

Examining the potential of education IDAs

A report on the IDA-PAYS (Postsecondary Access for Your Success) Research Project

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This report is based on a three-year Lumina Foundation for Education-funded project entitled IDA-PAYS that involved interviews, case studies, focus groups, and a survey. Lumina Foundation for Education is an Indianapolis-based private foundation dedicated to expanding access to and success in education beyond high school. The views expressed in this publication are those of the author(s) and do not necessarily represent those of Lumina Foundation for Education, its officers or employees.

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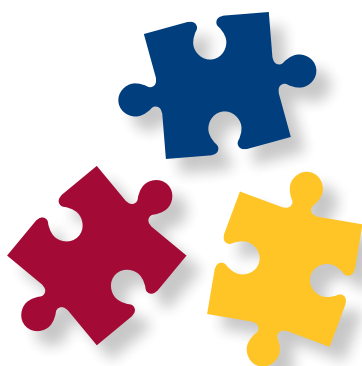
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Acknowledgments

I wish to extend my appreciation to Lumina Foundation for Education for their generous support of this national project — **IDA-PAYS, Postsecondary Access for Your Success**. Lumina Foundation for Education is an Indianapolis-based private foundation dedicated to expanding access to and success in education beyond high school. Jill Wohlford was extremely supportive throughout the process and understood the challenges of studying a dynamic process such as a new policy unfolding. I also wish to acknowledge the research team — Vikki Frank, Jaime Lester, and Hannah Yang — for their time, thoughts, and energy to complete this large-scale study. In particular, I would like to thank Hannah Yang for encouraging new areas of research, developing the website and promotional materials, and ongoing support. I want to note the valuable role played by the advisory board:

Sandy Baum, The College Board

Ann S. Coles, TERI

Tim Christensen, formerly of National Association of Student Financial Aid Administrators (NASFAA)

Vikki Frank, Credit Builders Alliance

Inger Giuffrida, Assets Alliance

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Patricia McDonough, University of California, Los Angeles

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Kimberly Pate, Corporation for Enterprise Development

Leslie Parrish, Center for Responsible Lending

Jill Wohlford, Lumina Foundation for Education

Woody Widrow, RAISE Texas

Our advisory board was very involved and helped shape the ideas presented within this report and the other important publications that emerged from this project. I also want to thank the many IDA and higher education leaders that participated in our study.

Lastly, I want to thank the Center for Higher Education Policy Analysis staff — Monica Raad and Diane Flores — for their administrative support over the last three years. I also want to acknowledge several CHEPA staff or affiliates who provided input over the course of the project including Victor Garcia and Kristan Venagas.

— Adrianna Kezar

Executive summary

The overarching goal for this project was to examine the potential for increasing IDA use for educational purposes and to explore higher education's involvement with IDAs, as well as the potential for greater participation. The three main objectives for the project were to: 1) describe and understand current education IDA initiatives, particularly those with postsecondary involvement and partnerships; 2) examine the potential of IDAs for increasing access to education for low-income students; and, 3) explore challenges to and facilitators of growth and expansion of education IDAs and involvement of the postsecondary sector. Additional details about the project and a comprehensive list of publications are located on the project website: <http://www.usc.edu/dept/chepa/IDApays/>.

The study concludes that education IDAs have limited, but important, potential to help low-income students in the following ways:

- Reaching key populations often outside the reach of financial aid
- Creating access to higher education
- Increasing retention
- Providing financial education to break the cycle of poverty
- Decreasing the debt burden and default rates
- Increasing funding for low-income students by leveraging existing scholarships

This potential is currently hampered by two major issues. First, education IDAs currently offered by community agencies are designed primarily for homeownership and microenterprise. Second, the organizations offering education IDAs have limited expertise with postsecondary education, making it difficult for them to create an adequate program design, create partnerships with postsecondary institutions, and serve students. Each of these issues creates a situation which limits the potential of education IDAs.

For those organizations that elect to move forward with education IDA programs, we have several recommendations to help those programs be successful. Organizations offering education IDAs need to redesign the program to better meet the needs of



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education clients, while postsecondary institutions and education nonprofits need to take a greater lead in offering or partnering to offer IDAs. However, we believe that right-fit postsecondary institutions will have great success in offering IDAs. Right-fit institutions have some of the following qualities:

- A large number of low-income students
- Awareness of the needs of low-income students
- Small size — less than 5,000 students
- TRIO or GEAR UP programs (or other special program for low-income students) housed on campus
- Campuses with public assistance programs or partnerships with community agencies to offer programs



We believe that cross-sector work between community agencies and postsecondary institutions may be the best long-term approach because postsecondary institutions may become more familiar with ways to best serve low-income students and because community agencies are more familiar with offering IDAs.

We believe that cross-sector work between community agencies and postsecondary institutions may be the best long-term approach because postsecondary institutions may become more familiar with ways to best serve low-income students and because community agencies are more familiar with offering IDAs. At present, though, cross-sector work has proven extremely difficult. Cross-sector work has been challenging because of the vast differences in organizational goals, structure, and values as well as the lack of familiarity between the two sectors.

In addition to altering program design and finding new organizations to offer education IDAs, we believe that education IDAs will be more successful if scalable models are developed that increase the capacity and numbers of education IDA clients at single sites. We present several examples for scaling up IDAs at the state, national, and regional levels.

In order to realize the potential of education IDAs, we provide a set of recommendations for policymakers and institutional leaders, including, but not limited to, the following:

1. Amending the Higher Education Act to totally exclude IDAs (both AFI and non-AFI) from consideration, similar to what occurred with veterans benefits in the Higher Education Opportunity Act of 2008. This amendment would help both dependent and independent students.
2. Encouraging the Office of Community Service in the U.S. Department of Health and Human Services and the Corporation for Enterprise Development (CFED) to recruit education nonprofits and postsecondary institutions to offer IDAs.
3. Creating communication channels between the U.S. Department of Health and Human Services and the U.S. Department of Education in order to connect IDAs to TRIO and GEAR UP programs.

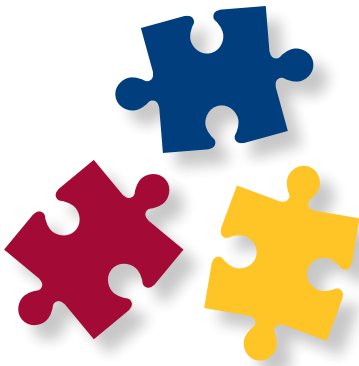
4. Encouraging institutions to use a policy similar to the Last Dollar Scholars program so that institutions do not count IDAs against low-income students when developing financial aid packages.
5. Examining and modifying of federal regulations for education IDAs, including: longer time frames; changes in allowable use for child care and transportation; lifting restrictions on rolling the IDA into a 529; and perhaps a larger maximum match (closer to the average funding gap for low-income students).
6. Creating criteria so that situationally poor students are not provided funding. IDAs are intended for generationally poor students. As scalable models are developed, this issue needs to be addressed.
7. Connecting IDAs to the work-study programs and encouraging work on-campus since off-campus work tends to lead to attrition.
8. Examining the disaggregation of financial education and the matched savings account (if the education sector offers IDAs), because the education infrastructure could offer these components in other ways in order to meet the financial education goal and focus on creating matched savings accounts with 529s.

For education IDAs to continue to expand and be successful, we need more research on impact, program design, partnerships, and scalable models. While the project was aimed at examining one approach to asset development (IDAs), we also provide some recommendations on other emerging approaches for asset development in education, including matched 529s, ROTH IRAS, and Children's Savings Accounts.

Part 1

Placing the study in context





Placing the study in context

In the next three sections, we provide background about the project and IDAs in order to place the study in context. We also describe the various aspects of the research project including the interviews, case studies, and focus groups. We are indebted to the various individuals and organizations who participated in the research project over the last three years. One of the most important sections in this report is Section 3 — Barriers to understanding education IDAs' potential. Through our research project, we learned that education IDAs' potential is difficult to understand because of historical and contextual features which shaped the way education IDAs have been implemented and designed. In short, educators were not part of the legislative discussion and therefore the IDAs offered by community agencies were grounded in homeownership and microenterprise. As a result, implementation has been difficult and problematic and current education IDAs have not had the opportunity to demonstrate or meet their potential.

An important contribution of our study is that it uncovers a variety of areas that were inhibiting the potential of education IDAs. This project then provides some avenues for realizing that potential. Many of the factors that have impacted the growth and success of education IDAs are highlighted throughout this report.

The majority of this report highlights ways of addressing the barriers that prevent an accurate assessment of the potential of education IDAs. Until these various areas are addressed, we will not be able to assess the potential and capitalize on it. Once these barriers were identified, the major goal for this project became developing the tools needed to overcome these barriers and challenges.

Section 1 – Introduction to the Center, Project, and IDAs

About CHEPA

The University of Southern California’s Center for Higher Education Policy Analysis (**CHEPA**) has a commitment to addressing issues of access in higher education. Over the past 15 years, the Center has conducted a variety of studies on topics ranging from financial aid, high school curriculum, information and readiness among high school students, and particular challenges for first-generation students. This project fits into the Center’s established line of work, examining an area unresearched in postsecondary education — Individual Development Accounts (IDAs).

Project background and overview of IDAs

Increasingly, educational leaders are concerned that the most economically impoverished in society have the least opportunity to participate in higher education. Recent studies demonstrate that low-income students’ rate of participation in postsecondary education is over 20% lower than students of other socio-economic levels and their graduation rate is 59%, compared to 77% for all students (Wyner, Bridgeland, & DiIulio, 2007). The cost to attend postsecondary institutions continues to rise, merit-based aid programs have replaced need-based aid in many states, and loans are on the rise. These policies affect most acutely the economically challenged since they may have troubled credit histories, family obligations that make loans difficult to pay back, a hesitancy to take out heavy loan burdens given their existing financial struggles, and a lack of trust in financial institutions and debt instruments, especially among first-generation college students. While finances are a significant barrier, research demonstrates that the access and success of low-income students can be improved by a variety of conditions, such as increased college going knowledge, mentoring, academic preparation, development of educational goals, and campus climate (Swail, Redd, & Perna, 2003; Tierney & Coylar, 2003).

In this study, we examined a federal and state policy aimed at helping low-income individuals to break the cycle of poverty by acquiring an appreciating asset through



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a matched savings account — Individual Development Account (IDA) (see figure 1 on Page 9). These match savings accounts may be state, federally, or privately supported and can be used for the purposes of homeownership, entrepreneurship, and postsecondary education. Organizations that offer IDAs often couple the match incentive with financial literacy education, training to acquire the asset, and critical case management. The combined approach (financial aid and various forms of support — educational planning, mentoring, guidance, and training) of the IDAs is aligned with our best knowledge and research on addressing barriers to college access among low-income groups. IDAs' expansion might advance access and success in postsecondary education in important ways.

The concept of IDA was developed in the early 1990s based on new views of poverty advanced by Michael Sherradan. The emerging belief is that low-income people need access to asset building tools, which are normally only available to middle- and high-income individuals, in order to break the cycle of poverty. The idea of IDAs is to connect those in poverty to asset development (like 401K accounts) and to provide incentives to do so (matched savings fund), hence breaking the cycle of poverty. IDAs are available to only the poorest of the poor with family incomes at or below 200% of the federal poverty guidelines. Research on IDA demonstration projects found that: 1) low-income individuals can save money over a long term basis (1-4 years); 2) low-income individuals benefit through the purchase of key assets; and, 3) some individuals become self-sufficient and move out of poverty (Mills, Patterson, Orr, & DeMarco, 2004). The demonstration projects were such a success that Congress authorized ongoing funds for IDAs in 1998 through the Assets for Independence Act (AFI). Although the program was created under the Clinton/Gore Administration, it has been supported by Bush/Cheney and has bipartisan support.

This is how an IDA works: a low-income family or individual opens an IDA account with a participating community organization and starts saving monthly. The family saves a total of \$1,000 to \$2,000 over two to three years which is matched by the organization, as much as \$4,000-\$8,000 per family (at a match rate of 2:1, or even as high as 8:1). The match funds are paid directly to the educational institution. IDA funds can be used to cover tuition, books, computers, and other required fees to attend classes.

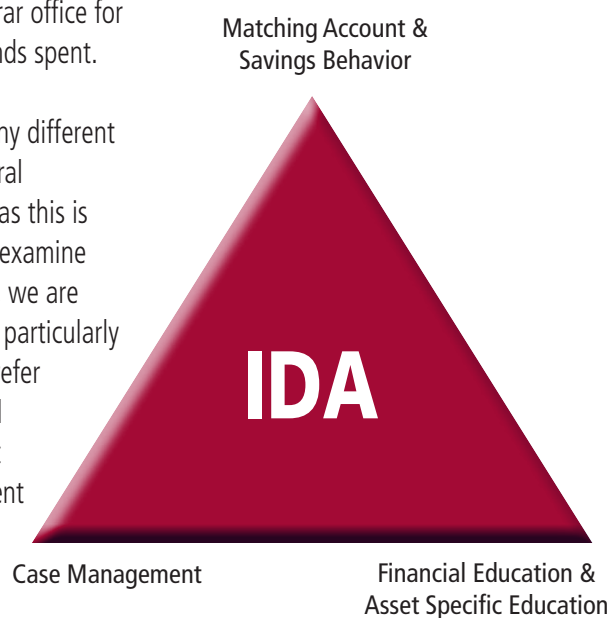
Over 750 IDA¹ initiatives exist in communities across the U.S. and hundreds of thousands of families/individuals have saved in IDAs. Thirty-four states have passed some form of IDA legislation. The program remains relatively new and its potential has not been realized, especially with respect to higher education. Currently, most IDAs are focused on use for homeownership and starting small businesses because microenterprise development organizations, banks, and mortgage companies have been active partners in promoting these programs in communities. Currently, there is no comparable partner or advocate for encouraging IDAs for education purposes.

¹ The exact number changes each quarter as new grants are awarded. This is an estimate based on data from the Corporation for Enterprise Development.

Moreover, educational institutions have not been a principal partner with community organizations and banks to encourage the use of IDAs and promote access to higher education for low-income families.

Why do education professionals know so little about IDAs? To begin with, IDA legislation targets community-based nonprofit organizations to receive federal funding and leverage it with state, foundation, and corporate dollars. The nonprofits are required to partner with a bank to hold the IDA deposits. Community-based agencies often turned to nonprofit colleagues in homeownership, microenterprise, youth, and/or workforce development organizations to help with outreach, training, and case management. Historically, postsecondary institutions have learned about IDAs only when community organizations contacted their financial aid and/or registrar office for assistance with outreach, financial aid training, and/or confirmation of funds spent.

In this document, we will refer generically to IDAs. However, there are many different types of IDAs — they can be funded privately, by the state, or by the federal government (AFI² IDAs). Most of our research was on federal AFI funding as this is currently the largest source of funding for IDAs. Some of our research did examine state funding for IDAs and some private IDAs. When we use the term IDA, we are referring to all of these different forms of IDAs. While there are variations, particularly in how you can design private IDAs, the general findings about potential refer to all forms of IDAs. For more information about IDA history, philosophical underpinnings, and background please see Center for Social Development (<http://gwbweb.wustl.edu/csd/>) and Corporation for Enterprise Development (<http://www.cfed.org/>) websites.



Project goals

The overarching goal for this project is to examine the potential for increasing IDA use for educational purposes and to explore higher education's involvement with IDAs and potential for greater participation. There were three main objectives for the project: 1) describe and understand current education IDA initiatives, particularly those with postsecondary involvement and partnerships; 2) examine the potential of IDAs for increasing access to education for low-income students; and, 3) explore challenges to and facilitators of growth and expansion of education IDAs and involvement of the postsecondary sector. In order to see more details about the project and more publications please see the project website at: <http://www.usc.edu/dept/chepa/IDApays/>.

² A reminder AFI refers to the Assets for Independence Act and money authorized under that legislation.

Audience

The main audience for this report is the postsecondary sector. Many of the publications developed from the study are directed to IDAs practitioners such as: *New strategies in delivering education IDAs: Rethinking program design* and *Strategies for IDA practitioners to create partnerships with postsecondary institutions* (available on our website). Each of these publications attempts to help IDA practitioners in developing stronger program designs and partnerships to offer education IDAs.

The purpose and goal of this report is to provide information from our research to help inform postsecondary leaders and staff about the ways IDAs can be used as a tool to improve access and success of low-income students. This report is targeted at several postsecondary groups who we identified in our research as key groups that can benefit from the IDA tool most:



▶ **While being very low-income does not necessarily make a person at-risk, it certainly provides additional pressures to college going.**

1. **TRIO and GEAR UP staff**

TRIO AND GEAR UP programs serve at low-income and first-generation college students and the IDA tool provides an important mechanism for these programs to help the lowest of the low-income succeed. In recent years, various studies and reports have criticized TRIO programs for working with the “more advantaged” of the low-income, first-generation students who might succeed anyway, rather than the most at-risk students. While being very low-income does not necessarily make a person at-risk, it certainly provides additional pressures to college going. We believe IDAs can help TRIO and GEAR UP staff work more effectively with these very low-income students.

2. **Advisors focused on first-generation college students**

National Academic Advising Association (NACADA) has a special interest group focused on advisors who work with first-generation college students. These advisors often work with low-income students once they have hit a crisis and are about to drop out. IDAs provide a proactive tool they can use to avoid these crisis situations and support low-income students.

3. **Staff who work with returning adult students**

Increasingly campuses are creating adult re-entry programs, Centers for Working Families, workforce development offices, and other resources for returning adult students. These staff members appear to understand the economic challenges that adult students face and believe the IDA tool is important to foster adult student success.

4. **Financial aid officers (particularly those with an interest in financial education)**

We spoke with many financial aid officers committed to helping low-income students and who were dedicated to educating the student body about

the problems of debt and importance of savings. The financial education component of IDAs was of particular interest to this population.

5. **Professionals committed to college access**

College access professionals are a diverse group of people from education nonprofits focused on college access such as the Fulfillment Fund, to scholarship organizations, like Cash for College, state guaranty organizations, and other groups that typically belong to the National College Access Network (NCAN). These groups all found the IDA an important tool for their program.

6. **Community college, technical college, special mission institutions, and for-profit institutions and staff with large populations of low-income students**

We found that many low-income students are located at these institutional types and, partially as a result, these institutions are much better at working with these students. They see the value of IDAs and it can be used with many of their students.

7. **Federal and state policymakers**

Federal and state policymakers focused on financial aid and access see the value of an additional tool for those in the most need. In particular, state access commissions and groups will be interested in the results on how to scale up IDAs.

Section 2 – Study Methodology

In order to meet the project goals, five types of research were conducted. **First**, the research team conducted interviews with all IDA practitioners that currently have educationally-oriented IDA initiatives as of Summer 2007. IDA practitioners were identified by contacting people from integrating lists of IDA organizations from the Assets for Independence (AFI) Act grantees, the Office of Refugee Resettlement, and the IDA network of the Center for Enterprise Development (CFED). We identified all IDA practitioners in the country who offer education IDAs and who partner with postsecondary institutions to offer IDAs. We interviewed the entire population, which was approximately 50 individuals. This first phase of the research was aimed at understanding current educationally-oriented IDAs offered across the country and any partnership efforts underway with postsecondary institutions. Interview questions ranged from the nature of the IDA initiative, program design, experience working with postsecondary institutions, promising practices for developing more postsecondary participation in education IDAs, and existing challenges or barriers. We also collected relevant documents from the interviewees including memorandums of understanding, partnership correspondence, marketing materials, and planning documents. In addition to interviewing IDA practitioners, we conducted fifteen interviews with education leaders and policymakers to develop an understanding of their impression of IDAs before we moved to the case study and focus group research, which helped to design the next phases of research.

Second, we conducted case studies based on information from the interviews. We chose six sites for intensive intrinsic case study (Stake, 2005). With intrinsic case study, the cases are chosen because the case itself represents a unique and interesting phenomenon. These sites appeared to have deeper levels of collaboration, potentially moving beyond coordination. We examined in great depth three cases which we believed might serve as models for expansion along with three that faced common challenges in order to develop detailed models for expanding programs and for overcoming challenges. The case studies examined a variety of issues that can impact promising practices ranging from policies, structures, culture and climate issues, and politics. We wanted to understand what conditions had been helpful in moving the partnerships forward and what issues emerged that made partnerships slow down or fail in order to provide advice for making partnerships between these groups more fruitful. Most of the case study sites contained multiple partnerships therefore the

actual number of partnerships studied was 26. We had a mix of youth and adult IDAs located at both rural and urban sites. Each site had a different size nonprofit, with a unique mission, varying approach to education IDAs, and different partnership arrangements. Through these variations we hoped to examine how any of these program differences impacted the success of partnering or program design.

