MICHIGAN IDA PARTNERSHIP:
YEAR 2 PROGRAM EVALUATION REPORT

EXECUTIVE SUMMARY

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ISED

creating opportunity, building capacity

ACKNOWLEDGEMENTS

DISCLAIMER

INTRODUCTION

Individual Development Accounts (IDAs) are matched saving accounts designed to help low-income and low-asset families accumulate a few thousand dollars for high-return investments such as homeownership, education, and business ownership. The Michigan IDA Partnership (MIDAP) was created in 2000 to develop a statewide IDA program in Michigan. MIDAP is a partnership between the State of Michigan Family Independence Agency (FIA) and the Council of Michigan Foundations (CMF). Currently there are 50 program sites and 5 regional coordinating organizations (RCOs). As of September 30, 2002, 653 participants had enrolled in MIDAP. Participant savings of up to $1,000 are matched by $2 for education and small business and $3 for homeownership for every dollar saved by the participant.

The Institute for Social and Economic Development (ISED) was selected by MIDAP as the external program evaluator for five years (2001-2005). The following research questions are answered in this year's evaluation:

- What are the characteristics of program participants?
- What are the participants' savings patterns, use of program services, and outcomes?
- How do participants assess the IDA services?
- How has involvement with the IDA program affected the participants?
- How useful and how cost-effective is the MIDAP program structure?
- How might the MIDAP program structure change when program sites in the network have become experienced IDA providers?
- How useful is the MIS IDA software package?

This brief summary is intended to outline the major highlights from the second year of the program evaluation. For more complete details please refer to the full report—Losby, J., Hein, M., & Robinson, J. (2003). *Michigan IDA Partnership: Year 2 Program Evaluation Report.* Coralville, IA: Institute for Social and Economic Development.

ACHIEVEMENTS

The Michigan IDA Partnership is doing a solid job of providing IDA services statewide. After only 18 months of program operation, participants are overwhelmingly pleased with the services they receive. One person said, *"It jump-starts your goals. If you can get serious about saving your money it motivates you and speeds it up."* A greater percentage of participants now save a regular amount each month—only 25 percent saved a regular amount each month before participating in MIDAP compared with 71 percent who do so while in the program. Nearly all of the participants feel more confident about their future. One person said, *"It's been a good outcome in my life for me to better myself. I achieved my goal. I just bought a house."*

Participants experience mostly positive changes in their lives as a result of taking part in the MIDAP Program. While some participants do struggle to make ends meet, they recognize the importance of the opportunity to double or triple their savings. Ninety percent are more aware of their credit rating and eighty-six percent are working to improve their rating. Eighty-three percent believe they are more likely to work for pay or stay employed since being a part of MIDAP. Furthermore, positive benefits are not limited to only the participants themselves. Almost 90 percent are more likely to make educational plans for their children.

MIDAP continues to make improvements in its operating structure. At the time of the Year 1 Evaluation Report (February 2002), roles and responsibilities among the three principle parties—MIDAP, the RCOs, and the program sites—were still being negotiated. Based on interviews and surveys with each of these groups nearly one year later, roles and responsibilities are clearer. Both RCOs and program sties benefit from the services and support provided by MIDAP. Staff are aware that each entity serves the particular functions for which it is best suited. Role clarification may re-surface as an issue as MIDAP grapples with sustainability issues. MIDAP was originally conceived as a five-year project to create the infrastructure for sustainable IDA programs. Staff differ in their views about how the structure should change beyond the first five years (see "Background" under the Process Study Findings, below, for context on this issue).

IDA services are being provided by a group of highly dedicated staff. Staff members at the program sites and RCOs are committed to providing IDA services and believe in the goals of the program. Even though IDA services are labor-intensive, dedication and enthusiasm remain high. Staff are eager to learn from the network of IDA providers and acknowledge the benefits of having a three-tiered program structure.

SUMMARY OF FINDINGS

This year's evaluation consists of three components: an outcome study using MIS IDA (the IDA participant tracking software) and FIA data from all program sites, a telephone survey of 100 participants, and a process study documenting the operating structure of the program based on interviews with staff. The findings from each of these components are summarized below.

OUTCOME STUDY	
	In only 18 months, the MIDAP Program has achieved the following outcomes:
	• 588 participants (98%) have made at least one savings deposit, with an average of $375 in total deposits.
	• 34 participants (6% of those with account data) have made at least one matched withdrawal, with average total matched withdrawals of $825.
	• Of the 34 participants who have made matched withdrawals, 56% purchased homes, 29% made small business purchases, and 15% used their savings to pay for education. Participant savings for these purchases totaled $28,052 and were matched at a rate of $2 or $3 for every dollar saved, for a total of $102,565.
	• 101 participants (17%) have made at least one unmatched withdrawal with average total unmatched withdrawals of $356. An unmatched withdrawal means a person withdrew their savings from their IDA for a purpose other than their asset goal. Program rules allow for unmatched withdrawals in emergency circumstances, for example to pay for a medical bill, and participants can remain in the program. In fact, over half of the participants who have made unmatched withdrawals are still active in the IDA program.

PARTICIPANT SURVEY STUDY	
SAVING BEHAVIOR	• Before participating in MIDAP, 79% of the respondents had savings accounts, while 100% have them now.
	• An increasing percentage of participants are saving regular amounts over time—25% before participating in MIDAP, 71% while participating in MIDAP, and 87% expect to save regularly in the future.
	• The most common strategy for setting aside money for IDA deposits is using resources more efficiently. For example, 82% shop for food more carefully.

PARTICIPANT SURVEY STUDY *(continued)*	
SERVICES	• 100% of the respondents agree or strongly agree that saving for a certain goal acts as an incentive to save. • 96% report that the match rate makes it easier to save. • 98% are satisfied with the financial managements services such as classes on balancing a checkbook, keeping a household budget, and managing debt. • 84% believe the IDA financial management classes help them save. • Some respondents (35-57%) consider having less money going toward transportation, housing, and food to be the greatest barriers to saving. • Negative opinions of the IDA services are related to a mismatch between the participant's goal and the required classes, making up classes, or asset goals not being equally valued by staff.
EFFECT HAVING IDA HAS ON LIFE	• 99% have been affected positively by being in the MIDAP Program. • 90% are more aware of their credit rating. • 83% agree or strongly agree that they are more likely to work for pay or stay employed since participating in the MIDAP Program. • Over 80% have working utilities, enough food, a telephone, and a place to live. • On the other hand, some participants do have difficulty meeting their basic needs—34% struggle to have medical care and 47% struggle to purchase clothing.

PROCESS STUDY	
MIDAP PROGRAM STRUCTURE	**Background:** One of MIDAP's roles is to develop a statewide program with the capacity to provide IDA accounts on a larger scale than IDA initiatives have achieved in other states. The structure of RCOs and program sites working in a collaborative network has a dual purpose: 1) rapidly develop capacity among program sites and 2) establish a structure that would allow IDA programs to continue beyond the initial demonstration and possibly expand in the future to continue to offer IDAs. The intention was for MIDAP to develop the capacity of regional collaboratives over time, and eventually, after RCOs had been established, to transfer MIDAP's functions to the RCOs. This evaluation is the first opportunity to discuss the potential future roles of MIDAP and the RCOs, as well as the program sites' views of these roles. • RCOs and program site staff are satisfied with the three-tiered program structure (MIDAP, the RCOs, and program sites). The advantages of this program structure are: 1) it allows each tier to do what it does best, 2) it helps create consistency across the network, 3) it encourages collaboration, 4) it provides support to all parts of the partnership, and 5) it brings funding to organizations to provide IDA services. • The most essential MIDAP functions are: 1) providing overall coordination and direction for the program, 2) maintaining the linkage with the state funder and coordinating statewide fundraising efforts, 3) advocating for IDAs at the state level, and 4) keeping the network informed about what is happening at the state and national levels. • RCO and program site staff differ in their views about changing the three-tiered program structure after programs in the network are more experienced. Most RCOs believe that both the centralized administration (MIDAP) and the RCOs will still be needed. The program sites are almost evenly divided between those who believe both MIDAP and the RCOs will be needed, and those who believe that support from just one of the tiers (i.e., MIDAP or the RCOs or another entity) may be sufficient.

PROCESS STUDY *(continued)*	
FUNDING AND COST-SAVING STRATEGIES	• Securing ongoing funding sources for IDA programs in Michigan is critical if a collaborative statewide network of IDA programs is to be maintained. • MIDAP and the RCOs have effectively leveraged an additional $1.6 million to date in federal funds through the Assets for Independence Act (AFIA). However, as stipulated in the federal regulation, the use of these funds is contingent upon raising an equal amount from private sources to match participant savings. Ongoing fundraising efforts continue to achieve this goal. • Programs try many cost-saving strategies, such as blending the MIDAP program with complementary programs, using training available in the community, sharing training resources with other MIDAP-funded IDA programs, using expertise on IDA advisory boards, and using volunteers.

RECOMMENDATIONS

There are areas in which the MIDAP Program can make improvements. The recommendations are offered for consideration and are grouped in four categories: MIDAP program structure, funding and cost-saving strategies, MIS IDA, and effective practices for operating an IDA program site.

MIDAP PROGRAM STRUCTURE

- **Some program sites are not well-informed about fundraising efforts being made by MIDAP on behalf of the network.** Update the RCOs and program sites about current fundraising efforts and future plans frequently. Continue with the "Great Ideas" and "MIS IDA Helpful Hints" e-newsletters for program sites every month. Perhaps include funding updates on the partnership listserv.

- **Clarify process of drawing down match funding.** MIDAP needs to make clear to the programs what are realistic turnaround times for house closings. Ideally, a one-month advance notice is best; however, at a minimum a two-week turnaround is necessary to ensure a check is cut and ready at the time of a house closing. Programs must not schedule house closings with less than a two-week turnaround.

FUNDING AND COST-SAVING STRATEGIES

- **Secure ongoing funding sources.** In order to maintain the momentum of the collaborative network of IDA programs, funding to open more IDA accounts is needed. Even though funding is secured for over 1,000 accounts, it will be critical to expand accounts at those program sites with waiting lists to keep programs fully engaged in the network. Any private funding that is secured can be matched by AFIA funds. As private funds are committed, a portion of the funding can be used to cover the expense of providing direct services to IDA participants.

- **Build fundraising capacity of program sites.** MIDAP might consider providing program sites with training to build their fundraising capacity. This training could be provided to the IDA network only, or opportunities to provide training to the broader non-profit community might be explored. MIDAP might also plan a coordinated fundraising strategy with the program sites and RCOs. If standard materials (e.g.,

prepared presentation slide show) were available to staff who were approaching funders, the task might not seem so daunting.

- **Although the program sites are working hard to deliver services efficiently and at lower cost, there is always room for improvement in this area.** Make improvements in sharing resources, make better use of the RCOs, use free community resources, and blend IDA services with complementary services (refer to Chapter V in the full report for further details). MIDAP and the RCOs might help the program sites determine which of the cost-saving strategies described in this report they are already using and which might be feasible and useful to implement.

DATA COLLECTION AND MANAGEMENT: MIS IDA ISSUES

- **Many sites have not mastered the MIS IDA software.** Provide support to sites and RCOs for MIS IDA training and dedication of staff time to enter, check, and maintain data. Designate specific staff at each site and RCO for these tasks and ensure that time is set aside each week to complete them. Be prepared for staff turnover by having another staff person who could assume MIS IDA duties, rather than letting data entry lapse.

- **Data problems continue to limit program sites' ability to track participant progress and program performance.** Run automated reports in MIS IDA at program sites and check against other forms of participant/program performance documentation for accuracy, then invest time in correcting data before sending the data file to the RCO. By running a simple report at the program site, basic errors can be caught. Run quality control reports in the MIS IDA QC software (a supplemental information system to identify common MIS IDA data errors) at program sites and again at the RCO level; return questionable data files back to program sites to correct errors. MIDAP can also request these MIS IDA reports from sites/RCOs to cross-check against other data.

EFFECTIVE PRACTICES FOR OPERATING AN IDA PROGRAM SITE

- **Encourage program sites to have direct deposit saving accounts for their participants.** Participants who use direct deposit for their IDAs have a greater number of total deposits and a greater number of deposits per month than participants who do not have direct deposit.

- **Carefully consider class offerings and their fit with saving goal.** Consider making the financial literacy training the standard for all participants to attend at the outset of program participation and then direct people to "asset-specific" trainings. For example, people who are pursuing education for their asset goal should not be required to attend homeownership training.

- **Share potential hardships.** Incorporate the knowledge in the training sessions that it is likely participants may experience some level of hardship while saving for their IDA— they may have difficulty paying their bills, may not be able to save for something other than their IDA asset goal, or may need to give up a necessity. Make participants aware of these possible negative effects at the beginning of the program and encourage mutual support systems. This may assure some participants later on when they do encounter difficulties that, while this is a "natural stage of the process," the difficulties can be mitigated if steps are taken to address them. Participants may be less discouraged if they are armed with this knowledge at the outset and plan for the difficulties.