circumstances.”).

¹¹² *Id.* at 4.

¹¹³ *Id.* at 9.

¹¹⁴ *Id.*

¹¹⁵ Thomas, *supra* note 1; McCulloch, *supra* note 24, at 7-10.

¹¹⁶ McCULLOCH, *supra* note 24, at 7-10.

¹¹⁷ SULLIVAN ET AL., *supra* note 11, at 9.

¹¹⁸ See Justin Gomer, *Housing and the Racial Wealth Gap: A Historical Overview*, KCET (Sept. 4, 2018), <https://www.kcet.org/shows/city-rising/housing-and-the-racial-wealth-gap-a-historical-overview>; McCULLOCH, *supra* note 24, at 9.

¹¹⁹ SULLIVAN ET AL., *supra* note 11, at 9-11.

¹²⁰ See generally RICHARD ROTHSTEIN, *THE COLOR OF LAW: A FORGOTTEN HISTORY OF HOW OUR GOVERNMENT SEGREGATED AMERICA* (2017).

¹²¹ SULLIVAN ET AL., *supra* note 11, at 9-11.

¹²² *Id.* at 5-6, 9-11; McCULLOCH, *supra* note 24, at 10-15.

¹²³ MILLS ET AL., *supra* note 41, at 17.

¹²⁴ MICHAEL SHERRADEN, CTR. FOR SOC. DEV., *INDIVIDUAL DEVELOPMENT ACCOUNTS: SUMMARY OF RESEARCH 4* (2002), https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1263&context=csd_research [hereinafter IDA SUMMARY OF RESEARCH]; MILLS ET AL., *supra* note 41, at 1.

¹²⁵ MILLS ET AL., *supra* note 55, at vi-vii.

¹²⁶ IDA SUMMARY OF RESEARCH, *supra* note 124, at 3.

¹²⁷ *Id.* at 4.

¹²⁸ *Id.*

¹²⁹ UNITED WAY OF N.N.J., *supra* note 32, at 1, 6; see also FALK, *supra* note 4 (describing the limited group of people who qualify to participate).

¹³⁰ UNITED WAY OF N.N.J., *supra* note 32, at 6.

¹³¹ AFI IDA programs require that participants are *either* (a) eligible to receive TANF assistance, *or* (b) live in a household with an income below 200% of the federal poverty line with a net worth of less than \$10,000. FALK, *supra* note 4, at 3.

¹³² 2018 OR.-IDA Income Eligibility Limits, OR. IDA INITIATIVE (2018), https://oregonidainitiative.org/wp-content/uploads/2018/04/OR-IDA-Program-Income-Limits-2018.FINAL_-1.pdf [hereinafter 2018 OR.-IDA Income Eligibility Limits]; see also *Financial Empowerment: Individual Development Account Programs*, COMMUNITY VISION, <https://evision.org/our-programs/asset-building-programs/> (last visited Mar. 10, 2019).

¹³³ 2018 OR.-IDA Income Eligibility Limits, *supra* note 132; *Individual Development Accounts: Eligibility Guidelines*, CMTY. ACTION P'SHIP OF N.D., http://www.capnd.org/what-we-do/statewideprograms/ida/eligibility_guidelines.html (last visited Mar. 10, 2019) [hereinafter CMTY. ACTION P'SHIP OF N.D. ELIGIBILITY].

¹³⁴ 2018 OR.-IDA Income Eligibility Limits, *supra* note 132; Cmty. Action P'ship of N.D. Eligibility, *supra* note 133.

¹³⁵ 2018 OR.-IDA Income Eligibility Limits, *supra* note 132.

¹³⁶ FALK, *supra* note 4, at 3.

¹³⁷ Dep't of Hous. & Urb. Dev., Off. of Pol'y Dev. & Res, *supra* note 52.

¹³⁸ The American Dream Policy Demonstration was a large study of IDA programs with 13 sites operating across the United States. IDA SUMMARY OF RESEARCH, *supra* note 124, at 1.

¹³⁹ GREGORY MILLS, CTR. FOR SOC. DEV., *TAKING THE MEASURE OF THE AMERICAN DREAM DEMONSTRATION: AN ASSESSMENT OF KNOWLEDGE BUILDING AND IMPACTS IN APPLIED SOCIAL RESEARCH 3* (2005), https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1204&context=csd_research.

¹⁴⁰ NEIGHBORWORKS UMPQUA, *DREAMSAVERS INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM: FREQUENTLY ASKED QUESTIONS 4* (2015), <https://www.nwumpqua.org/wp-content/uploads/2015/07/D-FAQ-7-23-15.pdf>.

¹⁴¹ MILLS, *supra* note 139, at 3.

¹⁴² Research shows that low-income households are effective in prioritizing their spending—improving health and education outcomes—when financial assistance is provided without conditions. See IOANA MARINESCU, ROOSEVELT INST., *NO STRINGS ATTACHED: THE BEHAVIORAL EFFECTS OF U.S. UNCONDITIONAL CASH TRANSFER PROGRAMS 3-5* (2017), <http://rooseveltinstitute.org/wp-content/uploads/2017/05/No-Strings-Attached-050417-1.pdf>.

¹⁴³ MILLS, *supra* note 139, at 3.

¹⁴⁴ See, e.g., OR. REV. STAT. § 458.685(1) (West 2019).

¹⁴⁵ *Individual Development Accounts: Frequent Questions*, CMTY. ACTION P'SHIP OF N.D., http://www.capnd.org/what-we-do/statewideprograms/ida/frequent_questions.html (last visited Mar. 10, 2019) (confirming that parents can save for children's education).

¹⁴⁶ See Lawrence Yun, *How Do Homeowners Accumulate Wealth?*, FORBES (Oct. 14, 2015), <https://www.forbes.com/sites/lawrenceyun/2015/10/14/how-do-homeowners-accumulate-wealth/#12d26d761e4b>.

¹⁴⁷ Tim Berry, *10 Benefits of Business Planning for All Businesses*, SBA.GOV BLOG: INDUSTRY WORD (Jan. 26, 2016), <https://www.sba.gov/blogs/10-benefits-business-planning-all-businesses>.

¹⁴⁸ See FOUND. FOR THE MID SOUTH, *supra* note 84, at 12.

¹⁴⁹ Amy Traub, *How the CFPB Stops the Growth of the Racial Wealth Gap*, DEMOS BLOG (July 21, 2017), <https://www.demos.org/blog/7/20/17/how-cfpb-stops-growth-racial-wealth-gap>.

¹⁵⁰ *Id.*

¹⁵¹ IDA RADEMACHER ET AL. CFED & THE URBAN INST., *WEATHERING THE STORM: HAVE IDAS HELPED LOW-INCOME HOMEBUYERS AVOID FORECLOSURE?* 4 (2010), <https://www.urban.org/sites/default/files/publication/28501/412064-Weathering-the-Storm-Have-IDAs-Helped-Low-Income-Homebuyers-Avoid-Foreclosure-.PDF>; Traub, *supra* note 149.

¹⁵² RADEMACHER ET AL. *supra* note 151, at 5 (2010).

¹⁵³ IDA SUMMARY OF RESEARCH, *supra* note 124, at 1, 4.

¹⁵⁴ *Individual Development Accounts (IDA)*, THE N.C. COLLABORATIVE, <http://cultureofsavings.org/programs/resources/> (last visited Mar. 10, 2019) (“IDA Programs have typically found that recruitment can be difficult, especially when a program is just starting up. You are asking individuals and families to change their behavior around saving and spending, and to make a long-term commitment to participate in the program.”).

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ PROSPERITY NOW, FAQs: INDIVIDUAL DEVELOPMENT ACCOUNTS 1 (2009), https://prosperitynow.org/sites/default/files/resources/IDA_Fact_Sheet_2009_12_12.pdf.

¹⁵⁹ NEIGHBORWORKS UMPQUA, *supra* note 140, at 2-3.

¹⁶⁰ *Id.* at 3-5.

¹⁶¹ *Id.* at 4.

¹⁶² *Id.* at 2-3.

¹⁶³ IDA SUMMARY OF RESEARCH, *supra* note 124, at 3.

¹⁶⁴ MILLS, *supra* note 139, at 3.

¹⁶⁵ CMTY. ACTION P’SHIP OF N.D. OVERVIEW, *supra* note 53.

¹⁶⁶ IDA SUMMARY OF RESEARCH, *supra* note 124, at 3.

¹⁶⁷ FRIEDMAN, *supra* note 39, at 254.

¹⁶⁸ *Id.*

¹⁶⁹ IDA SUMMARY OF RESEARCH, *supra* note 124, at 3.

¹⁷⁰ The creation of a state-based IDA program would not impact the operation of the existing federally-funded IDA program.

¹⁷¹ See, e.g., 2018 OR.-IDA Income Eligibility Limits, *supra* note 132; CMTY. ACTION P’SHIP OF N.D. ELIGIBILITY, *supra* note 133.

¹⁷² N.J. DEP’T OF CMTY. AFFAIRS, DIV. OF HOUS. & CMTY. RES., *supra* note 107, at 5 (Under the current IDA program, “[e]arned income is any taxable wages, salaries, tips, net earnings from self-employment and/or gross income received.”).

¹⁷³ See OR. REV. STAT. § 458.685 (West 2019).

¹⁷⁴ The Savings Plan Agreement serves as a contract outlining the minimum monthly deposit a participant must deposit each month. The minimum monthly deposit must be based on the participant’s savings goal within the selected time period. Under the current program, participants can agree to a weekly, bi-weekly, or monthly deposit schedule. N.J. DEP’T OF CMTY. AFFAIRS, DIV. OF HOUS. & CMTY. RES., *supra* note 107, at 6.

¹⁷⁵ *Individual Development Accounts (IDAs)*, *supra* note 51 (“[S]tart-up costs for an IDA program are significant, approximately \$70 per participant per month, but these costs decrease over time. Average program expenses in [the American Dream Demonstration] were less than \$45 per participant per month.”).

¹⁷⁶ With an eligibility requirement that IDA program participants be at or below New Jersey’s median household income, which is currently \$76,475, a progressive match rate would be as follows:

5:1 match for people earning up to \$14,999;

4:1 match for people earning between \$15,000 and \$24,999;

3:1 match for people earning between \$25,000 and \$34,999;

2:1 match for people earning between \$35,000 and \$49,999;

1:1 match for people earning between \$50,000 and \$76,475.

U.S. CENSUS BUR., AM. CMTY. SURVEY, 2013-2017 *Selected Economic Characteristics: Median Household Income* (data retrieved for New Jersey), factfinder.census.gov/ (last visited Mar. 10, 2019).

¹⁷⁷ FRIEDMAN, *supra* note 39, at 200.

¹⁷⁸ *Id.* at 237.

¹⁷⁹ OR. IDA INITIATIVE, *supra* note 100; MO. FAMILY DEVELOPMENT ACCOUNT PROGRAM, *supra* note 51, at 3, 8-10; IND. INDIVIDUAL DEVELOPMENT ACCOUNT TAX CREDIT PROGRAM, *supra* note 92; *Kansas Individual Development Account Tax Credit Program*, *supra* note 95.

¹⁸⁰ WILLIAM ELLIOTT, CTR. ON ASSETS, EDUC. & INCLUSION, LESSONS LEARNED FROM CHILDREN’S SAVINGS ACCOUNT PROGRAMS: TOOLS TO LEVERAGE SPENDING TO FACILITATE SAVING AMONG LOW-INCOME FAMILIES 3 (2018), https://aedi.ssw.umich.edu/sites/default/files/publications/Lessons_Learned.pdf.

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ BARBARA A. BUTRICA, URBAN INST., A REVIEW OF CHILDREN’S SAVINGS ACCOUNTS 2 (2015), <https://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000157-A-Review-of-Childrens-Savings-Accounts.pdf>.

¹⁸⁵ Eugene Robinson, *MLK’s Call for Economic Justice*, REALCLEARPOLITICS (Jan. 16, 2015), https://www.realclearpolitics.com/articles/2015/01/16/mlks_call_for_economic_justice_125275.html.



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