The case studies involved individual interviews with IDA staff and directors (approximately 5 per site for a total of 40 individuals) and their higher education partners. For the IDA partnership interviews, we spent a day at their office learning about their approach to IDAs in more depth, met all the key staff, and asked about their experiences with education IDAs and partnering. For the higher education partners, we went to 26 campuses (10 community college, 8 regional comprehensive institutions, 5 alternative schools — developed for immigrants or adults, often outside the traditional system, and 3 for-profits). Most sites averaged 3 partners. At each campus we interviewed approximately 6 individuals (usually the following: financial aid director/staff, TRIO or equivalent director/staff, student affairs or advising staff, microenterprise or outreach staff, and sometimes senior administrators or faculty, which was less typical). The total number of interviews across the higher education sites was about 130 interviews. Before coming to the site, websites of each campus were reviewed and key documents downloaded to sensitize the researchers to the site. On some campuses we also conducted focus groups with the IDA staff and partners together at the site. We usually conducted these meetings in order to encourage a partnership if they had encountered challenges. The agenda for each site visit was made in conjunction with a liaison at each site but typically included a campus tour, a meeting with a few key staff or administrators, and individual or group interviews with prominent players, which each usually lasting several hours. A 30-40 page, single-spaced case report was developed based on the data collected from each site and broken into categories of key data including challenges with education IDAs, challenges with partnering, opportunities for education IDAs, opportunities for partnering, strategies in partnering, and advice offered.

Third, because there were no scalable models that included postsecondary institutions and few deep examples of collaboration for us to study, we initiated three action sites. We provided technical assistance to Community and Shelter Assistance Corporation of Oregon (CASA) to develop and implement a plan for offering a statewide IDA initiative. We helped them to get a memorandum of understanding in place with a set of postsecondary institutions. We hoped to better understand the potential of scalable and statewide models through our work with CASA. We also initiated an action case with the Foundation for Independent Higher Education (FIHE), a national nonprofit organization that supports private higher education. We worked with them to gain support among their state officers to develop an AFI application. This provided us the opportunity to follow a national model in which the back-office work would be offered through the Washington DC office and the local work would be administered through the state representatives and their local colleges. In our third action case site



► **Case studies examined a variety of issues that can impact promising practices ranging from policies, structures, culture and climate issues, and politics.**

we worked with the Capital Area Asset Builder's Corporation (CAAB) to develop a plan for reaching out to postsecondary institutions and creating partnerships for their membership. This allowed us to follow a regional collaborative and complement our work with the state and national examples. After a few initial meetings, CAAB decided not to continue the action research (based on staffing changes and a shift in grant funding) and they became a case study site. While we were unable to create a regional collaborative, we believe we also learned some important lessons from working with CAAB and its partners, particularly the Maya Angelou Charter School and the Urban Alliance. Another approach we took to understanding scalable models was to interview individuals and organizations we believed could offer education IDAs and to brainstorm ways in which they might be able to engage in this activity. Towards this effort we interviewed, the National College Access Network (NCAN), GEAR UP in California State University, San Bernardino (CSUSB), Dollars for Scholars, the National Council for Community and Education Partnerships (NCCEP), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Southern California College Access Network (SoCal CAN), the Maine Compact for Higher Education, the Compact for Success Program, and Encouragement Services Inc.

Fourth, we conducted a series of focus groups with various postsecondary constituencies. The purpose of the focus groups was to examine the potential of education IDAs, particularly understanding postsecondary leaders' views on the value and possibilities of IDAs, approaches to implementation, and ways to partner. We also probed for challenges and possible models for overcoming identified challenges. Last, we presented data from our interviews and case studies in order to obtain feedback on ways to address current challenges and expand educational IDAs through education partnerships. For example, we asked leaders in focus groups to help us think about the issue of scale, financial aid, and best partners and allies for offering IDAs. We conducted 13 focus groups with the following groups: the National Association for Student Financial Aid Administrators (NASFAA), Council for Opportunity in Education/TRIO (two focus groups), National Academic Advising Association (NACADA), National College Access Network (NCAN — two times with different target groups), Center for Higher Education Policy Analysis (CHEPA — with GEAR UP, TRIO, and other access professionals across California), the American Association of Adult and Continuing Education (AAACE), Institute for Higher Education Policy (IHEP — invited policy researchers and individuals from national organizations in DC), the Pell Institute (invited policy researchers and individuals from national organizations in DC), Achieving the Dream, the IHEP Summer Academy, and Assets Alliance (IDA practitioners).

Fifth, we conducted a survey on financial education being offered in TRIO programs. In order to understand the need for IDAs we wanted to identify if financial education was already occurring and if so what type of financial education was being taught. We received 550 responses to our survey (27%).

We increased trust by holding two focus groups with IDA and postsecondary leaders to review the findings and provide feedback, essentially conducting a member check of our interpretations, after all the data was collected. We also increased trust through multiple forms of data — interviews, document analysis, focus groups, and case studies. The thick description provided in the case study reports ensures transferability of the findings to other similar types of partnerships. Most of the detailed findings and examples can be found on the project website: <http://www.usc.edu/dept/chepa/IDApays>.

Section 3 – Barriers to understanding education IDAs’ potential

Evolving story and changing landscape

Before leaving the section on setting the context and describing our results, it is important to note that our study was unable to determine the potential of education IDAs for increasing access and success among low-income students or about the viability of partnerships between postsecondary institutions with community agencies to offer IDAs. The reason we were unable to determine the potential is that the empirical record to date does not provide enough evidence or examples to understand the variety of ways that they might be used. In this section, we explain why the empirical record is difficult to use to determine that potential. In the next section, we will turn to data from our focus groups and case studies that suggest potential for education IDAs. However, rather than demonstrated potential — our findings reflect hypothetical potential.

Several conditions have shaped and stunted the development of education IDAs, many of which are not related to the inherent value or potential of education IDAs. These conditions include the following:

1. Education is not the primary mission of most community agencies offering IDAs
2. The IDA community has concern about the education IDA — helping situationally rather than generationally poor
3. Lack of clarity about how to handle IDAs in the financial aid process
4. Some perceive the administration of education IDAs as additional work and view the legislation being less favorable for education IDAs
5. Lack of familiarity with the postsecondary sector among IDA staff
6. Cross-sector work has proved difficult
7. IDAs are unknown in postsecondary institutions
8. Asset development is not seen as a role of postsecondary institutions
9. Postsecondary leaders believe low-income people should not have to save for college
10. Few tools and resources exist to help practitioners design education IDAs



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While this may not seem like important information, it is critical background to understand the story of IDAs and their potential.

These factors and conditions that impacted education IDAs' evolution are related to the evolution of the asset development field. The asset development field emerged out of the scholarship of Michael Sherradan who proposed a new way of remedying poverty based on helping low-income people access appreciating assets. Michael Sherradan's early work championed education as an important asset for bringing individuals and communities out of poverty. However, the AFI legislation process did not include the education community. The IDA legislation was developed primarily on a homeownership model. As the legislation was implemented, nonprofits from the housing community were primarily recruited and trained to offer IDAs. As CFED played a leadership role in supporting the field, they developed resources, such as a program design handbook, which focused largely on housing, and to a lesser degree microenterprise, while education was the least developed area of the handbook and resources. Furthermore, the asset development field (from which IDAs emerged) has evolved. In the early years, the IDA was the main tool for developing assets among low-income populations — in fact, when we began this research project, IDAs were still the main area of focus among leaders and policymakers in asset building. The conference on asset building was called the IDA conference. In the last five years, the field has gone through a paradigm shift and has begun to think about asset development more broadly than the IDA. The asset development community has expanded into new areas — for example, matched 529s and Children's Savings Accounts. This provides another condition or factor for why education IDAs have not been pursued or advanced. While education IDAs have been overlooked, with the crash of the housing market and the high cost of housing in many regions of the country, education is increasingly being considered an asset of choice rather than default.

We now review each of these conditions in greater detail in order that policymakers, researchers, and education leaders are aware of implementation factors which may need to be addressed to capitalize on the promise of IDAs for education. Many of these conditions overlap and are related, but for clarity of argument, we have separated these factors. Last, we highlight resources we have developed that help to address these barriers which are located on the project website.

Education is not the primary mission of most community agencies offering IDAs

Many of the nonprofit organizations that offer IDAs are focused on homelessness, community redevelopment, or microenterprise. Education is not part of their mission or goal. Even larger nonprofits such as the United Way (which offers the most IDAs nationwide) specifically highlight that education is not a part of their mission or goals. As we spoke with nonprofits across the country, it became clear that if education was not part of their mission, then they were unlikely to offer the asset and



► **"I think most of the IDA community is really missing the mark. Education changes lives, sometimes it is the only thing that changes the cycle of poverty. We need low-income people to see education as part of their future — for their entire families. When we focus on homeownership and microenterprise and ignore education, I think we're doing a disservice to those in poverty."**
(IDA practitioner)

unable to provide adequate support for the education IDA. This also made it quite difficult to create partnerships with postsecondary institutions to deliver the IDA. These organizations had little, if any, desire to gain familiarity with the postsecondary sector and would not know which institutions to approach or which offices within the postsecondary institutions work with low-income students. The lack of interest among these organizations offering IDAs suggests that other organizations need to be recruited into offering education IDAs if we want to understand its potential. We believe that education nonprofits should be recruited into offering IDAs.

The IDA community has concern about the education IDA — Helping situationally rather than generationally poor

The first issue that we documented is skepticism in the IDA community about the education asset. For professionals who work with individuals in poverty, education is often seen as a luxury. IDA practitioners generally conceptualize postsecondary education in terms of colleges or universities — similar to what they attended — and were less familiar with vocational institutes and programs, for-profit institutions, community colleges, and other types of institutions that would be a closer match to the purchasing power of the IDA or within the direct goals of their clients. The professionals working in community agencies generally believe that starting a small business or homeownership is a much more important and reachable goal. In addition to believing that education is a luxury, some IDA practitioners believed that education IDAs might support situationally poor rather than generationally poor individuals. Often a student can appear to be poor by circumstance, but come from a middle class family. By not offering the education asset, these IDA practitioners can ensure that money went to generationally rather than situationally poor individuals.

While there were certainly IDA practitioners who believed in and supported the education asset, these practitioners often felt like they were “a salmon going upstream in a community that valued education less than they did.” Education was often a default goal and not one that IDA practitioners promoted. If a client did not save enough for homeownership, then they would be moved to the education asset — but this might mean buying a computer and not necessarily postsecondary education. We do not mean to suggest that IDA practitioners did not support clients who came in with an education goal but rather that IDA practitioners were unlikely to promote and feel comfortable with the education asset. The lack of support in the IDA community about the education asset made it much harder to understand the potential of education IDAs since the IDA community is not promoting or conceptualizing the program design for the education asset.

In order to address the lack of support for education IDAs in the IDA community, we developed a brief report about the value of education for low-income individuals to be circulated in the IDA professional field — *Why should I offer an education IDA and how can I do it successfully?* (http://www.usc.edu/dept/cheпа/IDApays/resources/why_offer.pdf.) In this document we attempt to address the bias or stereotype that postsecondary



► **“I do worry whether helping low-income students who are already in college is the best use of an IDA. Maybe they would be retained anyway. Is this enough impact with the small money we have — to reduce the debt of a low-income student who already made it to college and overcame their fears about access? I’m just not sure.” (IDA practitioner)**

education is not for low-income people. We try to demonstrate that one of the best ways out of poverty is to become educated. The issue about situationally poor individuals remains a challenge which we describe later as an inherent problem with the education IDA that needs to be resolved in order for IDAs to meet its “possible” potential.

Lack of clarity about how to handle IDAs in the financial aid process

Related to the concern about the education asset, many IDA practitioners were familiar with examples of students whose financial aid package were impacted by the IDA. As a result, people shied away from this asset since they felt it might not be in the individual’s best interest. Most IDA practitioners we spoke with did not understand how IDAs were handled or should be handled in the financial aid process. Only two individuals interviewed had spent extensive time researching this issue in order to become experts in how IDAs should be handled. Most practitioners said they did not have time to do this type of information gathering and learning. Early in our research, we identified the financial aid issue as a barrier impacting the potential of education IDAs. As a result, we have developed a paper to help IDA practitioners understand how IDAs are handled in the financial aid process: http://usc.edu/dept/chepa/IDApays/publications/financial_aid.pdf. While we were gathering data for this project, the U.S. Department of Education took a more definitive stance regarding how the IDA should be handled as part of the financial aid process. However, this interpretation is not as favorable as how 529s and other assets are handled by the U.S. Department of Education. When we get to the policy implications in this report, we describe our concern with the U.S. Department of Education’s current interpretation and how this stifles the potential of education IDAs. The end result is that historically there has been a lack of understanding about how IDA are handled in the financial aid process, which has in turn stifled IDA practitioners from promoting education IDAs.

Some perceive the administration of education IDAs as additional work and view the legislation being less favorable for education IDAs

Many aspects of the education IDA make the process even more complicated, making IDA practitioners shy away from working with education IDAs:

- Homeownership is typically one payment from the savings account, whereas education typically requires multiple payments. Making multiple payments and drawing funds from the IDA account over an extended period of time makes education IDAs administratively complicated. The administrative burden of keeping accounts open longer also adds to costs and workload, usually forcing nonprofits to develop shorter timelines which do not always serve the clients’ (students’) needs.
- Tracking students to make sure they are still in school adds another layer of administrative work. If the student withdraws from school, then nonprofit administrators need to process paperwork to get the money back. In their



“The financial aid process is totally overwhelming and intimidating. I only know one IDA practitioner who seems to understand it and I think that’s because he works with a collaborative of postsecondary institutions and comes from that sector. I think this really prevents a lot of people from advocating for education IDAs. This is an area we really need help.” (IDA practitioner)

experience, this process is rather time-consuming, often requiring multiple letters and calls to the institution. Also, students might leave the state or region to attend college and tracking students from a distance is much more difficult.

- The Assets for Independence (AFI) restrictions on education IDAs, in terms of what expenses can be covered and to what institutions the payments can be made, are more restrictive than microenterprise.
- Students have to make purchases on campus and this is often much more expensive than other venues, like Circuit City for computers.
- Having to spend down the asset quickly does not work as well for education as it does for homeownership where you usually have a one-time payment. In order to meet the grant requirements of the community agency, students often have to spend down their money more quickly than is desirable and have often purchased an item that is not a priority — just to spend in the time frame.
- Practitioners working with youth education IDAs note that working with youth is extremely challenging and requires much more case management than working with adult college students. For example, they often need to provide additional services like transportation and find it difficult to motivate students to save. It takes more time and staffing, which ends up costing more.

Lack of familiarity with the postsecondary sector among IDA staff

We did find a small number of nonprofit organizations that were interested in offering education IDAs, but they lacked familiarity with the postsecondary sector. As a result, their efforts to design an education IDA often failed. For example, they designed a program in which the savings plan was too short for the postsecondary institution or placed too many constraints on what could be purchased. In addition to poor program design, they were also unfamiliar with how to establish a partnership with a postsecondary institution. The community agency staff had difficulty recruiting, marketing, and understanding the target market for education IDAs. Last, they felt challenged to develop asset-specific training related to the postsecondary asset. In order to address these challenges which have stifled the potential of education IDAs, we developed several resources. To help IDA practitioners with asset-specific training we produced resources called: *Education asset resources for IDA practitioners* and *Who's who in postsecondary institutions?* (which are available on our website, as are other tools and resources). Program design and partnership strategies are both addressed in this report under the findings from the study — section 5 & 6. We also have full reports on these topics on our website: (<http://www.usc.edu/dept/chepa/IDApays/>). Program design and partnership strategies for cross-sector work are essential for helping current IDA practitioners to realize the potential of the education IDA.

Cross-sector work has proved difficult

As already noted, a lack of familiarity with the postsecondary sector by nonprofit staff has made partnerships difficult. However, even if IDA practitioners improve their knowledge of postsecondary institutions, partnerships between the two organizations will be difficult — in general. Our analysis of the case studies and interview data identifies that postsecondary institutions and community agencies have different cultures. They have distinctive missions, language, values related to low-income populations, decision-making and leadership structures (postsecondary being hierarchical and nonprofits being organic), planning timelines (postsecondary being long-term and nonprofits being short-term), scale (postsecondary wanting to serve large numbers of students and nonprofits wanting to work with a handful), and a variety of other important differences that we have documented. We believe that the differences in sectors are so substantial that in order to realize the potential of education IDAs two different directions should be pursued: 1) postsecondary institutions offering IDAs; and, 2) education nonprofits offering IDAs (there is already an existing relationship between education nonprofits and postsecondary institutions).

IDAs are unknown to postsecondary institutions

An unfortunate stakeholder was left out of the IDA demonstration projects, research, and legislation — postsecondary institutions. Because none of the national organizations that represent postsecondary institutions were brought into discussions as IDAs were being developed, the program design, legislation, and other logistical issues do not reflect the interests and expertise of the postsecondary sector. In addition, in the 12 years since AFI federal legislation was passed, IDAs were not promoted or marketed to the higher education field. As we began this research study, it was accurate to say that virtually no one within postsecondary education administration had heard of IDAs. Through our research, we found that the few faculty members in business schools (related to microenterprise) or social work (related to housing and poverty) who were familiar with IDAs only focused on IDAs in their research on housing and did not think about it as part of the postsecondary work to increase access. Postsecondary institutions being completely divorced from IDAs' development has resulted in several challenges that impact the potential. First, postsecondary institutions could have been involved with shaping the interpretation of financial aid in more favorable ways. Second, program design for education IDAs could have benefited from postsecondary expertise and input. Third, lack of knowledge about IDAs among postsecondary staff has adversely impacted the ability of IDA practitioners to create partnerships to offer the education IDAs. IDA practitioners expressed concern that if postsecondary institutions and professionals within them (particularly financial aid and student support services) do not gain more knowledge about IDAs (as the banking and microenterprise communities have), IDAs will remain difficult to administer and partnerships will be difficult if not impossible. IDA practitioners will continually need to educate partners about the tool. Moreover, the high rate of turnover in offices of financial aid and student services makes IDA practitioners dependent on constantly reeducating new people. The exhausting amount of time and energy required is



► **“I wasn’t sure if for-profit institutions were accredited or whether I could work with them. I’m just beginning to learn about community colleges and I hadn’t heard of TRIO until you mentioned it. It’s just a lot to learn — it feels very overwhelming.” (IDA practitioner)**

problematic and needs to be addressed through a marketing campaign in higher education.

Asset development not seen as a role of postsecondary institutions

As we spoke with postsecondary institutions, they did not understand how education was an asset and did not see themselves as developing assets for low-income students. While IDA practitioners working with postsecondary institutions tried to demonstrate and communicate the way in which postsecondary leaders should see their work as aligned with the IDA, many resisted or did not understand how education could be considered asset development. The notion of asset development, in general, is poorly understood in the postsecondary sector. Asset development comes from a belief in building on people's strengths and believing that everyone is capable of advancing themselves if barriers are removed and incentives developed. Educators have not seen themselves as part of building communities and community development, instead they see themselves focusing on individuals and knowledge creation and dissemination. But the work of educators is also community development.



► **“Unless people in postsecondary institutions receive some form of training or greater knowledge about IDAs, I just don’t see how they’re going to truly embrace them. I’m a national leader for first-generation college student advisers, I work with all of the professionals that are dedicated to first-generation college students and none of us knows about IDAs.” (postsecondary administrator)**

Postsecondary institutions believe low-income people should not have to save for college

One of the major findings from our focus groups and case study visits to campuses is that postsecondary staff generally do not think that low-income people should contribute financially towards their education. Because of the many hardships that low-income people face in attending college, practitioners believed that having the financial part taken care of was essential for low-income students' success. However, the problem with this perspective is that financial aid does not cover all of the costs at some institutions. Also, books and equipment are commonly not considered when postsecondary staff think about the cost of attending college. Interestingly, TRIO and GEAR UP staff, who work most directly with low-income students, thought it was extremely important for low-income people to contribute money towards their education, to feel empowered, and to learn financial education — all offered through the IDA. However, because most individuals within postsecondary institutions are wary of having low-income people save, many are not interested in offering IDAs, making the potential of the IDA unclear.

Few tools and resources exist to help practitioners design education IDAs

Because postsecondary institutions were not part of the legislative or demonstration projects, no tools or resources have been created to help administer education IDAs. All of the IDA practitioners we spoke with noted that they have few tools or resources to support their endeavors to offer education IDAs or for partnering with postsecondary institutions. Notable exceptions include the handbook by CFED for youth IDAs and education planning tools which have been shared among some IDA practitioners. However, asset-specific training materials, recruitment and marketing tools focused on education IDAs, and partnership materials for postsecondary institutions do not exist. As a result of these findings, the IDA-PAYS research team developed a set of tools and

resources aimed at making education IDAs easier to administer, including the following (all available on the project website):

1. A tool for clients about the benefits of education IDAs
2. A tool for helping IDA practitioners understand the benefits of education IDAs and partnering
3. A tool to share with postsecondary institutions about IDAs and the potential of partnerships
4. A document about strategies for partnering with postsecondary institutions
5. A paper about how to handle IDAs in the financial aid process
6. A paper about rethinking program design when delivering education IDAs
7. A tool with asset-specific training information
8. A tool with financial education information for youth and adults
9. A document on navigating through postsecondary institutions
10. A collection of tools from across the country including education plans, recruitment tools, etc.

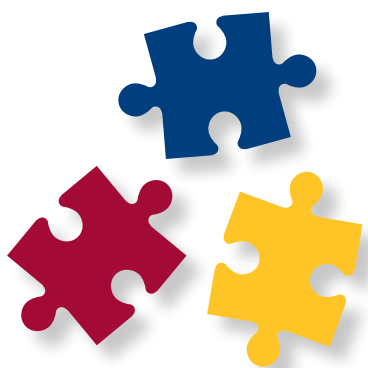
Summary

Education IDAs have not had a chance to meet their potential primarily because of the legislative and implementation process that involved no postsecondary institutions or education nonprofits. As a result, barriers and challenges have emerged, which could have been addressed early on but which now establish more formidable barriers as they have become entrenched in practice. In order for education IDAs to meet their potential, a set of changes in practice needs to take place and policy changes must be considered.

Part 2

Study findings





Study findings

Part 2 includes sections 4-9. In section 4, we highlight the potential of IDAs, noting six important areas which we identified: assisting key populations outside financial aid, creating access, retaining students, educating them about finance, decreasing their debt burden and default rates, and increasing funding for low-income students.

What became increasingly apparent in focus groups with higher education administrators and policymakers and in our case study research on education IDAs is that current approaches to offering education IDAs are unlikely to realize much of the potential mentioned above. The predominant approach to offering education IDAs is for a nonprofit (typically unfamiliar with education) to work with adult students. Rarely do nonprofits partner with postsecondary institutions and there is no systematic effort to work with programs established for low-income students on campus such as TRIO. There is also no relationship or link between nonprofits and early intervention for college programs. While there are some youth IDA models (e.g., Maya Angelou Charter School, Juma Ventures), very few exist. Only a handful of nonprofits successfully partner with postsecondary institutions in order to offer asset-specific training or recruit students. We provide a few successful examples in this report.

The remainder of the sections in part 2 of the report will address ways to overcome existing barriers to realize the potential. For example, Section 5, about rethinking education IDA program design, describes the flaws in the current program design (based on homeownership and microenterprise) which limit our knowledge about how well the education IDA can assist low-income students. Most of the current education IDA programs use a homeownership or microenterprise design and need to be fundamentally rethought. Whether the current nonprofits continue to offer education IDAs or new education nonprofits are recruited to offer education IDAs, the program design will need to be re-imagined.

In Section 6, we review information about strategically developing partnerships between nonprofits and postsecondary institutions to offer education IDAs. This information is largely based on existing nonprofits that are currently offering IDAs

and helping them to better strategize approaching postsecondary institutions. The section addresses the lack of familiarity with IDAs among community agencies of the postsecondary sector.

However, we believe that addressing program design and improving the approach to partnerships may have limited success. Because of the lack of interest among many nonprofits in the education asset, the difficulty in working across sectors, and opportunities of scale, we believe it is important to fundamentally rethink current approaches to offering education IDAs. For example, new partners are needed in addition to delivering IDAs on a larger scale. In the end, even with major rethinking of the entire paradigm around how education IDAs are designed and offered (see Sections 7 & 8, called New Paradigm), these changes may not be enough to make IDAs work sufficiently well to meet the potential of helping low-income students described in the next section. We end Part 2 of this report, Section 9, with the inherent challenges and needed policies changes that we believe are critical to address the historical and implementation problems outlined.

It is important to note that when we refer to postsecondary education in the report, we are referring broadly to any form of education post-high school — this can include short-term training programs, certificate programs, associate and bachelors degrees. Postsecondary also refers to all sectors from vocational and technical colleges, community colleges, comprehensive regional universities, for-profit institutions, liberal arts colleges, historically black colleges and universities, and tribal colleges. The term is inclusive; we use examples of various sectors and different types of programs and degrees throughout this report.

Section 4 – Potential of IDAs for improving low-income access and success



► **“I see marginal opportunities. I think the challenges so overwhelm the marginal opportunities that it may not be worth people’s time on the higher education or even IDA practitioner side. Maybe IDA practitioners should just focus on homeownership or rethink allowable assets. IDAs were not created with education in mind, which is unfortunate, and they do not seem to work as well for that purpose. Given all the other sources of support for postsecondary institutions — well over \$60 billion each year — maybe IDAs are better used another way.” (postsecondary policymaker)**

Limited but IMPORTANT potential of IDAs

What we will describe next are some of the areas where we see limited, but important, potential for IDAs and the benefits that the IDA can offer that no other current tool or program appears to offer. We recommend education IDAs to the postsecondary sector for addressing the needs of certain institutions, with certain populations, but we do so cautiously. It may be that postsecondary institutions would gain greater benefits for their low-income students by using another tool or program. These are the following main areas of potential we identified:

1. Reaching key populations often outside the reach of financial aid
2. Creating access to higher education
3. Increasing retention in higher education
4. Providing financial education to break the cycle of poverty
5. Decreasing the debt burden and default rates
6. Increasing funding for low-income students by leveraging existing scholarships

At the end of the section, we highlight one area of potential for education IDAs in general — not focused specifically on low-income students but rather on building communities.

The data about potential are untested and there is no experimental or quasi-experimental design research to support these insights. Instead, we depend on evidence from our case studies, interviews, and expert judgment through our focus groups with postsecondary and IDA leaders. We did not compare IDAs to other tools or programs. Because we do not have this comparative data and because of the existing challenges, the potential and benefits versus costs of IDAs are still unclear. We did look at the potential synergy between IDAs and other programs, such as TRIO. We think that the greatest potential for IDAs is likely to be found in using it in conjunction with existing programs for low-income students rather than as a stand-alone tool. Until further research is done through demonstration projects that compare IDAs to other

interventions, postsecondary institutions should decide carefully whether this is a good investment for their institution.

It is important that these areas of potential be weighed with the challenges we review in Section 9. For example, the inherent complexity of IDAs, impact on the financial aid package, and lack of ongoing funding may not make it worthwhile to establish an infrastructure within postsecondary institutions or education nonprofits, even if they obtain some of benefits mentioned below. Furthermore, the small scale and funding issues for IDAs limits potential for education IDAs, but this is an area that could be changed within public policy. One person we interviewed summarized our findings within the current public policy environment: “The juice may not be worth the squeeze.”

Reaching key populations often outside the reach of financial aid

Students outside the financial aid system

Three student populations do not have access to the federal financial aid system and could therefore use IDAs to support college going — students who defaulted on their loans, students who become ineligible for financial aid because they are not making satisfactory academic progress, and student in non-degree programs. There is little existing support or funding for these three groups of students. Students who have defaulted on loans are unable to obtain federal financial aid. An important use of IDAs is to help students raise money to pay off their loans so that they can obtain federal financial aid again. Students who do not have satisfactory academic progress often lose financial aid. This is another population that would benefit until they can bring their grades up and complete courses to become eligible for financial aid. Also, students taking certain non-degree courses do not have access to federal financial aid and the IDA provides a way for them to get additional training.

Some populations, particularly Hispanic students, will not take out loans

A variety of studies have demonstrated that certain populations are hesitant to take out loans and IDAs present an alternative for these populations (Burdman, 2005). Many financial aid officers in our study had data that suggested that many of their low-income students were not taking out loans and some were even dropping out because of financial hardship. These financial aid officers felt that the IDA would be an ideal alternative for them. Institutions should continue to encourage populations to take out loans in cases where it makes sense. However, postsecondary staff may not always be successful in promoting loans and IDAs can be a good back up option. In some situations it will not be a good idea for students to take out any more loans and increase their debt burden.

Programs for returning adult students

Adult returning students, often receive less subsidized financial aid because they have been working, which is counted against them in the financial aid process. Our research



► **“We have to stop believing that because the Pell grant exists, low-income students are taken care of. Many students do not want to take out loans, others to not fill out the FAFSA form, and other students can’t even get financial aid, such as undocumented students.”**
(postsecondary staff member)

documented several successful programs in which IDAs are being used as an access and retention tool for returning adult students, particularly at community colleges. Centers for Working Families have found the IDA important in helping students in poverty to regain financial stability necessary for them to be successful in returning to school. The IDA match savings account provides the incentive to get returning adult students to undertake a financial education course and to commit to new life habits. IDAs also provide the funding to help them go back into school, particularly during the first year when they receive little assistance through financial aid.

Foster care youth

A study from the Institute for Higher Education Policy (2005) identified that even with funding from the Federal Education and Training Voucher Program and state funding (among 30 states) foster care youth will typically have a gap in funding (as do other low-income populations). The average cost of college attendance for commuter students at a community college (at that time) was \$11,000 and \$30,000 for a private college. Federal and state aid for foster care might be approximately \$6,000 to \$7,000. These important studies help us to realize that low-income populations still have funding gaps that need to be covered. There are 3-4 IDA programs that we spoke with that successfully work with foster care youth and believed this was an important population for IDA practitioners to focus on.

High-need communities

IDAs can be used with groups that need additional support because of the difficulty of their life circumstances. IDAs have been used with single mothers, immigrants, Native Americans, and other high risk populations. IDAs can be best targeted at the most needy populations.

Creating access to higher education

Developing early commitment

The Center for Social Development recently conducted a study which demonstrated that low-income families that save even a small amount for college (\$100) were more likely to have an aspiration to go to college than a control group of other low-income individuals (Elliott, Sherraden, Johnson, Johnson, & Peterson, 2007). This is not an isolated study and others have similarly witnessed the effect that a small amount of savings can have on college aspirations and success (Hossler, Schmit, & Vesper, 1999). IDAs operate similar to other early commitment tools (like the 21st Century Scholars Program) that promote college going.

Integrating into early intervention for college programs

Early intervention for college programs (TRIO, GEAR UP, I Have a Dream, MESA, and the Fulfillment Fund) could integrate in IDAs as they already offer case management, asset specific training, and some even offer financial education. Our survey of TRIO



► **“I work with students in our GEAR UP program and when they see the cost of college their senior year, many just decide they cannot go. And we’ve been talking about the cost of college for years, but it suddenly becomes real. I think the idea is to make them feel empowered when this moment comes. I think they would say — ‘I’ve been saving, I can go to college.’ That is what I think makes the IDA attractive.”**
(GEAR UP staff)

staff demonstrated that almost 50% currently offer some form of financial education (for further information of the financial education survey, please see policy brief on the project website). Information about the IDAs as well as financial education can be incorporated into these programs.

Reaching the entire low-income family

Postsecondary institutions are increasingly offering outreach programs to families and communities and could see the IDA as an attractive tool to get more low-income families to attend such events (e.g., with ads that say, “we offer matched savings accounts — you put in \$1 and we give you \$4”). Furthermore, postsecondary staff like the idea that the IDAs could reach beyond the individual and affect other children in the family and potentially extend to the broader local community. Many people mentioned the multiplier effect of tools like IDAs — that it could bring the message of savings and financial education to entire families and communities. IDAs can have an incentivizing and motivational effect on many more than the individual student. Many postsecondary staff mentioned organizations that focus on parents as key allies to partner with to spread IDAs — such as the Parent Institute and the Parent Institute for Quality Education.

Increasing access to four-year institutions through improved transfer rates

Many students do not transfer to a four-year institution from a community college because of the increase in tuition, even when they are planning to attend a four-year public institution. Students prematurely end their education with an AA degree (or less) because of the perceived high cost to transfer. IDAs may increase access to four-year institutions. Many community college staff members whom we spoke with had identified this problem in their transfer efforts and were interested in using the IDA as a tool to increase their transfer rates, particularly among Hispanic students, who again were hesitant to take out loans. Also, some students are offered admission to more elite institutions, such as a University of California campuses, but choose to go to a less selective college such as a California State institutions because of the cost differential. Again, staff at community colleges saw the IDA as a tool to help low-income populations gain access to these more elite institutions by having additional funding that made them feel comfortable taking on increased institutional costs.

Like early commitment programs, savings to transfer ensures that students are more likely to follow through on their commitment to go to a four-year institution. By investing in themselves and having a full understanding of the costs of four-year colleges, they are also more likely to be successful in a four-year environment.

Covering the expense of high-priced and short-term technical and vocational programs

A variety of low-income students enter into vocational and technical training, particularly short-term programs of one year or less. The graduates of these programs typically get paid well and create a sustainable income. However, many students do



► **“One issue we forget to talk about with programs that assist first-generation students is the extraordinary multiplier effect of some of these programs and tools. They can affect entire families and communities. IDAs can have a tremendous multiplier effect.” (TRIO staff member)**

not enter these programs once they learn about the costs. For some of these programs, which might enable the student to become an electrician or work in aviation, the cost is quite high because of the equipment needed for such training. Often students are not able to obtain enough financial aid to cover the cost of these more expensive programs. An IDA can be used to cover the funding gap for technical and vocational training and enable students to obtain high paying jobs and offer them a way out of poverty.

Providing gap funding for students at higher cost institutions when need-based aid, work, and their expected family contribution does not cover tuition

While many of the participants saving for IDAs tend to go to community colleges or vocational and technical schools, some practitioners did not want IDA clients to feel tracked into certain postsecondary options. Postsecondary staff want low-income students to also aspire to attend four-year institutions or private institutions even though they often have a higher cost of attendance. To ensure that this as an option for participants, nonprofits are looking for partnerships with private universities and four-year institutions which might provide matching funds.



► **“It is a fallacy to believe that covering tuition is enough.**

Low-income students drop out because they have financial emergencies and IDAs can even cover the costs of books or transportation.” (TRIO staff member)

Increasing retention in higher education

Helping out in financial emergencies

In general, across a variety of institution types, IDAs appear to be a strong retention tool for low-income students. Many low-income people drop out of college because of financial stress (costs of books, need of a computer or childcare) and/or because they do not have control over their finances. Students without knowledge of credit card risks and other financial topics are more likely to fall into the trap of debt than students with financial education. IDAs provide students with the financial resources to get through these emergencies. This financial education also provides students with the motivation and sense of control to stay and be successful in college.

Covering the cost of books and equipment

Institutions typically think of the cost of attendance in terms of tuition and in private colleges they might include housing, but institutions often overlook the cost of books and equipment. Many community college students do not drop out of school because of the cost of tuition, which is typically quite low, but rather because they cannot cover the costs of books and equipment (e.g., computer, nursing equipment, architectural software). Various studies have demonstrated that students drop out because of financial concerns, often related to purchasing books (Government Accountability Office, 2005). Over the last 30 years, textbooks have increased at a higher rate than any other book product. The cost of books in a year can be over \$1,000, the prices having risen 600% in the last few decades. This burden is too great for many low-

income students. In addition, there is an assumption that students can afford the equipment for many vocational programs, yet students often end up dropping out because they cannot afford the equipment costs.

Ongoing communication with at-risk students

Because of the ongoing contact related to the case management for the IDA, many postsecondary staff saw the IDA as an important way to keep in touch with low-income students, who tend to be a very high-risk population. Postsecondary staff conceptualized the IDA as another retention tool to help this population succeed through ongoing support and communication. Low-income populations are often unlikely to seek help and stay connected, but the IDAs mandatory training and contact allows for continued connection.

Link to emergency assistance programs

Some campuses have emergency assistance funds to help low-income populations. They have learned through their own institutional research that students are dropping out because of transportation costs or books. Postsecondary staff identified the potential of introducing students to the IDA at these emergency moments. Students could begin saving and avoid the next emergency, particularly as many campuses have policies stipulating that emergency funds are to be used only once.

Providing financial education to break the cycle of poverty

Empowerment

One of the most attractive features of the IDA, noted by both nonprofit agencies and many TRIO and GEAR UP staff, is the empowerment of having low-income families contribute to their education and future success. Many former low-income individuals who now work as staff on campuses recognize the importance of financial education and developing the habit of saving in order to break out of the cycle of poverty. However, this finding needs to be contextualized with another one of our findings — upper and middle class staff on college campuses, generally, do not believe in the importance of financial education as a college curricular area or educational goal and believe financial education an educational process should happen in the home.

Postsecondary staffs' views may be out of touch with the general public and policymakers. The federal government has now mandated that financial aid offices offer some form of financial education for students who take out loans. Some policymakers and educational leaders have become concerned about the high level of debt among students because of credit cards and student loans. In addition, many states are beginning to mandate curriculum in the K-12 area related to financial literacy, where they historically have more control over the curriculum. Postsecondary leaders may want to re-examine assumptions on campus, and capitalize on the views of TRIO and GEAR UP staff that appear more aligned with policymakers.



► **“What I really like about IDAs is that it’s trying to break the cycle of poverty. I am now a staff member in TRIO, but I came from a low-income family and went through the TRIO program. I never learned basic financial lessons and to this day I really struggle, really struggle with staying financially afloat. I think it’s really important that we began to address financial literacy much more seriously on college campuses.” (TRIO staff member)**

IDAs as a way to re-infuse financial education into TRIO programs

When TRIO programs were created, financial education was an important component of the program. However, over the years financial education has waned in terms of its importance. In order to understand what benefit IDAs could offer the higher education community, we conducted a survey of the TRIO community to find out how many were still offering financial education and how they were accomplishing this goal. In our research, we found that less than 50% of Upward Bound and Student Support Services offer financial education. Of the 50% that offer financial education, it focused narrowly on financial aid training rather than a comprehensive financial literacy course. We believe that the IDA tool can help TRIO to better accomplish its goals of financial education, self-sufficiency, and breaking the cycle of poverty.



▶ **Undergraduate students carry an average of three credit cards and graduate with an average of \$20,402 in combined education loans and credit cards balances. (Nellie Mae survey, 2002)**

▶ **"I think we are experiencing a national, systemic blunder. I think we are going to look back and say, 'how did several generations of students get so in debt.'" (Financial aid administrator)**

Creating greater awareness on campus about financial education in general. Postsecondary leaders are aware of the broad breakdown of financial literacy on their campuses. IDAs offer the potential to create conversation around the importance of financial literacy. Some people described the importance of including financial education in first-year seminars or orientation programs. Many people even mentioned connecting the issue of financial education to global competitiveness. In other countries, particularly Asian countries, they have a strong culture around savings and resistance to debt. As we continue to have generations grow up with minimal financial literacy our global competitiveness will be impacted.

Decreasing debt burden and default rates

An alternative to high debt

In the last 15 years, the costs of going to college has increased at rates well beyond inflation, making a college education less and less affordable in many states and regions. Even though low-income students' tuition is often covered through Pell grants and other forms of aid, they often receive many loans to cover other costs to attend college. In recent years, financial aid officers and other concerned administrators on campuses have noted the increase in loan packaging and the heavy student debt burden. In states such as Colorado, the financial aid computer systems automatically package the maximum amount of loans that a student can receive. Students have to manually opt out of loans and generally do not understand this process. As a result, students increasingly take out more loans than they need or even desire. In order to create more efficient financial aid processing systems most campuses have lost the personal packaging and counseling (at least at the larger campuses). Many financial aid officers whom we spoke with believe that we need alternative options to these loans. IDAs could be an option for students instead of debt.

Addressing default rates

With the rise in institutional costs and the increasing debt burden on students, default rates have risen. Many institutions are worried about their increasing default rate and

this has become an institutional priority for them to decrease these rates. At these institutions, offering IDAs can help them address their default rate by lowering it because students save and pay their tuition rather than take out loans.

Financial literacy ideas

Some campuses are thinking about integrating IDAs into a larger plan of financial literacy, based on their concerns about the increasing debt burden and culture of financial illiteracy on college campuses. The following are some ideas for turning the tides:

- Use an online education tool — Financial Path — created by Brigham Young University. The software helps students to calculate how much they expect to make in the future and what debt burden seems safe to take out given this information. While this software is currently not available through open source, other campuses should consider creating a similar software.
- Have certified financial counselors who can work with students.
- Have a media campaign working with student groups on campus. Brigham Young University has a campaign entitled "Someday." They use examples to get students attention such as: "Someday I'll have a Ferrari, but for now I'll hoof it. It pays to save."
- Watch out for alternative loan vendors and make sure that you have information about them on your financial aid website. These vendors are currently marketing on the radio, MTV, and billboards — they are ubiquitous.
- Support financial education initiatives that are happening in many states. If needed, testify about the importance of financial literacy.
- Conduct research — Brigham Young University conducted an internal study that suggested if parents set aside \$400 for college, the students are less likely to take out a heavy loan burden. This is one of the reasons they were so excited about IDAs since their own research supports that small savings creates expectation to go to college and makes students more wary of debt because they have parents who are more aware of financial choices.
- Help develop a cadre of professionals on campus who are dedicated to financial literacy. You can find colleagues in the business school, financial aid, centers for working adults, community outreach centers, TRIO, and in extension services. Work with the first-year experience seminar or courses to integrate financial education. Make sure students know about financial counseling and services available to them.

Increasing funding for low-income students by leveraging existing scholarships

Leveraging existing scholarship funds

Many postsecondary institutions have foundations that raise money for scholarships. These foundations can exponentially increase the amount of scholarship money by contributing the matched funds for an IDA. Another option is that a college foundation can apply for IDA funding directly and raise the funding. Also, programs such as GEAR UP have non-federal scholarship monies that they can increase by partnering to offer IDAs.

Corporate fundraising tool

Many corporations are attracted to programs such as the IDAs in which the individual receiving the money and the organization are also investing money. Many postsecondary institutions felt that their corporate partners and contacts would like the concept of the IDA and that this could help them to obtain additional sources of funding.



► **“We need more money for supporting low-income students. There is just too much emphasis on merit aid these days. Corporations understand the notion of a match savings accounts and this is a great way to fundraise to help low-income students.” (postsecondary administrator)**

Building communities — workforce and economic development

While our research focused on the ways that IDAs had potential to improve access and success among low-income students, participants in our focus groups also brought up other important outcomes of IDAs that have been touched on throughout this section. The most often cited benefit was supporting communities and contributing to the broader public good. Education IDAs not only assist individuals to be successful, but they also contribute to broader social goals around making families more self-sufficient and creating a trained workforce that can improve the economy of communities and regions. While homeownership might create more stable communities, it does not provide the new skills and training that local communities are looking for to create greater wealth and improve the tax base. Education IDAs have the potential to fundamentally improve the workforce and tax base. Two specific examples might be helpful. The Tradesman Adjustment Act provides funding for workers to retool their skills and change direction. The funding only lasts two years and the IDA can be a tool to help workers complete training if they need to attend school longer to complete their degree or certification. The Lifelong Learning Accounts (LiLA) Demonstration project is an example of the ways that education IDAs can help build communities and contribute to the workforce (See LiLA website: <http://www.cael.org/lilas.htm>).

Summary

This section reviews the potential that we identified for education IDAs, most of which is unique to this intervention and not offered through other existing approaches. Even though the empirical record for education IDAs does not yet provide evidence or support for these areas of potential, we feel confident that if the suggestions made within this report are followed many of these areas of potential can be reached in future years.

Section 5 – Old paradigm: Rethinking education IDA program design

Organizations offering IDAs have focused on homeownership and microenterprise, and as a result, program design followed the structure of those two goals. In our research, a primary reason why IDAs' potential was compromised was that programs were not designed to support education. While the federal government allowed agencies to design the program to fit clients' needs, the agencies offering IDAs had much experience with offering homeownership or microenterprise that the education IDAs ended up with the same design, which typically did not work as well.

The lack of familiarity with postsecondary education among the community agencies offering IDAs has created many missteps in designing education IDAs — ranging from targeting the wrong students, to shorter-than-desired savings time frames, to targeting inappropriate institutional partners, etc. Poor program design exacerbated the challenges in attempting to partner with postsecondary institutions. Because many community agencies approached postsecondary institutions with flawed or inadequate program designs, the partnerships failed. The failed partnerships made postsecondary institutions hesitant to work again with the community agency to offer IDAs. As failed partnerships become more widespread, they threaten the potential of education IDAs.

While many of our suggestions in other sections relate to having other organizations offer education IDAs, we still believe in the potential of existing nonprofits (that have an interest) offering education IDAs. We believe that if these organizations take seriously the ideas about carefully rethinking program design, they already have the expertise to offer IDA and could still create partnerships with certain right-fit postsecondary institutions and be successful offering IDAs. Through our recommendations, we hope to create more of these successful partnerships, which were rare to find during our research study.

In this section, we outline a few best practices to consider when developing education IDAs and highlight some specific issues that shape education IDAs, based on our research. These best practices are elaborated on in: *New Strategies for delivering education IDAs: Rethinking program design*. Not only are these concepts important for current IDA practitioners offering education IDAs, but they are also important for education nonprofits and postsecondary institutions considering to offer education IDAs.

Best practices for education IDAs

Designing programs with education partners is key in collaborations to offer IDAs

While not all IDA programs will be offered through a partnership, those that are offered in that way could benefit by being jointly designed. Very few nonprofits had approached postsecondary institutions as they were drafting their grant applications to design the IDA, which resulted in design flaws that made the IDA not work well for clients. Postsecondary partners and IDA practitioners believe that partnerships will be more successful if those partners design the IDA together during the grant application process — identifying target population, match rate, and program length together. Unfortunately, most nonprofits approach postsecondary institutions after they already obtained grant funding. Collaborations might be more successful if nonprofits consider designing IDA programs with their partners.

Initial meetings about partnership should identify how each partner can best support the IDA and low-income students. Many partnerships efforts failed because the nonprofits did not have a vision or were not flexible in their vision of how to partner with the postsecondary institution. This did not allow the postsecondary institution to consider the best way it might contribute. The nonprofits need to be open to allow postsecondary institutions to review their processes and slightly change the design or administration of IDAs based on the institutions' existing systems and strengths. If the needs of the nonprofit align with existing services that postsecondary institutions already offer, this makes the partnership more attractive.



▶ **Unfortunately, most nonprofits approach postsecondary institutions after they already obtained grant funding. Collaborations might be more successful if nonprofits consider designing IDA programs with their partners.**

Bundling services

Education IDAs are more likely to be successful if they are bundled with an existing program on a college campus that supports low-income students, whether it is through TRIO, GEAR UP, or Centers for Working Families. These programs can assist the nonprofit by recruiting participants and providing case management, asset-specific training, and in some cases offer financial education. These services are easily understood by the partner because the IDA replicates the kind of work they are already conducting and they do not have to perform any tasks beyond their current responsibilities. Instead, the collaborative facilitates teamwork and makes education IDAs more seamless. Programs that are designed in isolation with a financial aid office and are not bundled with other support services for low-income students might experience difficulty.

Creating an on-campus team that crosses offices

In designing the program, practitioners will be more successful if they work with staff from across the campus rather than a single office. On campuses where we found success, they involve the financial aid office, bursar's office, student advising, and the TRIO program. While the team does not have to meet all the time, it is important for them to meet as the program design is created and implemented.

Recruiting and identifying the right target group and developing program around that group

IDA practitioners were uncertain about who would be the best individuals to target for education IDAs. Should they work with students who are already in school or students aspiring to postsecondary education? Should they work with youth or adults? Are there certain populations that need more assistance in obtaining postsecondary education? In Section 4 of this report, we described populations that would best benefit from IDAs, which can be instructive to IDA practitioners to better target the appropriate individuals for programs (such as students who defaulted on financial aid, vocational students in expensive short-term programs, foster care youth, etc.). IDA studies have suggested that students who are already in school are more likely to save and spend the IDA. In general, IDA practitioners may have more success if they target individuals who are already in postsecondary education (for example, individuals at community college who want to transfer to a four-year institution). However, there might be a greater need for helping people who are aspiring to college and the IDA can help them to realize this dream. Adults might be better able to work and save than youth. Youth-based programs need more research and work before programs can be designed effectively, and especially before moving to a larger scale.

Designing youth IDAs

IDAs were originally designed for adults who would be purchasing a home or starting a small business. While several IDA practitioners have successfully designed IDAs for youth (such as Juma Ventures or Maya Angelou Charter School), the field as a whole has less experience with youth. In addition, the organizations that are offering IDAs commonly do not have experience working with youth and understanding their needs. Maya Angelou and Juma Ventures are different because they are embedded within organizations that serve youth. One of the reasons that we recommend education nonprofits offer IDAs is because it might be extremely difficult for organizations that have never served youth to develop this expertise. The CFED handbook, *IDAs for youth: Lessons from an emerging field* (2001), offers more extensive advice on how to successfully serve youth; here we simply caution that organizations need to fundamentally rethink their program design to be successful offering IDAs to youth.

Practitioners working with youth education IDAs note that working with youth is extremely challenging and requires much more case management than working with adult college students. For example, they often need to provide additional services like transportation and find it difficult to motivate students to save. Furthermore, they need to make the process entertaining, by using games and providing role models, for example. All of this takes additional time and planning. Therefore, education IDAs involving youth adds additional layers of complication. In addition, many practitioners felt that expertise working with adult populations did not transfer to youth.

Marketing and outreach

Marketing to education savers can be quite different. Because students have financial aid and loans available, many IDA practitioners talked about having to compete with these other funding sources. Also, the financial education component of the IDA may not be perceived as a benefit for youth or even some adult students. Some IDA practitioners discussed the success of marketing materials that highlight the debt burden of many graduating students. Students do not understand the amount of debt that they are getting into and using the marketing materials to make them knowledgeable is often enticing and brings them to the program. It may also be helpful to work with the Admissions office because IDAs can be added to their current outreach tools.



▶ **Many IDA practitioners expressed that they did not know, beyond the general financial literacy material, what information would be important to students.**

Developing asset-specific training

Many IDAs practitioners struggle with developing asset-specific training. This is one area where they should work with postsecondary institutions who typically have staff (academic advisors, career counselors, and TRIO staff) that conduct outreach about educational planning, college applications, scholarships, and financial aid forms. Also, we have collected a variety of resources that can help supplement IDA practitioner's work with a university representative. Please see our asset-specific training resource: http://www.usc.edu/dept/chepa/IDApays/resources/asset_resources.pdf.

Offering financial education specific to students

Financial education for students may require slightly different topics than homeownership and microenterprise. Many IDA practitioners expressed that they did not know, beyond the general financial literacy material, what information would be important to students. Key areas for educating students include student loans and debt, scholarships, credit cards, summer work, and financial aid. Many of these topics can be covered by financial aid counselors and certified financial aid consultants, who are already on many college campuses.

Many education savers are youth. And many youth IDA programs have used online education to meet the financial aid requirements of an IDA. However, youth savers may need more in-depth financial education that is high-touch, long-term, and face-to-face. Many IDA practitioners tend to work with adults and therefore need to rethink their strategies. The following resources are helpful for offering financial education for youth: http://www.usc.edu/dept/chepa/IDApays/resources/financial_resources.pdf.

Understanding the implications of financial aid

Unless IDA practitioners can explain the financial aid implications of the IDA, they will have difficulty getting the postsecondary institution to imagine the appropriate program design. Therefore, knowledge of financial aid is critical to creating a jointly derived program design that will be more successful for students. As a result, we have developed a policy paper on financial aid available on the project website: http://www.usc.edu/dept/chepa/IDApays/publications/financial_aid.pdf.

Calculating the funding gap accurately

Some programs began without analyzing the needs of low-income students. In one case, for example, students did not end up needing the money until later when they transferred to a four-year university because they received a sufficient amount of financial aid. The best partnerships consider when the best time to apply the IDA might be according to when students have the largest gap. This in turn makes for satisfied students who can spend their IDA on their savings goal. To successfully use the IDA, members of the campus and the nonprofits should work together to identify the funding gap.

Applying Pell grant before the IDA

Most nonprofits do not realize that the Pell grants can be used more liberally than the IDA. Pell grants cover all aspects of the cost of attendance, including housing needs. When IDA and Pell grants are timed and accounted for properly, Pell grants can even be given back to students as a reimbursement for housing costs for students not living on campus. To take advantage of this, nonprofits need to work with universities to time IDA disbursements and the tuition bill to ensure that the IDA is applied before the Pell Grant. Colleges are often accustomed to doing this for other “tuition-only” scholarships. However, if a college does not receive the IDA funds at the correct time they may be hesitant to apply IDA funds to tuition for fear of the student pulling out their savings and the IDA funds never being transferred. Also, nonprofits were unaware of states having book funds for students. While IDAs can be used for books, it is helpful to be able to identify the best timing and use of IDAs with respect to other funding sources for low-income students.

Extending the time limit of the IDA

Programs with short time frames present difficulties for low-income students who have difficulty working, studying, and saving simultaneously. IDA practitioners learned that when working with colleges and universities, a longer window is important when applying for AFI funds. Also, nonprofits may want to think of ways of convincing people to delay setting up accounts until they are closer to having met their savings goal. If students are currently in school, it can be especially hard to save a great deal of money. Some organizations have identified ways to lengthen the IDA while staying within the existing federal time frame. For example, Maya Angelou Charter School has students save in an account during their four years during high school, but they do not establish the IDA account until the senior year, which allows them to use the money over the several years they are in college.

Rethinking match rates

For education, the match rates might need to be higher than they are with other IDA assets. For example, Community and Shelter Assistance Corporation (CASA), a nonprofit offering IDAs was not receiving many applications for their IDA until they increased their match rate from 3:1 to 5:1. Many of the students in their program are around 100% of poverty level, which means that CASA would need to provide IDAs with a



► **The best partnerships consider when the best time to apply the IDA might be according to when students have the largest gap. This in turn makes for happy students who can spend their IDA on their savings goal.**

relatively high match rate to allow their accountholders to acquire their asset at the end of the savings period. This large match helps their adult students in community college to be retained and earn an AA degree and their youth students to enroll in a postsecondary institution and pay at least their first year of tuition.

Making multiple payments

Making multiple payments and drawing funds from the account over an extended period of time are best when offering education IDAs. It may not make sense to spend the entire IDA distribution in the first year. In that year the student may have access to more financial aid, and there is also the chance that drawing the funds early may leave the student short on funds to stay in school in the future. One nonprofit we spoke with allowed intermittent disbursements for their education IDA participants, and one-time disbursements for their homeownership and microenterprise IDA participants.

Going to scale

Organizations offering education IDAs will be more successful if they attempt to think about ways to bring the program to scale. Postsecondary institutions are much more interested in partnering with a nonprofit that is working with 40 existing or potential students rather than four. It is difficult for postsecondary institutions to change systems

Central New Mexico Community College (CNM)

Location: Albuquerque, NM

Match period: at least 6 months

Match rate: 4:1 match

Curricula: Motley Fool workbook and New Mexico Project for Financial Literacy form the base

Students: The students range in age from 17 to 55 years old, but most of the students are adults who are returning to school to gain more skills and increase their learning potential.

CNM is the second largest postsecondary institution in the state of New Mexico with a student body of 28,000. New Mexico is a state with a very high poverty rate (the 2006 U.S. Census showed only eight states with a lower annual income) and the school was looking for a way to serve their students in a different way. In the early part of this decade, the concept of IDAs was in conversation across the state among various groups that serve low-wealth individuals and communities. CNM was interested in incorporating IDAs into their list of services. They identified a community action agency (CAA) that was offering IDAs and met to design a program that would work for returning adult students. A cross-campus team was created with the CNM Foundation (who helped raise funds for the IDA program), Center for Working Families program (who recruits and provides case management), and the New Mexico Project for Financial Literacy (who taught financial education classes).

The program was customized in several ways. CNM develop its own financial literacy curriculum based on the specific student needs, varying from other IDAs that CAA offered. They developed an asset-specific training with the cross-campus team. The match rate is higher than for other assets offered in the state and the time frame for saving is more flexible.

for such a small number of students. In Section 8, we describe ways that organizations can bring programs to scale, improving their design and potential. See Pages 42 and 43 for examples of organizations that have addressed program design.

See Forever Foundation and Maya Angelou Charter School (MA)

Location: Washington, DC

Match period: Flexible. Match only provided to high school seniors who sign up for IDA program. Then the match is applied from the time that student enrolled in school

Match rate: 3:1

Curricula: Home grown. Visa (Practical Money Skills for Life) and NEFE curricula form the base, but teachers amend and weave the lessons into general coursework

Students: traditional age, high school students

MA is a public charter school located in the Nation's Capital. They have been a member of the Capital Area Assets Building (CAAB) Corporation since that organization's inception in 1997. CAAB is a coalition of groups in Washington, DC that provide IDAs to members of the community. The services that MA already provided to its students and the obligations that MA students already held fit nicely into the IDA concept. MA's student population has grown from 20 students to 420 students. Some of their students are juvenile offenders, some are special education students, and some are simply students who were not succeeding in the "regular" school system. All of MA's students work. They all receive a paycheck. There is a payroll deduction from each student's check that goes into an investment savings account. When a MA student reaches their senior year they are eligible to apply for an IDA.

MA also customized the IDA to meet the specific needs of education. They have the students save for three years before "officially" opening the account, making the IDA savings period and spending down period longer. The students receive intensive asset building training and financial education as part of their course of study in school, which is much longer and intensive than in other IDA programs. They have designed an extensive alumni program to keep in touch with students while in college and to continue the case management effectively even though the student has moved on. Their goal is to ensure retention in college. They have established working relationships with financial aid offices and understand how the IDA works with financial aid. Their program also incorporates best practices in working with youth. Throughout, they have been sensitive to making the IDA work for the education asset and their clientele.

Summary

Organizations that offer education IDAs need to fundamentally rethink their program design in order to successfully meet the needs of their clients. In this section, we offered advice on some of the key areas that organizations should consider including time limit, match rates, working with youth, bundling services, cross-functional teams, calculating the gap, marketing and outreach, asset-specific training, processing IDAs in financial aid, models of financial education, multiple payments, target groups for education IDAs, and designing programs collaboratively. Each of these components should be modified in order to meet the potential of education IDAs.

Section 6 – Old paradigm: Understanding partnerships between community agencies and postsecondary institutions

As noted earlier, our research identified that the most common approach to offering education IDAs was to do so without any partnership. Nonprofits (typically unfamiliar with the education sector) work alone with adult students whom they find through the community, not postsecondary institutions. Rarely do nonprofits partner with postsecondary institutions and there is no systematic effort to work with programs established for low-income students on campus such as TRIO. There is no relationship or link between nonprofits and early intervention for college programs, state access programs, or any access or education-related organization. Only a handful of nonprofits successfully partner with postsecondary institutions in order to successfully offer asset-specific training or to recruit students. When these few partnerships do occur, the general paradigm for how to approach such a partnership is that an individual nonprofit contacts a single postsecondary institution. The option of working in a network or more collective fashion is given little consideration (exceptions exist, however, as in the states of Michigan and New Hampshire).



► **There is no relationship or link between nonprofits and early intervention for college programs, state access programs, or any access or education-related organization.**

When individual nonprofits approach postsecondary institutions, they generally do not understand how to communicate or partner with them. As a result, we developed a document to assist IDA practitioners in being better able to partner with postsecondary institutions: *Strategies for IDA practitioners to create partnerships with postsecondary institutions* http://www.usc.edu/dept/chepa/IDApays/resources/strategies_psei.pdf. These recommendations were developed from our national research on IDA practitioners, which were successful in creating partnerships with postsecondary institutions. Since this report is aimed at the higher education constituency, we do not review these findings here.

In this section, we question the wisdom of the common paradigm (a single nonprofit working alone or approaching an individual postsecondary institution), particularly when it comes to meeting the potential that we identified in Section 4.

In order to get a fuller picture of the partnering landscape, we will:

1. Review trends in partnering
2. Describe the potential of nonprofits partnering with postsecondary institutions to offer education IDAs
3. Highlight the challenges of partnering that have dissuaded partners on both sides from collaborating and working together
4. Describe ways postsecondary institutions might be better partners, if cross-sector partnerships are still pursued

In the end, we do not believe that encouraging partnerships between these two sectors is logistically feasible, except in limited situations. Given the difficulty and challenges of partnering, it may be necessary to think about other avenues for creating partnerships beyond a single postsecondary institution partnering with a single nonprofit, which has been the predominant paradigm within the IDA community and among nonprofits conducting IDA work.

Trends in partnering

Few partnerships with postsecondary

Many of the nonprofit practitioners we spoke with could not find a compelling reason to develop a partnership with a postsecondary institution in order to offer the education IDA. There were a variety of explanations offered. First, many practitioners have successfully brought individuals through an education IDA without any partnership. Second, they have not partnered because their number of clients was too small to make a partnership worth the time and effort.

Third, many of the education IDAs are not spent on the cost to attend a postsecondary institution, but instead were used for education-related expenses, like computers. Given that IDA participants are not attending postsecondary institutions, the need for partnerships was not apparent.

Fourth, the nonprofits often need to partner with an organization that specializes in the population they are working with, such as Southeast Asian immigrants. Nonprofits (particularly smaller nonprofits) often feel they are constrained by resources and time to develop partnerships. IDA practitioners feel that it is a priority to develop a partner that understands the population rather than one that understands the asset. This issue will also emerge when we discuss the challenges of partnering related to nonprofits' capacity to partner.

In sum, partners need to understand the tangible benefits and when they might be used strategically. There is not widespread understanding of the benefits of partnering with postsecondary institutions among IDA practitioners (or vice versa). We hope that



► **In sum, partners need to understand the tangible benefits and when they might be used strategically. There is not widespread understanding of the benefits of partnering with postsecondary institutions among IDA practitioners (or vice versa).**

information in the section below, called Benefits of partnering to offer IDAs, begins to address this issue.

Coordinated rather than collaborative partnerships

In our conversations with practitioners across the country, we identified only two collaborative efforts (in which postsecondary institutions were involved in a deep way with nonprofits and offered several of the IDA functions).

We did, however, see nonprofits across the country that had developed coordinated efforts with postsecondary institutions. Most of the coordination was focused on making the financial aid office aware of how to handle the IDA as part of the financial aid process and how to receive payments from the nonprofit. The second most common level of coordination surrounded the recruiting of students. Less common was a college or university offering asset training to IDA students or a nonprofit offering financial education at a postsecondary institution. Some IDA practitioners also worked with postsecondary institutions by having colleges provide tours for interested clients.

Benefits of partnering

In addition to examining the potential of education IDAs more broadly, we also examined the benefits of postsecondary institutions partnering with nonprofits to offer IDAs. A small group of IDA practitioners, who had more experience with education IDAs, identified five key areas that create potential for partnering with postsecondary institutions:

1. **Recruitment of participants** — Many nonprofits do not work with adults or youth who have education as a goal. Working directly with postsecondary institutions or high schools would help them to find participants for their existing IDAs. IDA practitioners are generally unsure how to recruit and market for education IDAs.
2. **Offering asset-specific education** — Understanding financial aid forms, educational grants and loans, and the college path are all complex processes, which nonprofits realize can be better offered through a postsecondary institution.
3. **Financial education** — Many campuses have a business school or workforce development office that provides financial planning and which can easily offer financial education training to IDA participants.
4. **Case Management** — Many campuses provide special advising to first-generation, low-income students through support programs like TRIO, bridge



► **Many campuses provide special advising to first-generation, low-income students through support programs like TRIO, bridge programs, and high school outreach. These services can also be utilized to provide case management for the IDA.**

programs, and high school outreach. These services can also be utilized to provide case management for the IDA.

5. **Match funds or connections for funding** — Almost every campus across the country has scholarship funds for their students that could be leveraged as match funds. More and more nonprofits are becoming aware of this fundraising activity. Even if postsecondary institutions decide not to use their scholarships as match funds, they often have connections with corporations and other groups through their development and fundraising efforts. The nonprofit can use these relationships to raise match as long as the students are coming to their institution.

Our research demonstrated that nonprofits and postsecondary institutions that understood these advantages were more likely to approach partnering strategically and spend time investing in partner development. There are real advantages for nonprofit organizations to partner with postsecondary institutions, particularly if they have an ongoing commitment to education IDAs and if they have fairly large numbers of clients (over 50).

Challenges in partnering

Despite the above potential of partnerships between these two sectors, some important challenges were found. In this section, we focus on challenges which are important to consider as postsecondary institutions contemplate an approach to offering IDAs and whether cross-sector work is desirable. While we have attempted to create tools to overcome communication and policy issues, the fundamental difference in structure and culture may make partnerships difficult.

Sectors lack familiarity

Our research identified a lack of familiarity between these two sectors, which created difficulty when forming the partnership. For example, nonprofit organizations often approach postsecondary institutions that they have had prior affiliations with based on other projects. These institutions may not be the ideal candidates for partnering to offer the IDA because they do not serve or have support services for low-income students. Some nonprofits end up partnering with more suburban community colleges, not realizing that they have more affluent students. Nonprofits often assume that community colleges or technical colleges serve low-income students exclusively or predominantly. The nonprofit then invests a great deal of time and energy in an institution that is not well suited for the IDA, compared to another institution a few miles away that could be a much better partner to offer the IDA. In addition, community agencies lack familiarity with programs and services for low-income students (such as TRIO and GEAR UP) and have little, if any, understanding of federal financial aid.

On the other hand, postsecondary institutions are often unfamiliar with how community agencies operate, and their capacity, and their mission.

Community agencies and educational institutions often have different languages and cultures

In a nonprofit setting, the language of success is about self-sufficiency and improving lives, whereas the language of postsecondary institutions is often around efficiency, enrollment targets, graduation rates, and other measurable student outcomes. This difference in focus and mission can create a challenge when these two different types of institutions are attempting to come together in collaboration or partnership. The discussion often becomes lost over goals, even though they both have similar concerns. Even if they overcome this initial hurdle, partnering organizations can run into trouble when implementing the partnership.

Postsecondary institutions are generally not experimental, flexible, or organic. They typically plan, and are often looking, one year ahead in order to develop budgets and other operations. Nonprofits, in contrast, have a more experimental and responsive culture that can create a clash in partnership or collaboration. Their focus is the immediate needs of those that they serve. Nonprofits may only run a program for a year or two and move on. Higher education is looking for long-term, ongoing solutions since their systems are not as flexible. Nonprofits tend to try out an experiment with programs and tools and do not understand why postsecondary institutions are unwilling to organically experiment with ideas. Postsecondary institutions are looking for proven ideas rather than experimenting with new ones.



► **When the state of Michigan decided it was going to offer more education IDAs, it started the Michigan IDA Partnership to help create partnerships with colleges and universities statewide, this allowed only one group to do the partnership development work.**

Structural differences

Furthermore, postsecondary institutions are typically more bureaucratic than nonprofits (and much larger in size). In order to create a new system within the postsecondary institution, there must be buy-in from multiple levels ranging from the student services offices to the president and finally up to the board. Furthermore, it can be extremely difficult to administer the IDA, which requires communication across units. Postsecondary institutions need to develop concrete policies about most issues and nonprofits often operate without specific policies. These differences in how the institutions approach implementation of the partnership can be extremely difficult to overcome, especially if there is not awareness among the partners.

Different notions of scale and capacity

Postsecondary institutions wanted to work with larger numbers of clients (starting at 50) while community agencies typically work with 10 or fewer clients for the education asset. Postsecondary institutions are willing to put in partnership time (and have greater capacity) if scale can be achieved. IDA practitioners have very little time to devote to partnership development or even service coordination. Those few who are most successful in offering education IDAs approach this activity from a network perspective. When the state of Michigan decided it was going to offer more education IDAs, it

started the Michigan IDA Partnership to help create partnerships with colleges and universities statewide, this allowed only one group to do the partnership development work. The difference in scale and capacity also hampers partnerships between sectors.

Strategies for overcoming challenges

While strategies emerged for creating partnerships they were not used widely or in combination with each other by IDA practitioners. Generally, partnership attempts between these two sectors have, up to this point, failed. In our conversation with over 50 agencies (whose multiple endeavors represent approximately 200 attempted partnerships), only 4 or 5 partnerships appear to be working and fully implemented. The others were mired in the various challenges, which reinforces the importance of identifying and communicating strategies that appear to lead to success for a small group of organizations.

Most nonprofits work in isolation as they attempt to approach educational institutions that are large, bureaucratic, and difficult to work with compared to other agencies and organizations with which they work. Unless these strategies are used more broadly or a network emerges to help IDA practitioners to partner with postsecondary institutions, it is unlikely that partnerships will expand to meet the potential to deliver IDAs and low-income students will not have this tool made available to them. The strategies offered in our resource guide are also highly dependent upon nonprofits always taking the lead and investing to make the partnership work and upon an openness from postsecondary institutions to partner with the nonprofits that approach them. Given that higher education may be a difficult sector to work with, this makes IDAs practitioners shy away from partnering and either leads them to develop more passive ways to administer education IDAs or discourages them from offering education IDAs at all.



▶ **Given that higher education may be a difficult sector to work with, this makes IDAs practitioners shy away from partnering and either leads them to develop more passive ways to administer education IDAs or discourages them from offering education IDAs at all.**

Strategies for postsecondary institutions to be better partners

While we are not optimistic that partnerships will work well between these two sectors, we have the following suggestions (in addition to the advice we offer IDA practitioners) for postsecondary institutions that want to become partners with community agencies in order to help them facilitate the IDA collaboration.

1. Make campus aware of IDAs — key staff to include should be financial aid office, advising staff, bursar's office, TRIO/GEAR UP, or other programs for low-income students.
2. Set up a campus-wide team to administer and set policy for IDAs. It should include the individuals mentioned above.

3. Market IDAs to your students through various programs, offices, and departments that work with low-income students.
4. Create a campus policy for handling IDAs as part of the financial aid process.
5. Use FASFA to ensure that students are generationally rather than situationally poor.
6. Examine existing scholarship and other funding that might be leveraged for match funds.
7. Run institutional data reports to identify low income-students. Examine their specific background and needs. Also examine retention, transfer and graduation rates. Conduct focus groups with low-income students to determine the primary reasons that they struggle and ways the institution might support their success. This data can be used to develop the program design to offer IDAs.
8. Conduct an environmental scan to determine what low-income students in your area need and how best to support them. Work with community agencies to conduct such assessments.
9. Educate staff about the benefits of IDAs such as creating an early commitment to college, increasing transfer rates, and decreasing default rates.

Example of a successful partnership

Lenders for Community Development (L4CD) is a micro lending organization in the San Jose, California area and Cañada College, with only 6,000 students, is one of the smaller community colleges in the bay area. While their partnership is still evolving, they began the IDA collaboration by sharing the following functions.

L4CD manages most aspects of the IDA including: managing grants (IDA money), raising match funds, maintaining bank partnership, providing account management, case management, and financial education.

Cañada College supports L4CD with the following aspects of the IDA:

1. Providing recruitment — As a trusted recruiter to Cañada College students, the school invites them to information sessions presented by Lenders.
2. Processing financial aid — Cañada College understands the IDA and how it is processed in financial aid to help the IDA most effectively support low-income clients.
3. Cañada College is also considering to provide case management and advisement to directly answer students' questions.

Twenty-five students showed up for the first recruitment session, but, as word of mouth spreads, the program is sure that each year they will get more students. Most of the students were recruited from TRIO and EOPS. This relationship appears to work well for both partners — neither has to put in too much extra work and the partnership draws on their respective expertise.

10. Offer to provide asset-specific training or financial education for the IDA program as resources allow, providing a valuable service to the community agency.
11. If your institution is not suited to offer an IDA, recognize that fact and refer the IDA practitioner to a more suitable institution.
12. Offer to serve on the advisory board for community agencies offering IDAs.

In an effort to demonstrate how postsecondary institutions can be strong partners to offer an education IDA we describe a community college that has created a very successful collaboration with the community agency (See Page 50).

Summary

In this section, we reviewed how few partnerships have emerged between postsecondary institutions and community agencies to offer education IDAs. We identified many areas of potential in which partnerships would be helpful ranging from recruitment, to raising match funds. Our experience in studying partnerships suggested that there were formidable challenges to gaining these benefits including: lack of familiarity between the sectors; communication problems; different mission, language, structure, and culture; and minimal capacity on both sides to develop partnerships. These challenges made us consider whether there were better ways to approach education IDAs. We offer advice to postsecondary institutions committed to helping low-income students that identify a community agency that they can work with effectively — explaining how to be a good partner. However, because of the major challenges faced in partnering, next we recommend that postsecondary institutions and education nonprofits offer IDAs directly.



► **We offer advice to postsecondary institutions committed to helping low-income students that identify a community agency that they can work with effectively — explaining how to be a good partner.**

Section 7 – New paradigm: Education nonprofits and postsecondary institutions offering IDAs

As noted in Sections 3 and 6, a variety of problems emerged within our research, which suggested that working across sectors (e.g., community agencies and postsecondary institutions) may not be the best way to offer education IDAs. The problems included: a lack of familiarity between the two sectors; communication problems; cultural clashes between the two organizations; difficulty in finding a mutually beneficial scenario for all partners; and different organizational structures which impacted the ability to work together. In our research, the narrow service area (working within a defined region) of most community agencies made it difficult for them to work with a postsecondary institution that had a much larger service area (or often, no service boundaries). Many rural colleges that we met with noted that there were no community agencies in their service area and that they would not have anyone to partner with to offer the IDA. In these situations, the foundation for the college is likely the only nonprofit in the area that can be called upon to offer education IDAs.

In addition, the current community agencies that are offering education IDAs do not seem best prepared to offer them. Education nonprofits and postsecondary institutions are much better able to offer the asset-specific training, to have access to matching funds, to be able to recruit students, and to have ongoing access to students for case management. In almost every respect, these organizations have a greater capacity for offering the education IDA. For all these reasons, we realized the need to rethink the approach to offering education IDAs and offer a new paradigm. In this section, we describe new approaches for offering education IDAs.

Education nonprofits

There are a host of different education nonprofits across the country, many of which focus on access to college. Education nonprofits are located in every state and most regions in the country. The National College Access Network's (NCAN's) membership



▶ **Education nonprofits and postsecondary institutions are much better able to offer the asset-specific training, to have access to matching funds, to be able to recruit students, and to have ongoing access to students for case management.**

Example of education nonprofit offering IDAs

The Fulfillment Fund is a college access nonprofit organization in Los Angeles. They support students that are 98% minority, and most come from economically disadvantaged backgrounds. They work with overcrowded and under resourced Los Angeles schools where the graduation rate is often less than 45% and college going rates can be less than 5%.

The fulfillment fund has three main goals:

1. Help disadvantaged students graduate from high school
2. Increase the number who go on to college
3. Help them successfully complete college and transition into the working world³

The Fulfillment Fund offers a four-year, classroom-based program in local schools to help students build additional academic skills. Students in need of additional attention also receive mentoring. They also have a postsecondary program that provides college counseling, financial aid, and scholarship support. The Fulfillment Fund also conducts fundraising for scholarships. Like other scholarship and fundraising organizations, it also has the potential to double or triple its existing scholarships funds with federal or state IDA dollars.

The partnership

Education nonprofits, like the Fulfillment Fund could work with the local postsecondary institutions where their students most frequently attend — Los Angeles City College, California State Los Angeles, California State Dominguez Hills, California State Fullerton, Trade Tech Community College, and others. We recommend that the Fulfillment Fund apply for AFI federal funds or state funding. The Fulfillment Fund offers such comprehensive services that they may not need any partners to offer the IDA. However, below we suggest ways education nonprofits can work with local postsecondary institutions to help support them in offering an IDA program.

Fulfillment Fund (*Education nonprofit*):

1. Apply for the grant funding;
2. Continually track students;
3. Recruit and market to students;
4. Provide case management (the Fulfillment Fund is already conducting most of this work through their high school program); and
5. Provide asset-specific training (the Fulfillment Fund is already providing this service through their postsecondary support services).

Postsecondary partners:

1. Provide financial education (through the business school or financial aid office);
2. Continue case management once the students come to campus (through TRIO and other related programs); and
3. Provide match funds or help with fundraising.

Fulfillment Fund may find it easier to offer the entire IDA; partnerships are only needed when there is some area that the nonprofit cannot offer easily on its own.

Potential Outcomes

By offering IDAs, the Fulfillment Fund and other education nonprofits could grow in the following ways:

- Double or triple existing scholarship funds
- Increase fundraising efforts by bringing in match funds and having students contribute to their savings
- Add a new element to current curriculum — Financial education for students which otherwise would not have been provided
- Provide greater expectation of college going among students in these programs

³ Fulfillment Fund website: www.fulfillment.org/aboutus/



▶ **Another direction to consider is more direct involvement of the higher education sector to administer IDAs, as opposed to relying on a partnership model that crosses sectors and pairs institutions unfamiliar with each other and culturally different.**

includes a variety of these education nonprofits. The education nonprofits are often organized at the state level in an effort to coordinate efforts and best support students. For example, the State of Ohio has a college access network that links various education nonprofits and postsecondary institutions to help increase college going among underrepresented groups. The capacity of this infrastructure has become increasingly strong in the last 10 years and represents a resource that has not been utilized to offer IDAs. In our focus groups with members from NCAN, they stated that they offered most of the aspects of the IDAs through their programs including case management, financial education, and college going knowledge. Integrating the IDA tool would be easy for these groups. They also often conduct fundraising for scholarships, and therefore finding additional match for the IDA would fit directly into their existing organizational capacities. Furthermore, these organizations already have relationships with local colleges and universities and would understand how to partner with these organizations if needed to offer the IDA. Last, these organizations are extremely familiar with the financial aid and admissions process for college. All of these areas suggest direct advantages for having these organizations offer IDAs over existing community agencies. See Page 53 for a potential example of an education nonprofit offering education IDAs.

One other type of nonprofit to mention is charter schools (e.g., Maya Angelou Charter School), which could work with youth education IDAs. While the number of charter schools serving low-income students is small and their capacity unknown, this is an area for exploration in future research. In our research, non-charter public schools were not able to easily incorporate IDAs because of their bureaucratic structure. Community agencies that approached non-charter public school systems had little success. On the other hand, charter schools had an amenable structure for adopting IDAs.

On the IDA-PAYS website, we have several examples of how education nonprofits could offer IDAs, which can be helpful for groups that are interested in conducting this work: <http://www.usc.edu/dept/chepa/IDApays/examples.html>.

Postsecondary institutions offering IDAs: Capitalizing on right fit institutions

Another direction to consider is more direct involvement of the higher education sector to administer IDAs, as opposed to relying on a partnership model that crosses sectors and pairs institutions unfamiliar with each other and culturally different. However, our research revealed that many postsecondary institutions are unlikely to be either good partners or a good match for offering the IDA. Many postsecondary institutions that we spoke with were generally unfamiliar with the needs of low-income students, and it became extremely difficult to explain to them why the IDA would be helpful. Staff at these institutions were simply too removed from an understanding of this population. However, through our research we identified several characteristics of institutions that

tend to understand the need for IDAs and are likely to succeed in offering IDAs (and to be strong partners):

1. A large numbers of low-income students
2. Awareness of the needs of low-income students
3. Smaller size institutions — less than 5000 students
4. Institutions with a TRIO or GEAR UP program housed on-campus (or other special program for low-income students)
5. Campuses with public assistance programs on campus or campuses that partner with community agencies to offer such programs

If institutions have all five of these characteristics, then they are an even stronger match for an IDA program. Instead of thinking of the IDAs as a tool for postsecondary institutions, in general, we believe there are a set of right-fit institutions where IDAs can thrive. We also identified certain types of institutions (detailed below) that were a strong fit because they maintained some of these characteristics and had a special mission. Unfortunately, most community agencies are not attempting to partner with these institutions. Those community agencies that eventually had success usually happened upon these campuses over time, after several less successful experiences.

Please note:

There are some considerations with postsecondary institutions offering IDAs that are worth noting. Most postsecondary institutions can not directly apply for federal IDAs, because they do not have 501(c)3 tax status. However, if a postsecondary institution is affiliated with a nonprofit they can apply for federal IDA funding together. In addition to tax status, another consideration is the low administrative fee for IDA programs. Fifteen percent of the grant is paid to organizations that offer IDAs in order to collect data on and track clients. The legislative assumption behind the low administrative fee was that overhead from other programs could support IDAs. TRIO is a likely partner on college campuses that already receives federal funding and may be a likely place to administer IDAs, plus it also fits into existing program goals. However, college campuses that do not have a TRIO program or a special outreach program for low-income and first-generation college students might find themselves challenged to conduct all of the aspects of the IDA within the 15% administrative fee.

Part of what made the institutions we describe above right-fit institutions is that they have programs for low-income students and a foundation willing to be flexible about receiving government funds. In this section, we review institutions that show promise for either offering education IDAs or for partnering with community agencies.

Rural and Urban community colleges

Rural community colleges tend to have smaller enrollments and often a large population of low-income students. Because their enrollments are smaller, they are often able to give more personal attention and find the idea of including the IDA (even

though it is a high-touch program) to be very compatible with their institutional goals and structure. Financial education is a high priority on these campuses and they value case management and support for low-income students. Rural community colleges have long worked with low-income and first-generation college students and the culture of the institution supports programs and initiatives that are aimed to this student body. These institutions often provide public assistance programs directly on campus as there are few community resources or agencies. These institutions did mention the challenge of raising match funds in such poor communities. However, the American Association of Community Colleges (or a coalition of colleges within this association) could apply for the AFI grant on behalf of these institutions and/or help raise the match funds from their broader network.

Urban community colleges also represent an important institutional sector that can benefit from IDAs and that, in some situations, might be well positioned to offer IDAs. One issue we identified in the research is that many urban community colleges are very large and as a result may have difficulty in making the needed structural and informational changes to offer the IDA. While they are typically large (often mega campuses), some branch campuses of community colleges are smaller and serve predominantly low-income areas. For example, the Community College of Denver has three campuses, one of which is in a low-income area, and they believe the IDA would be a strong fit for that campus, especially since the staff works with fewer numbers of students and has more high-touch outreach programs.

Example of a rural college offering IDAs:

An example of a rural community college that is currently offering IDAs is Southeastern Community College (SCC) located in Whiteville, North Carolina, a city with just over 5,000 residents. As a two-year college, SCC offers a variety of academic, vocational, and continuing education courses to students throughout the region. SCC began offering IDAs in 1999 out of the Small Business Center which is located on-campus. While the major focus of the IDA program in the Small Business Center has been microenterprise, several of the savers have decided to use their IDA funds for continuing education to assist with business development. The high-touch nature of the Small Business Center and the intense focus on the rural community helps to make the IDA successful. In addition, one of the hallmarks of the SCC IDA is the cooperation with the state, which applies for and subsequently distributes the AFIA funds. The statewide program helps to make the SCC IDA possible since SCC does not have the resources to apply for the AFIA funds as a college.

Minority-serving and special-mission institutions

Tribal colleges, Historically Black Colleges and Universities, and Hispanic-serving institutions tend to be smaller institutions with more high-touch programs and are a good fit for the IDAs. These institutions also tend to take financial literacy quite seriously and often already have some form of financial education on campus.

Minority-serving institutions often have a higher concentration of low-income students, therefore they are used to serving these students through high-touch programs. Similar to other institutions that have been successful with low-income populations some have higher retention and graduation rates, but they still have to contend with the ongoing pressures that these students experience to fund their education. These institutions have been looking for additional tools to improve retention among low-income students and make them successful.

Technical and trade colleges

Technical and trade colleges, particularly those located in urban areas, serve large numbers of low-income students. At several of the technical and trade colleges we went to, they served approximately 80% low-income students. Their programs are shorter and meet the needs of low-income students who often do not have the luxury or time to seek a four-year degree. These institutions tend to have very high graduation and placement rates, typically around 80%, which also makes them attractive places for low-income students who are looking for assurances on forward mobility. The leaders from the for-profit subsector of trade and technical colleges were very interested in IDAs. Because of their entrepreneurial organizational approach (with a more businesslike infrastructure), integrating IDAs would be easier than at many postsecondary institutions, which are highly bureaucratic and often less responsive and consumer focused. The Career Colleges Association has a foundation that could apply for and raise match funds for the IDA. Trade and technical colleges (both nonprofit and for-profit) expressed clear reasons why the IDA would be a strong fit for their institutional type:

1. They serve many low-income students.
2. They have a history of success with low-income students.
3. They are well-known among the low-income community.
4. For-profit organizations, in particular, can only receive 90% of their revenue from Title IV money and they must have 10% of their revenue from another source. Because many of their clients are low-income students, almost all of them qualify for the maximum Pell grants, which maximizes their Title IV money. IDAs could become a part of the 10% of their revenue to allow them to maintain their accreditation status and not become ineligible for financial aid.
5. For-profit organizations are worried about student default rates because they will lose their accreditation if their default rate goes too high. IDAs provide an avenue to secure tuition money for students that is not loan-based and will not turn into a student default. Because their student population is mainly low-income, default rates tend to be high.
6. Private loans are shrinking because of the collapse of the subprime loans.
7. Debt is rising among their students, which is leading to retention problems. Retention is a very important issue to for-profit institutions since, to remain accredited, they must have very high retention and graduation rates.



► **Minority-serving institutions often have a higher concentration of low-income students, therefore they are used to serving these students through high-touch programs. Similar to other institutions that have been successful with low-income populations some have higher retention and graduation rates, but they still have to contend with the ongoing pressures that these students experience to fund their education.**

8. Because some programs have higher costs, the additional funds would ensure that students can go into the programs that they are interested in, not just the ones that they can afford. For example, if a student wants to become an airline mechanic, but can only afford automotive, the student is tracked into an area they may not enjoy as much in the long-term.

IDAs are a strong fit for these institutions because they have large numbers of low-income students and because for-profit technical/trade colleges have a flexible and responsive organizational structure that will easily integrate the IDAs into their existing practices.

Institutions with TRIO and GEAR UP

Institutions that have a TRIO or GEAR UP program were more likely to be successful in partnering to offer IDAs and to have the capacity to offer the IDA on their own. The IDA can easily be bundled in with the existing programs offered through student support services on campus or into the outreach efforts of TRIO or GEAR UP. However, like urban community colleges, large institutions often have difficulty creating the campus-wide team needed to successfully offer the IDA. Most campuses that were successful had minimal buy-in from financial aid, bursar's office, advising, and TRIO/GEAR UP. On large campuses, it often became difficult for TRIO staff to get the attention and cooperation of other staff in these areas. Therefore, just having a TRIO or GEAR UP program does not automatically make it a right-fit institution.

Campuses with public assistance programs

Many campuses already have public assistance offices on their campus such as TANF,⁴ retraining programs, worker's assistance programs, VITA tax sites, workforce investment boards (WIBS), etc. These offices can be used as a place to recruit students for IDAs and are already programs that have the infrastructure and knowledge to work with low-income students. Also, some access programs already work with these programs. Talent Search and EOP partner with the WIBS and could be another natural connection for adult returning students.⁵ Several postsecondary staff that work with WIBS and other public assistance programs believe that these can be a nexus for IDAs; partnerships and infrastructure are already in place. Interviewees also noted particular uses for IDAs in these public assistance programs. For example, the Trade Adjustment Assistance Act provides tuition reimbursement for adults whose jobs are moved out of the country in order that they can attend postsecondary education and get retrained. However, the money only covers two years of school and many individuals need training that goes beyond the time permitted. An IDA could provide funding for this population for their last two years of schooling or to continue to fund an AA degree that they do part-time or that takes longer than two years. Campuses already connected to community agencies and programs are good homes for IDAs.

4 TANF's work-participation mandates have shifted the focus of welfare-to-work programs away from education and training toward immediate job placement. The new system of welfare provision includes a number of regulations that discourage welfare recipients from pursuing postsecondary education, which makes this a difficult program for encouraging postsecondary participation. Jacobs and Winslow (2003) show that in the last few years, the college attendance of welfare recipients has decreased. The Center for Social Development has also examined the TANF issue — please see: <http://gwbweb.wustl.edu/csd/Publications/2005/PR05-02.pdf>.

5 WIBs were founded through the federal government as part of the government's implementation of the Workforce Investment Act (WIA) in 1998. Their goal is to improve the quality of the workforce, encourage career mobility, and improve business competitiveness through increased workforce productivity.

Campuses with extension offices

Several IDA practitioners had partnered with extension services with a great deal of success. The mission of extension offices fits closely with the IDA. Extension units typically offer financial education courses and are connected with community members (however, they are not always connected with low-income families). Extension services can be depended upon as a partner for offering financial education and asset-specific training. Many IDAs practitioners were able to establish partnerships with extension to help them offer much of the education component of IDA.

However, in many states the land-grant institutions that house the extension services may not be a good fit for recruitment. A nonprofit practitioner might be more successful working with the local community colleges or technical institution for recruitment, and extension services for providing services to the students. In cases where campuses with extension services offer education IDAs on their own (outside of partnering), the success depends on whether the campuses share the characteristics noted above. For example, Michigan State University or Penn State University may not be a strong fit but, Tuskegee University, West Virginia University, Alcorn State could be potential partners. Because institutions with extension were often not right fit-institutions, we did not include this as part of our criteria, but we did wish to note the importance of extension to the IDA process and as a potential indicator.

Institutional culture trumps challenges

Some institutions were large and did not serve many low-income students, but were open to offering IDAs and partnering with nonprofits. At these institutions, all of the challenges that we mentioned (no commitment to support low-income students, inability to partner or believe in partnerships, reluctance to value saving for emergencies), which broadly prevent postsecondary institutions from participating in IDAs, were largely absent. These institutions saw that saving for college was empowering for low-income populations and did not share the belief of other postsecondary institutions that low-income people should not save. They were also not put off by the small amount of money the IDAs offered compared to federal financial aid. While they lacked the familiarity with IDAs, their understanding of low-income students helped them to appreciate the importance and potential of IDAs.

All institutions should ensure low-income success

While we highlight institutions that traditionally have success working with low-income students and might be a better match for the IDA, we do not want to suggest that universities, comprehensive institutions, and liberal arts colleges have no obligation to increase their number of low-income students and enhance their success with these students. We believe all institutions should strive to improve their success with low-income students. Institutional culture is extremely important and any institution can make low-income students successful — an IDA can be a valuable tool at any campus that makes this commitment. But, our study suggests that this commitment (beyond



▶ **A nonprofit practitioner might be more successful working with the local community colleges or technical institution for recruitment, and extension services for providing services to the students.**

stated rhetoric) is not widespread and that often institutions do not follow through on supporting low-income students in practice.

Summary

We believe that education nonprofits may be the best fit for offering education IDAs and can make them a valuable tool for low-income students. We were quite surprised to find that there are no current models of this approach. We believe a select group of postsecondary institutions can also be successful offering IDAs. This same set of right-fit institutions is also the best for creating partnerships with community agencies to offer IDAs collaboratively. Even if scaleable approaches to IDAs can not be developed, we believe having the right institutions offering education IDAs will be a marked improvement in meeting their potential.

Section 8 – New paradigm: State, national, and regional collaboratives

While finding new providers is one way for education IDAs to meet their potential, the issue of scale still needs to be addressed. One of the major concerns of postsecondary institutions in our study was the small scale of most education IDA programs offered through nonprofits. While a few larger programs exist, even these have a small number of education savers (usually around 50). Therefore, a nonprofit typically approaches a postsecondary institution in order to offer services to a handful of students and hopes that the postsecondary institution will change their existing policies. With most postsecondary institutions, this approach is not likely to work and we would not endorse this type of partnership because of the inefficiency of such a model. A large-scale program offers several advantages — it can decrease cost by serving more students with the same infrastructure, it creates greater sustainability, and it can increase the number of clients served and more meaningfully meet goals around increasing access for low-income populations. Achieving scale is an important issue that we address in this section by focusing on the potential of a few different examples for going to scale.⁶

In addition, the most successful partnerships with postsecondary institutions tended to be part of collaboratives, such as Mile High United Way, which is networked to United Ways throughout the country, or emerging state collaboratives like Michigan, Maine, or Oregon. Through these networks, many different postsecondary institutions buy into partnering and the effort exerted by any individual nonprofit is therefore much less. It may be too time-consuming for IDA practitioners to continue this partnership work focused on single institutions.

In order to address the issue of scale, we followed two action case sites: a statewide model, Community and Shelter Assistance Corporation (CASA) and a national model, Foundation for Independent Higher Education (FIHE). We also asked postsecondary leaders in focus groups about models they saw for scaling up IDAs. We also interviewed organizations who were described as possible organizations to bring IDAs to scale: National College Access Network (NCAN), GEAR UP in California State University, San Bernardino (CSUSB), Dollars for Scholars, National Council for Community and



▶ **A large-scale program offers several advantages — it can decrease cost by serving more students with the same infrastructure, it creates greater sustainability, and it can increase the number of clients served and more meaningfully meet goals around increasing access for low-income populations.**

⁶ We do believe scale will be less important if education nonprofits start offering IDAs because they will need less work or restructuring from the postsecondary institutions and the concerns with scale will likely be less urgent than they are currently.

Education Partnerships (NCCEP), Pennsylvania Higher Education Assistance Agency (PHEAA), Southern California College Access Network (SoCal CAN), Maine Compact for Higher Education, Compact for Success Program, Ohio college access collaborative, Twenty-first Century Scholars Program, and Encouragement Services Inc.

This section is organized into the following areas:

1. IDA research about achieving scale
2. State examples for going to scale
3. National examples for going to scale
4. Regional examples for going to scale
5. Challenges for going to scale



► **In all of our successful and larger education IDA programs the community agency typically did the back-office work and the postsecondary institution managed the front end, direct services.**

We could not identify any general principles, concepts, or models for increasing scale through our interviews, case studies, or focus groups. We interviewed the organizations identified in our focus groups as potential entities to bring IDAs to scale. Each entity had unique and varying challenges and opportunities. States had vastly different educational and governmental structures, and organizations had varying missions and infrastructure. No one organization or model we explored emerged as one we would advocate because it showed more promise than another approach. However, we can offer examples for others to brainstorm in local discussions. Research on IDAs offers some advice on program design features which we review first.

1 IDA research about achieving scale

More recently, the IDA field has become concerned with the issue of scale as they try to bring IDAs to the next level. In 2007, a report was published, entitled *Large-site IDA programs: Pioneering the next level of expansion*. This report examines five IDA initiatives that have achieved a larger scale, which is defined as 500 or more accounts. (It is important to note that four of these five sites were also included in our research.) The report identified a set of critical components for large-site models: philanthropic support, financial development and sustainability, strategic selection of community partner organizations, strategic selection of financial partners, the use of market segmentation (essentially focusing on a particular target market(s) and customizing the program design for that market), infrastructure development, and investment in technology. They recommend that the two most important program design elements for achieving scale are that the IDAs be standardized and that they engage in market segmentation (focusing on specific savers and a specific asset).

The critical components identified in the large-site IDA research mirror the findings in our study.

- In the few successful sites we identified that had achieved some scale, the postsecondary institution was the lead organization and because they had *strong philanthropic capacities* they could provide the funding to grow the IDA.

- In terms of *financial development sustainability*, postsecondary institutions had foundations, which ensured ongoing funding.
- In all of our successful and larger education IDA programs the community agency typically did the back-office work and the postsecondary institution managed the front line, direct services (*strategic selection of community partner*).
- Our research strongly supports the importance of *market segmentation* and one of the clear problems is that IDA practitioners continue to offer the education IDAs without specifically designing a program based on the asset or the type of saver — that is, recognizing that different education populations need the program designed specifically for their concerns. For example, adult returning students need a very different program than one designed for youth. Single returning women need a different program design than Native American students. While we did not identify any IDA practitioners engaging in market segmentation, community agencies that seemed to be more successful with education IDAs have a stronger emphasis on the education IDAs over the other assets and may narrow their outreach to a single population like foster care youth or single mothers. At this point however, few, if any, community agencies focus exclusively on education IDAs.
- We also found that *standardization* of the IDA product and partnering is important to go to scale. In both the State of Oregon (described below) and the national model we helped develop with FIHE, the IDA design was standardized. FIHE is working with early intervention for college programs that target youth, and therefore the time for saving and spending would be similar, and match rate the same. They also tried to identify a national bank partner, to centralize and standardize data management to a national office, to fundraise out of the national office, and have state offices provide direct client services.



► **We see great promise for statewide approaches for scaling up education IDAs. In the United States, educational policies tend to be set at the state level and there is a large infrastructure at the state level to support the growth of education IDAs.**

We were able to identify a few examples through our research of more scalable models that might help future efforts to design education IDA programs. However, scaling up the IDAs is also a challenge because IDA programs usually have a high-touch component. Issues and challenges with achieving scale are also described.

State examples for achieving scale

We see great promise for statewide approaches for scaling up education IDAs. In the United States, educational policies tend to be set at the state level and there is a large infrastructure at the state level to support the growth of education IDAs. Also, college access networks are organized at the state level. Long-term funding for the IDAs can be created to support the effort through tax credits, reallocation of funds, or new legislation. State guaranty agencies provide a needed infrastructure for tracking students and account management. With a statewide collaborative, buy-in from the top is accomplished when the memorandum of understanding is signed and multiple

Existing state example

State of Oregon

The State of Oregon has created a state IDA tax credit and hired the Neighborhood Partnership Fund (NPF) to market and sell tax credits to nonprofit community organizations. NPF has become more successful in marketing the tax credits and has increased available state funds from just \$1 million in 2005 to over \$6 million in 2008. Community and Shelter Assistance Corporation (CASA) of Oregon is one of the nonprofit entities that administers the growing IDA money acquired through tax credits and was awarded over \$4 million for 2008.

CASA has a different business model than the other IDA nonprofits in the state. For example, they do not have an in-house IDA program but instead use referral partners, meaning they do not interact with clients. CASA does, however, fulfill the back-office services: fundraising and managing the grant funding, managing the bank relationships, maintaining the IDA custodial accounts, tracking IDA savings, and providing technical assistance to its partners. It currently manages its Valley IDA program through a statewide network of 40 nonprofits offering microenterprise and housing IDAs. In 2006, CASA made a committed effort to expand education IDAs. They created MESA — Matched Education Savings Account program and began partnering with one community college, a network of private colleges connected to Oregon Independent College Foundation (OICF), and seven high schools. CASA encourages their education partners to brand, market and recruit students as IDA savers and provide case management and financial education. Although the education institution partnerships are new the potential to promote low-income youth to attend college and low-income adults to be retained in college is tremendous. CASA plans to enroll 1,000 students per year in IDAs by 2012. They recently signed memorandum of understanding with Mt. Hood Community College, the Oregon Independent College Foundation, and the GEAR UP high schools. They wanted to pilot the partnerships with a few institutions first. They will continue to expand their partners in order to meet their goal of enrolling 1,000 students. For further details on this model see our website: (<http://www.usc.edu/dept/chepa/IDApays/examples.html>).

We did provide them technical assistance along the way in order to help them think through the roles and responsibilities of each partner, identify allies and partners on campus, and how to handle

financial aid, and other information that we had garnered from our research to help in their development of the statewide network.

Design Summary

1. **Target population:** High school and college students (traditional and adult students).
2. **Partners:** Currently they work with a college outreach program (GEAR UP), a community college, and a foundation. They would like to also partner with college access programs and scholarship organizations. These programs can generally offer the front-office components of an IDA — financial education and asset-specific training.
3. **Age limit:** The Oregon statutes lowered the allowable age for participation from 18 to 12. This allows CASA to work with high school populations.
4. **Match ratio and rate:** The match ratio increased to 5:1 (from an already high 3:1), a decision coming from their conversations with their partners and also local agencies working with the target population. The match rate is dependent on the unmet need of the students in each partnership, but on average a student can save a maximum of \$3,000 per year over three years with state funds. The federal AFI program will match 1:1. If the account holder saves the maximum \$2,000, they will accumulate \$13,000 total.
5. **Disbursals:** Predetermined (because IDAs are also a planning tool) intermediate disbursals (microenterprise and homeownership IDAs have a one-time disbursement, which matches the philosophy of saving and asset building). Here students can save for 6 months, receive match, withdraw funds for school (as much as they need), and then save again. Overall, they are reaching one savings goal for education but using intermittent savings goals to reach the final goal. This works better for student's financial timeline and is more favorable for financial aid.
6. **Enrollment:** The adult students in community college are using the IDA to stay in college and earn an AA degree, the private college students and youth students use the IDA to enroll in a postsecondary institution and pay at least their first year of tuition.

institutions and partners are connected. In this section, we describe data about state examples which we gathered through our case studies and focus groups. See Page 64 for an existing state example.

Potential state examples

All of the current statewide examples, such as those in Oregon, Michigan, and Maine, rely on collaboratives on the IDA side, but, as stated earlier, we believe that education nonprofits and postsecondary institutions should be the entities to scale up IDAs. Because no such examples exist, we brainstormed with the people in our focus groups and case studies to come up with other ways that education IDAs might be brought to scale at the state level but with educational organizations playing a more prominent role. Several different examples emerged, but many others might be developed: State guaranty agencies, collaboratives of education nonprofits, commissions of higher education, VITA tax sites, and innovative state access programs such as Twenty-first Century Scholars Program.

Because every state has a different infrastructure and set of education policies, ideas for scaling up IDAs will need to be created within the specific resources and infrastructure of the state. The following are examples for state policymakers to use in thinking about how they might create such an infrastructure.

State guarantee agencies partners with postsecondary collaborative

Several people mentioned that state guarantee agencies might be a good organization to run statewide IDA programs because they can do the case management (including tracking) and recruiting. Almost every state has a guaranty agency (or works with the guaranty agency of another state) that offers a range of services related to college access. They already track student loans and they could provide this service statewide for IDAs. Additionally, their outreach efforts can offer financial education and asset-specific training. Guarantee agencies are currently trying to show their value and this could be another way they demonstrate their worth for the state. For example, Pennsylvania Higher Education Assistance Agency (PHEAA) works with high schools across the state to provide financial aid information to students and families. They also extended their services to West Virginia and Delaware. PHEAA's current main activities are developing materials (including websites) and hosting and attending training sessions related to college access. Including information on IDAs would be relatively easy.

We envision a memorandum of understanding being signed between a nonprofit offering IDAs statewide, the state guaranty agency, and postsecondary partners which stipulates how each partner will be involved. The IDA network might apply for the grant funding and maintain the tracking of students. The state agency would administer the MOU, coordinate the partners, recruit students, offer financial education and asset-specific training through their outreach programs or through nearby postsecondary



▶ **We envision a memorandum of understanding being signed between a nonprofit offering IDAs statewide, the state guaranty agency, and postsecondary partners which stipulates how each partner will be involved.**

institutions, and facilitate case management. Postsecondary institutions would provide match funds or help with fundraising, offer asset-specific training and financial education (through the business school or financial aid office). As already noted, it is important to identify campuses in the state that serve low-income students.

Statewide college access networks

Several states have IDA networks where the different IDA nonprofits in a state work in a coordinated fashion to share information or develop partnerships. In addition, some states have statewide college access programs that have partnerships with foundations. For example, the Ohio College Access Network has a relationship with the KnowledgeWorks Foundation in Ohio. Also, the Southern California College Access Network (SoCal CAN) is a regional network in Southern California. SoCal CAN is an alliance of 20 nonprofit organizations working to promote college going as a core value for all Californians. Formed in 2004, the network seeks to strengthen the capacity of nonprofit organizations in Southern California to motivate and support the higher education aspirations of today's low-income, disadvantaged students.⁷ SoCal CAN also has scholarship money for their member organizations' students. If the college access program or related foundation is a 501c3 they can apply for the federal funds directly or they can partner with a nonprofit to do the back-office work of the IDA.

The statewide IDA network can apply for the grant, conduct the case management, and track students. The college access network can market and recruit IDAs to students, offer financial education or asset-specific training along with the postsecondary institution, and work with postsecondary institutions. The foundation can provide match while postsecondary institutions can assist in recruiting students, provide match funds or help with fundraising, and also offer asset-specific training and financial education (again through the business school or financial aid office). If the college access program were to apply for the grant directly they would take on the responsibilities currently mentioned under statewide IDA network.

Higher education commission

The previous example demonstrated how the education nonprofits working in a collaborative fashion would be an ideal infrastructure. However, in states that do not have collaboratives of nonprofits or state guaranty agencies, state leaders could work through their higher education commissions to administer IDAs. Colorado could decide that it would create a funding base for education IDAs through a small tax on their 529 accounts. The funds could be administered through the commission on higher education. The commission on higher education in Colorado, in conjunction with College Assist (their statewide organization to promote college access), could work with postsecondary institutions or education nonprofits to administer and offer the IDAs.

Statewide VITA tax services

Increasingly, states are providing tax assistance for low-income households and this service could be a way to think about creating a network to offer IDAs. Many VITA

⁷ SoCal CAN website: www.socalcollaborative.org

sites are now on college campuses and this vehicle can be used as an opportunity to encourage low-income populations to save money for education. The FASFA form is currently being placed at VITA sites and the IDA forms could also be connected. When low-income individuals come to sites to get their taxes done, the site can automatically determine if they are eligible for IDA and connect them with an IDA program.

Integrate into innovative state programs for access

Many people saw the potential of IDAs to be a part of state access programs such as Indiana's Twenty-first Century Scholars program. Twenty-first Century Scholars Program is a supplemental program to the State Student Assistance Commission of Indiana. It offers tuition to low-income students who meet certain academic criteria, and guarantees funding (tuition and fees) for college. Scholars work with one of 16 regional branches, where they receive tutoring, mentoring, and college readiness support. The IDA could be used as another tool in this important program, providing funding for items beyond tuition that can lead to attrition. IDAs practitioners have already found that the IDA tool works best when bundled with other programs that are meant to serve low-income populations. The Twenty-first Century Scholars program already has the case management tools in place and some financial education. They would need to partner with a non-governmental agency to apply for AFI IDAs.

National examples for going to scale

While we see the greatest potential for scaling up education IDAs at the state level, there are some national approaches that also hold promise. For example, national approaches can create scale among smaller populations (Native Americans) or institutions (liberal arts colleges) and focus on market segmentation/standardization that IDA research has found to be helpful in scaling up the program design. National approaches can also capitalize on existing networks related to access such as Education Trust, TERI, or NCAN.

Next, we review one national example that we helped to create through our action research and we also review some ideas for national examples that emerged in our focus group research.

Existing national example

Foundation for Independent Higher Education

The Foundation for Independent Higher Education (FIHE) is the national partner in a network of member state and regional fundraising associations. The Foundation secures financial resources in support of America's independent colleges and universities and their students, developing collaborative programs within its network and with other organizations. FIHE already has a commitment to college access, its signature initiative being First Opportunity Partners (FOP). Launched in 2005, FOP strengthens the ability of private higher education to serve first-generation, low-income, minority and new American students ("first opportunity students"). Its three-fold purpose is to broaden the accessibility of higher education, to strengthen student retention and academic experiences, and to prepare students for the future world of work. FIHE is a fundraising organization for the private sector, therefore it already has the capacity to develop the IDA match funds. One of its major fundraising efforts is for scholarships to create greater access for a more diverse group of students to attend the private sector. Part of its mission is to work with corporations to fundraise and the IDA offers a new tool for fundraising.

FIHE will work as the overarching organization, applying for the grant on behalf of the network. FIHE will coordinate the activities of the various state associations that apply. The first application will have approximately 10 states and future years will allow for other states to apply and perhaps expand the model. A national model is very attractive and will enhance the chance for funding. A national model is also scaleable, reduces the administrative burden, and capitalizes on the strengths of an existing fundraising network nationally.

FIHE will serve as the back-office, by managing grant money. They will also apply for the federal grant, provide tracking (in conjunction with local institutions and state associations), monitor accounts, and develop bank relationships for account and financial education. The financial account design is specifically developed to address a problem that plagues IDAs nationally — administrative costs and the amount of work needed to track students and accounts.

Associations will need to raise matching money collectively, based on the number of students participating. Associations, working with institutions, will recruit students, and will provide case management and financial education (often through banks). They will manage the local bank relationship. The focus of activity will be pre-college programs that the colleges are already engaged in, often with community partners.

Design Summary

1. **Target population:** High school students in college outreach programs who are interested in attending a private college.
2. **Partners:** Colleges that have an existing and successful college outreach program. Outreach programs generally offer many of the components of an IDA — case management and even financial education. All they need to add is the saving component.
3. **Match rate and ratio:** Students save in the outreach program and they monitor their savings. Their saving goals and match will vary as gap in funding differs, based on location. The general match rate of 4:1 is decided on.
4. **Enrollment:** FIHE does not enroll students until their senior year but has them save earlier. Students will have already made the decision about college attendance and the college outreach programs can match the IDA to students who want to go to private sector (others can save, but will not get match).
5. **Bank account:** Set up a custodial account at bank with FIHE and the student. The funds must be in the account six months before they can be disbursed.
6. **Timing of IDA:** Spend money mostly in first year to help them in transition, which is often when most drop out occurs. This also ensures that the money is not given back to government.
7. **Requirements:** Eligible students must attend schools in the state's network of schools.

Potential national examples

National college scholarship fund

A nonprofit organization that raises funds for particular underserved populations across the country would be ideal to apply for an AFI grant. The American Indian College Fund was mentioned as an organization that should consider offering IDAs. Native Americans were one of the targeted groups that IDAs were created to serve. Many leaders within Native American communities expressed their concern that they need more students to graduate from high school and go on to college and they saw the potential of education IDAs. Many reservations are far from any community organizations and they would be unlikely to have easy access to IDAs. Having a scholarship fund apply for the IDA on behalf of many different reservations would be a way to ensure access to this tool for their stakeholders for education purposes (some tribes have access for IDAs for microenterprise or housing). Similar to the FIHE model, the scholarship fund would likely apply for and administer the grant out of the central office, conduct fundraising, and do the back-office work of tracking students. The direct service part of the IDA would take place locally. The United Negro College Fund is currently considering applying for an AFI grant and would be an ideal organization to deliver the program.

Another example is the Dollars for Scholars program which has 1,200 locally-based, volunteer-driven chapters serving students in nearly 4,000 communities across the country. With support from their national office and seven regional offices, Dollars for Scholars chapters help hometown students achieve their educational goals by raising scholarship funds, establishing endowments, providing assistance with college readiness and the financial aid process, and distributing scholarships each year. In addition to local chapters, Dollars for Scholars also has collegiate partners, which involves more than 500 colleges, universities, and technical schools to help maximize the impact of financial aid from their organization. Many even have matching fund agreements, and all are committed to helping students get the most out of their Dollars for Scholars scholarship. Dollars for Scholars can either apply for the federal funds directly (because they are a 501c3) instead of partnering with a nonprofit, or they can partner with a nonprofit offering IDAs nationally. In general, scholarship organizations are a strong fit to offer IDAs because these organizations have the needed infrastructure and they do not need to raise additional match because they can leverage their scholarship funds.

College access organizations

Another set of organizations that should consider applying for the AFI funding are organizations dedicated to college access for underrepresented groups. For example, The Council for Opportunity in Education (COE) is a nonprofit organization, dedicated to furthering the expansion of educational opportunities throughout the United States. Through its numerous membership services, COE works in conjunction with colleges, universities, and agencies that host TRIO programs to specifically help low-



▶ **Many leaders within Native American communities expressed their concern that they need more students to graduate from high school and go on to college and they saw the potential of education IDAs.**

income students enter college and graduate. Federal TRIO programs (Talent Search, Upward Bound, Upward Bound Math/Science, Veterans' Upward Bound, Student Support Services, Educational Opportunity Centers, and the Ronald E. McNair Post-Baccalaureate Achievement Program) help students to overcome class, social, academic, and cultural barriers to higher education. COE already offers several support, research, and fundraising functions for TRIO programs and could apply for and administer the IDAs out of their Washington DC office. Individual programs could apply to offer and provide the direct service portion of the IDA.

Regional examples for going to scale

In larger states, regional collaboratives will likely work better than statewide networks. In Utah, Oregon, or Maine, statewide collaboratives either of IDA nonprofits or educational nonprofits can likely create scale in a manageable way. However, states like Texas and California may benefit from regional collaboratives. In our research we studied two regional collaboratives and the benefits that they can offer. See Page 71 for two existing examples of regional collaboratives. Next we also describe potential approaches that emerged in our research. There are several benefits to working at a regional level. For instance, partners are more likely to know each other personally and can build connections more quickly. A regional approach may be logistically easier since partners can meet in person and build trust and a working relationship.



▶ **A recent promising collaborative for expanding youth-based IDAs is the Gain Resources, Opportunity, and Wealth (GROW) Program, which began in 2008.**

Potential regional examples

Many postsecondary institutions work in regional collaboratives to share resources, information, technology, and create economies of scale and synergy. The IDA could also be integrated into these type of collaboratives. Setting up the IDA infrastructure at the regional collaborative level allows institutions to each capitalize on the IDA resources without all the additional paperwork and burden. This operates similar to the national FIHE model where one group assumes the work for many.

Compact for Success program

The Compact for Success program is a unique collaboration with the Sweetwater Union High School District (SUHSD), San Diego State University (SDSU), and Sweetwater Education Foundation that emerged about a decade ago. The SUHSD superintendent became concerned about the low college going rates. Hispanic students in particular were not graduating from high school and going on to college. He decided to meet with the president of SDSU and develop an intervention plan. Out of these conversations the Compact for Success program emerged. The groups work together to host outreach events and to communicate with each other about issues that will facilitate college going. Their three main goals are to: prepare students for the rigors of college, guarantee admission to SDSU, and provide academic support while at SDSU. When

Existing regional examples

Capital Area Asset Builder's

Capital Area Asset Builder's (CAAB) is a collaborative of IDA partners, and it currently has eight members. CAAB offers a variety of services for its members including MIS support, bank liaison, financial education and IDAs fundraising for the match. This model allows for partners to do what they do best — providing services to low-income communities without administratively managing the matched savings account, banking relationship, grants, and fundraising. They are also able to offer hundreds of IDAs. Because they are working with larger numbers of clients, they are more attractive to postsecondary partners. While CAAB's education partners are all focused on the K-12 level such as Maya Angelou Charter School, Latin American Youth Center, and the Urban Alliance, they hope to recruit postsecondary partners overtime. And postsecondary institutions could apply for the IDA and hire CAAB to do the back-office administrative support. Or, they may decide to have their partners such as Maya Angelou directly develop partnerships with postsecondary institutions. They currently participate with the earned income tax preparation campaign and have found this to be successful in identifying low-income populations and getting them started on savings accounts.

Gain Resources, Opportunity, and Wealth (GROW) program

A recent promising collaborative for expanding youth-based IDAs is the Gain Resources, Opportunity, and Wealth (GROW) program, which began in 2008. Juma Ventures leads a partnership with LA Conservation Corps in Los Angeles County for a three-year savings program for young people, which is geared toward postsecondary education, home purchases, and creating small businesses. The California-wide pilot offers youth IDA programs based on a partnership model with centralized administration through Juma. In the GROW program, low-income youth between the ages of 14-19 receive matched savings accounts in which every dollar they save will be matched 2:1. What is helpful about this model is that Juma Ventures helps the other organizations by conducting the administrative support and teaching them to implement IDAs as well as by sharing resources for curriculum, financial education, and other best practices. Juma offers a starter kit for each partner to help them launch the IDA. This promising approach could also be used by a group of education nonprofits to build and expand IDAs. Lessons from the GROW project can be used to shape regional collaboratives of education IDAs.

students from SUHSD meet established benchmarks they are automatically guaranteed admission to SDSU. Sweetwater Education Foundation raises money for scholarships for the students in this district. This partnership has been extremely successful and has brought many students to SDSU while at the same time increasing the college going rate of the high school students in SUHSD.

IDAs could be easily integrated into this type of regional partnership. All of the IDA components are already being offered by the various partners (an exception being financial education). Sweetwater Education Foundation already raises money and could provide the match funds. Because they are a 501c3, they can directly apply for the AFI funding.

GEAR UP

This discretionary grant program is designed to increase the number of low-income students prepared to enter and succeed in postsecondary education. GEAR UP provides six-year grants to states and partnerships to provide services at high-poverty middle and high schools. GEAR UP grantees serve an entire cohort of students beginning no later than the seventh grade and follow the cohort through high school. GEAR UP funds are also used to provide college scholarships to low-income students.⁸ GEAR UP often works within an entire regional area and can share resources across their network. Education or IDA nonprofits offering IDAs may want to partner with a GEAR UP program in their region.

The education or IDA nonprofit community agency might apply for the grant funding, maintain the tracking of students, and offer financial education. GEAR UP could raise match, recruit and market to students, and conduct case management for the IDA program. GEAR UP staff could also provide asset-specific training because it falls within their current job responsibilities providing education advising.

Challenges for going to scale

Our research focused mostly on the potential of state, national, and regional models for scaling up IDAs. Since we had only a few existing examples to study we are less sure about all of the challenges of such models. However, in this section we highlight a few of the challenges that emerged, particularly in our action research sites — which followed a national- and state-level effort to scale up IDAs.

Tracking students

One concern raised about state or regional programs was that students lose the mobility to go to any institution of their choice in the country. CASA only allows students to attend institutions within Oregon. FIHE limits the matched fund to be used at private institutions in their network. The Compact for Success would limit students to attending San Diego State University to obtain the IDA funding. Many people we interviewed raised philosophical concerns with these restrictions.

Bureaucratic state entities

In efforts to scale up IDAs, one of the most important elements of the current IDA initiative is lost — the personal touch of the local community agency. Policymakers and educational leaders were concerned about identifying and using states' infrastructures that had a more personal touch (state guaranty agencies were considered such a group). Leaders noted it was important not to farm out the IDAs to a mutual fund company, which is not good with high-touch programs and is overly bureaucratic. 529s have not been successful in working with low-income populations for this very reason. This is where maintaining the connection to local community agencies can be beneficial in terms of having a relationship with low-income communities.

⁸ U.S. Department of Education GEAR-UP website: www.ed.gov/programs/gearup/index.html

No national bank relationships

One major challenge that FIHE faced was finding a national bank partner to cover the 34 different states involved in their national program. In the end, they could find no national bank to service the IDA program. Most large banks are no longer offering IDAs because it was too difficult for them to provide this service given their large bureaucratic size. Offering this level of hands-on service became exceedingly difficult. Any postsecondary organization considering to apply for an AFI grant and offering the IDA to a variety of institutions may find difficulty in trying to find a bank partner or to set up multiple bank partners which complicates and makes this activity less attractive.

Keeping costs low

All those trying to scale up IDAs need to watch the cost of infrastructures. It is important to rely more on existing infrastructures such as state guaranty agencies, existing early intervention for college programs, and statewide access programs that offer case management, financial education, tracking students, or fundraising. If new structures have to be established, scale will not be sustainable.

Creating market segmentation

The most effective way to scale up IDAs is to create market segmentation. However, the State of Oregon's broad outreach to all low-income students does not provide this type of market segmentation. Creating a program that will serve the needs of many different low-income students will likely become challenging. FIHE decided to focus on low-income youth and to work through its early intervention for college programs. Models that can capitalize on market segmentation may experience fewer challenges in program design and long-term feasibility.

Standardization

The broader the goal and mission of the entities offering the IDAs, the more difficult it will be to create a standard product that can be offered in efficient ways. The FIHE (inner city or rural low-income youth), Compact for Success (immigrant youth), and National Tribal College models (Native Americans) provide examples of targeted programs that can be standardized because the organizations generally serve more targeted or specialized population. As states or regional areas decide to scale up, they need to identify possibilities to standardize policies. Politics could get in the way of needed targeting as legislators feel they can not exclude any low-income group from IDAs. This is a drawback and potential problem for state models.

Raising match

Raising match funds is a challenge among all IDA assets. The match funds become even more difficult in scalable models, as practitioners have discovered as they create state and regional models. Certain organizations have existing fundraising capabilities (scholarship organizations) while others do not (state guaranty agencies). Organizations connected to scholarship programs or foundations are advantaged in raising and sustaining match fund.



► **The broader the goal and mission of the entities offering the IDAs, the more difficult it will be to create a standard product that can be offered in efficient ways.**

Ensuring ongoing funds

CASA is currently concerned about ongoing funding for their statewide IDA. Republicans tend to be more favorable to tax credits and CASA is worried about funding as the political parties change. They do not know how much they can promise or expand in terms of funding for future years. Lack of clarity about ongoing funding is beginning to affect their ability to form and sustain partnerships to successfully offer education IDAs at a scaled up level. The staff at CASA have concerns about the sustainability of their IDA program. They have been considering maintaining sustainability by leveraging private funds that are consistent (donations) or leveraging funds off an endowment.

Inadvertently funding situationally poor students

Another challenge of scale is that there is a greater likelihood that situationally rather than generationally poor students could be funded. Students from middle-class families, who are married and have children, may look as if they are in poverty during their educational years. While legislatures may decide that they want to fund situationally poor students, IDAs were originally set up to assist generationally poor individuals. This challenge can be overcome by offering IDAs with programs on campuses specifically designed for low-income students such as TRIO or GEAR UP or targeting institutions that have a high percentage of students in poverty. If legislatures are thinking about scaling up (creating state or national programs) IDAs, this remains an area that needs to be addressed, creating criteria to determine generationally poor students.

Complexity to find right mix of partners

Many of the networks and resources for college access are government based. Because government funded organizations can not apply for AFI funding, many states will have to create partnerships between college access organizations and community agencies to scale up IDAs. As noted in the earlier chapter on partnering, cross-sector work is difficult. Identifying the right partners that can work together and offer all of the aspects of the IDA and in an efficient and effective way may prove challenging.

Also, non-governmental agencies might not offer the right mix of services and will need to partner with an assortment of groups, making it unfeasible. For example, Dollars for Scholars has the match funds, but they do not offer case management or financial education. They would need to partner with multiple groups in order to create the right infrastructure to offer the IDA. But, they have a national network already established for the match fund.



▶ **One way to address the challenge of reaching generationally poor students rather than situationally poor students is to have IDAs closely tied to TRIO, GEAR UP, and other programs that serve low-income students.**

Summary

Both IDA practitioners and postsecondary leaders realize scale is important for education IDAs. Most postsecondary institutions expressed a desire to scale up IDAs if they were to get involved as either partners or to offer education IDAs. IDA practitioners noted that their individual organizations lacked the capacity to do the partnership development necessary to scale up education IDAs. In this section, we highlighted research on ways to scale up IDAs and presented examples of such efforts at the state, national, and regional levels. Efforts to scale up IDAs may have some unintended problems. For example, regional and state collaboratives often track students to certain institutions within certain regions. However, many of these low-income students currently attend institutions regionally, and returning adults typically stay in the regional area. These efforts might also experience certain challenges that need to be worked through. We highlight these to inform future efforts to achieve scale. Furthermore, we believe that scale will more easily occur once education IDAs are offered through the education nonprofit sector and once there is more dissemination and dialogue around IDAs.

Section 9 – Ongoing challenges

As noted in Section 4 on the potential of education IDAs, even if the strategies offered and changes recommended in this report are implemented, there are some inherent challenges that might continue to limit the potential of IDAs for supporting low-income students in postsecondary education. Some of these challenges can be addressed through changes to policy; others appear more inherent. The following issues will be elaborated on in this section:

1. Financial aid process
2. Federal legislation
3. Complexity and bureaucracy of IDAs
4. Additional complexity of education IDAs
5. Lack of ongoing funding
6. Students working too much



► **The challenge we heard about most frequently was the problem of how IDAs are handled in the financial aid process.**

Financial aid process

The challenge we heard about most frequently was the problem of how IDAs are handled in the financial aid process. By federal regulation, an AFI IDA account is excluded when determining the Pell grant and often when determining state aid (depending on state policies). The match funds are considered an outside resource, giving financial aid officers discretion to determine whether institutional aid might be impacted by the IDA. There is the possibility that IDAs could result in lowering the financial aid for some low-income students. For example, state aid may be lowered because of the IDA asset, unless financial aid officers made a choice to reverse this automatic packaging reduction. While the impact of the IDA on financial aid is typically minimal, the perception that it will impact aid has made both IDA practitioners and higher education staff shy away from offering education IDAs. While we are working to create a broader understanding among financial aid officers about the way the IDA asset can be handled in the financial aid process, this perception remains a challenge. We can also continue to educate college staff and IDA practitioners about this minimal impact, but obtaining an exclusion for the IDA in the financial aid process would likely make implementation easier. One of the most important public policy changes needed to make IDAs successful is revisiting the interpretation by the U.S. Department of

Education by amending the Higher Education Act or AFI legislation. Unfortunately, AFI is currently being reauthorized and there is no language about the financial aid issue included.

In addition, individual financial aid officers are outside the reach of public policy. Many people saw this as a major challenge that could threaten the viability of IDAs. Even if we are able to work with National Association of Student Financial Aid Administrators (NASFAA) to provide clear guidelines for financial aid officers about how to handle the IDA as to not impact low-income students, there is no guarantee that financial aid officers will follow this guidance. Institutions are under great pressure to maintain enrollments and be competitive, and therefore the goal of access is often lost when these other pressures are applied. Because individual financial aid officers have discretion, various leaders throughout higher education were worried that low-income students might be impacted in the end. Without a legislative amendment to reconsider the way IDAs are handled in the financial aid process, there will likely be negative consequences ranging from low-income student aid being decreased to few people being willing to advocate the use of education IDAs.

Federal legislation

Several aspects of the current federal legislation make it challenging to design an IDA program that is effective for educational purposes. The time frame of the IDA is based on the homeownership model. Homeowners spend down the money in a one-time payment. However, postsecondary clients spend down the money over several years and having only four years to save and spend is problematic. Extending the time frame to six or eight years for education IDAs would be helpful. In addition, the usable costs should be expanded to include child care and transportation — two of the major issues that low-income individuals need support for as they pursue postsecondary education.

Complexity and bureaucracy of IDAs

While the notion of the match savings account is easy enough for most people to understand, the level of complexity required to actually implement and administer an IDA program can be overwhelming. The program design handbook from CFED is over three hundred pages and rules and regulations are constantly changing. Because of the overly complex nature of the work (equivalent to the financial aid process in terms of complexity), postsecondary institutions are likely to shy away from offering IDAs, particularly if the issue of scaleable models has not been addressed. While education nonprofits and postsecondary institutions might be the best organizations to offer education IDAs, they may not choose to offer them because of the burden placed by the federal government on tracking and paperwork. Most postsecondary institutions that we spoke with were not interested in doing the back-office work to administer



▶ **The time frame of the IDA is based on the homeownership model. Homeowners spend down the money in a one-time payment. However, postsecondary clients spend down the money over several years and having only four years to save and spend is problematic. Extending the time frame to six or eight years for education IDAs would be helpful.**

and support the IDA. This is why partnerships such as the Central New Mexico Community College working with the community action agency are so successful. The community action agency does all of the back-office work that the community college is not interested in doing and the community college focuses on what it does best — recruiting students, getting the match funding, case management, and the financial education. But, as we noted, achieving successful partnerships like this is rare.



► **Unless the 15% administrative fee is increased for education IDAs or some of the policies loosened for education IDAs, it is unlikely that they will expand to meet their potential.**

Additional complexity of education IDAs

Many aspects of the education IDA make the process even more complicated, leading IDA practitioners to shy away from working with education IDAs. Making multiple payments and drawing funds from the account over an extended period of time make education IDAs administratively complicated. Tracking students to make sure they are still in school and have not crossed state lines is administratively time-consuming. There are also restrictions on education IDAs, in terms of what expenses can be covered and to what institutions the payments can be made. Lastly, it is difficult to work with youth. These additional burdens of education IDAs have been reinforced throughout this report. Unless the 15% administrative fee is increased for education IDAs or some of the policies loosened for education IDAs, it is unlikely that they will expand to meet their potential.

Lack of ongoing funding

Since nonprofits must continue to reapply for AFI money, they cannot guarantee a college or university that they can offer the IDA from year to year. Developing partnerships that may not be ongoing is unattractive to colleges and makes more work for the nonprofit. Since the college and community agency often do not have other related work, as they might have with another community partner or bank, there is minimal synergy achieved. Both the nonprofits and universities realize that offering IDAs is burdensome with no assurance of it becoming an ongoing practice and relationship. Even in cases of broader statewide initiatives like the state of Oregon, the community agencies worried whether tax credit money will be available year to year as different political parties support different policies. Postsecondary institutions did mention that one advantage of them directly offering the IDA is that they have more control over ongoing funding and support of their students. This notion of obtaining ongoing funding created a greater sense of sustainability among postsecondary leaders with whom we spoke.

Students working too much

Students find it extremely difficult to work, save, and study simultaneously. For example, many drop out of the program or do not meet their goal for the IDA. The IDA work requirements may also compromise their performance. We know students are increasingly working more hours, but the impact is not well understood. It is unclear whether students would not be better off taking out loans and getting through school rather than trying to take on all these challenges at once. Although students can be encouraged to save before they go to college, this may not work for all participants. This challenge certainly needs more investigation in future research. Don Hossler, at Indiana University, is currently conducting a study to examine the ways that employers can support students who need to work full-time, or close to full-time, while in school. Such studies need to be used to rethink education IDA and ways they can be structured most effectively to avoid the pitfall of students not balancing study and work.

More limited concern — Tracking students

While this is not a concern among all education IDAs, some education IDA programs are designed where the student must attend a particular institution or set of institutions in order to obtain the matched savings. While we noted this as a concern among state and regional programs, this is a general issue for an institution-based IDA. We provided several models in the chapter on scale of education IDA programs that track students to particular institutions. This is mostly an issue in programs that are focused on access rather than retention, because when students are already at the particular institution the IDA is not impacting their choice of school. This is not an inherent challenge for education IDAs, but it was a concern raised by many higher education leaders that we believe is important for consideration by practitioners as they evaluate the potential of education IDAs and conceptualize various ways they might be constructed.

Summary

In this section, we highlighted the major ongoing challenges we see will continue to plague IDAs unless policy changes are made and the fundamental infrastructure for IDAs modified. These challenges led us to the recommendations for changing policy and practice in Part III of the document. While these policies change will take longer to achieve, they are essential to meeting the potential.

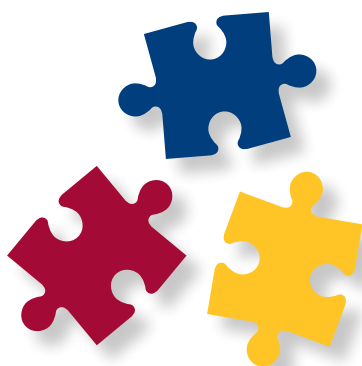


► **You need to watch out for the unintended consequences of a good idea like IDAs. The message of IDAs is that families need to save money for college. This might drive kids to say I've got to go get a job. The next thing you know they start falling down on the academic side because they are working too much. Hopefully the financial education courses would help students to strike a balance. But we really need to encourage students in high school, in particular, to focus on academics. It's the academics that get you into college.**
(policy researcher)

Part 3

Recommendations and future research





Recommendations and future research

In Part III, we attempt to summarize recommendations alluded to in the findings that can help facilitate education IDAs implementation and use. Some issues that we review are barriers that exist because of current policy, such as the U.S. Department of Education's interpretation of IDAs in the financial aid process. These may take longer to address. We also offer a set of recommendations for changes in practice that can be immediately undertaken, such as creating communication channels between the U.S. Department of Health and Human Services and the U.S. Department of Education, having CFED encourage postsecondary institutions and education nonprofits to offer IDAs, and creating IDA-friendly institutions. We also provide recommendations related to other forms of matched savings accounts because policymakers and practitioners may find that using another existing tool or creating a new one makes more sense than trying to address all these structural and implementation issues that affect education IDAs. We believe that another approach is to disaggregate the financial education from the matched savings account.

In addition, policymakers may want more data before they make significant changes to federal and state policy related to education IDAs. As a result, we recommend research that can help to address questions about impact, program design, partnerships, and scalability. This will help policymakers as they rethink legislation to aid those in poverty and to create greater access to college.

In the end, we believe one of the most important outcomes of the study is shedding light on the continued plight of low-income students to be successful in postsecondary education. In reflecting on the inability of most postsecondary institutions to successfully work with IDAs, the research team began to question the broader commitment among postsecondary institutions to the success of low-income students. We hope that this study encourages more discourse and research on how campuses need to change to better support low-income students. While our overall findings do *not* recommend cross-sector work as helpful for reaching the potential of education IDAs, we do believe that cross-sector work (postsecondary institutions working with community agencies that understand and serve low-income students) is essential for postsecondary institutions to alter their cultures to better work with low-income students.

Section 10 – Institutional and public policy recommendations for meeting the potential of education IDAs

This section of the report summarizes a set of recommendations for meeting the potential of education IDAs. These recommendations need to be interpreted in light of the challenges noted in Section 9 (some recommendations try to address or ease these challenges, but not all can be addressed). Also, ideas for meeting the potential (such as altering program design and approaching partnerships more strategically) have been made throughout this report, therefore this is a summary of major, systemic recommendations for federal and state policies.

This report suggests that education IDAs have a limited, but important, role in increasing the access and success of low-income students. What has not been determined by policymakers is whether this is the best use of limited IDAs funds. For policymakers who decide that an investment in education is one of the best assets for helping people move out of poverty, we have several suggestions for ways that policies might be altered to better facilitate education IDAs and enable them to realize their full potential. We also comment on other similar policy tools such as 529s, ROTH IRAs, and Children’s Savings Accounts and what our research suggests related to these similar approaches. We end the section with a recommendation for reconsidering the concept of education IDAs within the postsecondary arena. The underlying ideals of the IDA — financial education, case management, asset development, and behavioral change through matched saving — can also be met by disaggregating these goals and having them be delivered separately through different, but coordinated, processes. This would also potentially relieve postsecondary institutions from taking on the bureaucratic and time-consuming elements of AFI IDAs.

The recommendations for increasing the viability of education IDAs are divided into national and state recommendations as well as long-term and short-term policy issues. We also cluster them according to the main areas of change necessary to make education IDAs effective at the national level and state level:



▶ **For policymakers who decide that an investment in education is one of the best assets for helping people move out of poverty, we have several suggestions for ways that policies might be altered to better facilitate education IDAs and enable them to realize their full potential.**

National level:

1. Modifying federal financial aid interpretation
2. Changing legislation beyond financial aid
3. Processing financial aid
4. Promoting new providers and partners
5. Training and resources for education IDAs

State level:

6. Funding for matched savings
7. Creating new state policy to support IDAs
8. Connecting to existing access infrastructure

National Level

Long-term

1. Modifying federal financial aid interpretation

Amend the Higher Education Act to add IDAs

The U.S. Department of Education's current interpretation of the IDA in the financial aid process basically states that the current value of an IDA never affects an individual's eligibility for federal aid, but the match distribution from an education IDA must be considered as an outside resource of the student. Such a distribution could impact the eligibility of a student for federal loans, work, and/or institutional awards. See our paper on Financial aid and IDAs: Understanding the puzzle and sharing best practices on our website — http://www.usc.edu/dept/chepa/IDApays/publications/financial_aid.pdf — for more information about how IDAs are handled in the financial aid process.

IDA and some postsecondary leaders are troubled by the way that the U.S. Department of Education recommends that IDAs be handled in financial aid. We believe that one of the following two amendments are important to make education IDAs viable:

1. Amend the Higher Education Act to totally exclude IDAs (both AFI and non-AFI) from consideration, similar to what occurred with veterans benefits in the Higher Education Opportunity Act of 2008. This amendment would help both dependent and independent students.
or
2. Amend Title IV of the Higher Education Act to add IDAs (both AFI and non-AFI) the list of "qualified education benefits" (e.g., 529 plans, prepaid tuition plans, and Coverdells) that are treated on the FAFSA as parental assets even if they are in the name of the dependent student.

If the IDAs were added to the Higher Education Act, it might make IDA practitioners and postsecondary leaders more likely to advocate for and offer education IDAs. There would likely be greater buy-in for education IDAs if an amendment was made.

Amend the AFI legislation to clarify how IDAs are treated in the financial aid process.

If the higher education policymakers do not support amending the Higher Education Act, then we recommend that AFI step up to clarify how IDAs are treated in the financial aid process in their legislation. Currently, the AFI legislation exempts the IDA account as an asset when determining eligibility to receive federal benefits that require consideration of financial circumstances. Therefore, we recommend amending the AFI legislation to:

1. Exclude both AFI and non-AFI IDAs from consideration when determining eligibility to receive federal benefits that require consideration of financial circumstances.
- and
2. Exclude AFI and non-AFI distributions — savings and federal and/or non-federal match funds — from consideration when awarding financial aid.

Changing legislation beyond financial aid

Change AFI legislation: Expand use, lengthen timing, and loosen restrictions on spending down

Our research emphasizes the need to expand uses to include child care and transportation — two issues that we know impact the access and success of low-income students. In addition, it is unclear why education has more severe restrictions than other assets such as microenterprise. We hope that this issue will be reconsidered in the future.

The SEED initiative, if funded in the future, could provide avenues for longer-term match savings accounts. SEED is a policy, practice, and research initiative designed to test the efficacy of policy for a national system of asset building accounts for children and youth. The initiative consists of 12 SEED programs implemented by community organizations testing distinctive programs with various age and target groups, financial education, and supportive services. The project will continue until 2015. For more information, please see: <http://gwbweb.wustl.edu.csd/SEED/Seed.htm>.

Also education IDAs have more restrictions than microenterprise and housing on which institutions the payments can be made. These various restrictions hinder some nonprofits from offering education IDAs. More flexibility and a willingness to rethink this legislation are needed.

Change AFI legislation: Lift restrictions of rolling an IDA into a 529 or ROTH

Our research demonstrated that the inability to roll the IDA into ROTH IRAs or 529 accounts limited their value in education. Many low-income parents want to save for their children, but the IDA time frame does not work well for that purpose. The State of Oregon allows their accountholders to roll money into 529s. New programs created at the state level should try to maintain this option, which is very favorable for education IDAs. Our research fully supports these efforts as needed to provide full access and success for low-income students to postsecondary institutions. We hope state and federal legislators will consider lifting restrictions on rolling an IDA into 529s, ROTH IRAs, and longer-term savings accounts. Similar recommendations have been made by the Center for Social Development.

Change AFI legislation: Increase the administrative fee for education IDAs for youth

IDA practitioners believe that policymakers should increase the administration fees on education IDAs because of the additional case management load required, particularly when working with youth. While education IDAs are a greater administrative burden than other assets, the issue of working with youth was seen as the most significant challenge. However, if education nonprofits and postsecondary education institutions (which already have an infrastructure set up to support youth) are recruited into offering IDAs, this challenge may be addressed.



► **Policymakers should loosen restrictions on the time limit to spend down the money. Unlike housing where there is a one-time payment, education IDAs are spent down for many different purchases which happen over time.**

Policy to reach generationally poor

The IDA and postsecondary communities need to develop criteria that can help ensure that IDAs are reaching generationally rather than situationally poor students. In all of our research efforts we attempted to work with experts to develop criteria and were unable to determine any at present. We believe this is an issue that continues to merit the consideration of the best minds to determine a process and criteria for reaching the target audience. Particularly in efforts to scale up IDAs, such as the State of Oregon, this will be critical to ensuring success. If criteria are not developed, efforts to scale up IDAs may always be challenged.

Promoting private IDAs

Until legislation changes around IDAs, education nonprofits and postsecondary institutions might want to consider private IDAs from corporate dollars rather than offering federal IDAs. Early intervention for college programs that have parents who want to save money for their child's college education, may want to set up a private IDA to encourage savings. The restrictions on federal IDAs often make it difficult to save because parents want a longer period to save and the money can not be combined with a 529 and earn compounded interest. By using private IDA funds (or state funds that do not follow federal regulations), practitioners can work with parents to save for their child's college education and the IDA becomes the initial funds. This provides more flexibility and options for clients.

Short-term

Processing financial aid

Work closely with NASFAA as polices change

Even if the Higher Education Act is not amended, there needs to be much broader awareness of how to handle IDAs in the financial aid process. We have developed a policy document for how to handle IDAs given the current interpretation. We need support and dialogue with national associations like the NASFAA to ensure that low-income students with IDAs receive the most favorable treatment in the financial aid process. And, if the Higher Education Act is amended, it would be important to create a new policy document about how to process IDAs in financial aid and make sure that this was distributed to financial aid officers through the NASFAA.

Last Dollar Scholars program

If the Higher Education Act is not amended to totally exclude IDAs from consideration in the financial aid process, it will be important to create an interpretation for IDAs similar to the one created with the Last Dollar Scholars program. The Last Dollars Scholars program discourages institutions from using aid for low-income students to offset institutional aid. Instead it encourages institutions to fully support low-income students. Nonprofit institutions should be given a list of institutions that follow this policy as good partners for the IDA (however, in the end, students choose where they want to attend college). Our research suggests that this type of commitment from institutions is extremely important in helping low-income students.

Promoting new providers and partners

Encourage education nonprofits and postsecondary institutions to offer IDAs

The Office of Community Services in the U.S. Department of Health and Human Services, CFED, and other organizations that promote IDAs should consider actively recruiting nonprofits that specialize in education (e.g., Education Trust, TERI, Dollars for Scholars) to apply for AFI funds in the future. This could lead to stronger education IDAs that capitalize on expertise from the education sector. Current community agencies that offer IDAs generally do not know the different types of postsecondary institutions; the types of students attending institutions; the tuition or funding at institutions; the types of professionals that work within colleges, universities, or schools; or the regional education needs of low-income students. A nonprofit with an education emphasis is more likely to understand some of these nuances and have less of a knowledge gap. Furthermore, they should also encourage certain right-fit postsecondary institutions to offer IDAs, such as tribal colleges, rural and urban community colleges, technical and

vocational colleges, campuses with TRIO or GEAR programs, campuses with public assistance programs, and campuses with extension programs.

Create communication channels between the U.S. Department of Health and Human Services and the U.S. Department of Education

Almost every postsecondary staff member and leader we spoke with mentioned the importance of connecting IDAs to the TRIO and GEAR UP programs. It might be important for the U.S. Department of Health and Human Services to coordinate with the U.S. Department of Education and develop greater awareness about IDAs. The lack of communication between offices has created a situation in which postsecondary institutions have no awareness about IDAs, even though postsecondary education is one of the three assets.

Connect to work-study program

Work-study is considered earned income and students could use it as the savings for their IDA accounts. Research supports that students who work on campus tend to be more successful academically than those who work off-campus (King, 2002). Therefore, emphasizing work-study and connecting IDAs to work-study could help to offset the concerns with students working while attending school. Many people believe that tying the IDAs to work-study could be one of the more successful ways to ensure that students can create savings on an ongoing basis and meet their goal.

Training and resources for education IDAs

Create training on education IDAs

The Office of Community Services in the U.S. Department of Health and Human Services also offers training and technical assistance on IDAs, but it does not focus any of its sessions on education IDAs. As education nonprofits are recruited into the field, education-specific training should be developed. The resources from this project could be used to develop such training courses. Also, the IDA-PAYS project team can put Office of Community Services staff in touch with some of the leaders in the field of education IDAs to offer sessions.

Develop education IDA resource materials

While our research project created a set of tools that can help implement education IDAs, this was not a technical assistance grant to create resources for the field. CFED or another organization, perhaps the National Council for Education and Community Partnerships, could create materials about education IDAs that could help promote them. Several needed resources include a CD that showcases stories from education savers, educational marketing materials, and education-specific financial education curriculum. At each Assets Conference hosted by CFED they bring in savers and the past two conferences have highlighted education savers. Videotaping these stories can help people better understand the value and work of education IDAs. