AFI Participant Eligibility: Questions and Answers

Which individuals and families are eligible to participate in an AFI Project?

Individuals and families within either of the following two groups are eligible to participate:

- Members of households eligible for the Temporary Assistance for Needy Families (TANF) program when they apply for enrollment in an AFI Project; *or*

- Persons who meet *both* of the following criteria:

    - Their household adjusted gross income is either less than twice the Federal poverty line or within Federal Earned Income Tax Credit (EITC) limits when they apply for enrollment in an AFI Project; and

    - Their household net worth is less than $10,000 at the end of the calendar year (that preceded the day they applied for enrollment in an AFI Project).

OCS has imposed no restrictions on the age of people who may participate in an AFI Project. Young people may participate, as may the elderly. Keep in mind, however, that all participants must be able to make their asset purchase within the five-year time frame of the AFI grant.

> *Tip:* People who are eligible for TANF assistance in your state are automatically eligible to participate in an AFI Project.

How do we know whether an applicant is eligible for the TANF program?

The Temporary Assistance for Needy Families (TANF) program is a Federal-State block grant. The Federal government allows States to establish most eligibility standards. Look to the agency that manages the TANF program in your State for income and other eligibility standards.

How is a household defined for AFI purposes?

According to the AFI statute, the term "household" refers to all individuals who share use of a dwelling unit as primary quarters for living and eating, separate from other individuals.

If you can answer "yes" to all the following questions about a group of people, those people are considered a household for AFI purposes:

- Do they share a dwelling unit (a home, an apartment, or other living space)?
- Do they consider the dwelling unit their primary dwelling place? (Do they live there all the time? Are they planning to stay for the time being?)
- Do they consider themselves a household unit that is separate from all others? (Do they identify as a household?)

What is 200 percent of the Federal poverty line?

This is an amount of household income that is twice the Federal poverty line for a given family size. The poverty line data are adjusted annually. See Doc 4-3 for current information or check the AFI Asset-Building Web site. New figures are posted in February of each year. Grantees should use the figures current at the time of an individual's application to participate in an AFI Project.

What are the Federal Earned Income Tax Credit limits?

The EITC program, managed by the Department of the Treasury and the Internal Revenue Service, offers tax refunds to families with low levels of earned income. The Department of Treasury announces the income eligibility thresholds for this assistance annually. Eligibility is on a sliding scale that takes into account household income and family size. See Doc 4-3 for a listing of current EITC eligibility thresholds.

> *Tip:* You can link to the current Federal poverty information on the AFI Asset-Building Web site at http://www.acf.hhs.gov/assetbuilding. From that site, you can also link to the IRS calculator for EITC eligibility and to information on free tax filing services and other favorable tax options for low-income families and individuals.

What is adjusted gross income?

A person's adjusted gross income is the calculation of a person's income (e.g., from wages, salaries, tips, dividends, business income) less deductions and expenses allowed by the IRS (e.g., student loan deductions, moving expenses, self-employment tax, self-employment health insurance).

Adjusted gross income is the amount shown on the following IRS forms: line 4 of IRS Form 1040EZ, line 22 of Form 1040A, or line 35 of Form 1040.

What is the best way to determine a person's adjusted gross income?

As noted above, a person's adjusted gross income is the amount listed on the person's Federal income tax forms. Ask applicants for copies of their most recent Federal tax forms. If an applicant has not filed a tax form, ask them for details about their financial situation and develop a best estimate for their adjusted gross income, basing the estimate on the most current information applicants can provide. In such situations, it is important to ask applicants to sign documents certifying that the income and asset information they provide is as accurate as possible.

What is the best way to calculate a self-employed applicant's adjusted gross income?

Tax returns can be the best documentation. Many agencies use the information on the past year's tax return to determine eligibility. You may want to work with applicants (or assign a microenterprise adviser) to help them prepare cash-flow statements or file quarterly tax filings to document earned income.

What is an applicant's household adjusted gross income?

The household adjusted gross income is the sum of the household members' individual adjusted gross incomes. For example, if the applicant has a one-person household, his or her household adjusted income is the adjusted gross income as shown on his or her Federal tax forms.

If the applicant is a married person whose household only includes the applicant and his spouse, their household adjusted income is either a) the sum of the adjusted gross incomes that appear on their Federal tax forms if they file separately or b) the adjusted gross income on their form if they file jointly.

If the applicant is a person whose household includes other people, the household adjusted gross income is the sum of the adjusted gross incomes that appear on each household member's Federal tax forms. Remember that AFI eligibility uses *household*, not individual, income to determine eligibility.

Tip: The AFI^2 Program Management Tool features an input form for gathering information from applicants. The tool can then automatically calculate whether the applicants are eligible to participate in an AFI Project.

What is net worth?

Net worth is the difference between the sum of the value of all of a person's assets (e.g., a house or condominium, an automobile, bank accounts) and the sum of all of his or her debts (e.g., store and credit card debt, student loan debt, home mortgage, automobile loans, small business loans).

A person's net worth is a positive number if the assets are more valuable than the amount of debt owed. Conversely, net worth is negative if total debts are larger than total assets.

How do we calculate an applicant's household net worth?

Like the household income, the household net worth is the sum of the net worth of all members of the household. Determine the household net worth by following this three-step formula:

1. Determine the net worth (positive or negative) of each member of the household and add them together, including the value of jointly held debts or assets.
2. Next, subtract the market value of the household's dwelling unit, if the group owns one.
3. Finally, subtract the market value of one motor vehicle owned by any household member. (We recommend that you subtract the most valuable automobile.)

Tip: Be sure to look carefully at the household's records to identify all financial assets. Look at each member's Federal tax forms and their W–2 forms to determine if they earned interest income on bank account savings, stocks, and the like.

Will an enrolled participant become ineligible to continue in the AFI Project if household income increases after enrollment?

AFI Projects are not required to track income changes for eligibility purposes after a person enrolls as a participant. OCS only requires AFI Projects to consider a participant's income and net worth when determining whether the person is *initially* eligible to participate in the project.

Therefore, if participants' incomes increase after enrollment, celebrate that fact! With higher incomes, they may be better able to complete their savings goals and purchase their long-term assets within the project period.

Tip: Many AFI Projects track increases in participant income as a measure of their success in the program and as a measure of the impact of IDAs.

Tip: As participants' household earned incomes increase, work with them to rebudget so they can save more quickly in their IDAs.

What if a participant becomes unemployed and has no earned income?

AFI Projects should allow participants who experience a temporary reduction in income to continue in the project as long as they can generally abide by AFI guidelines and save according to their savings plan agreements. It may be that a participant will miss several months' savings while seeking new sources of household earned income. Projects should prepare for these contingencies by establishing policies and procedures for how long participants may take a leave of absence from saving.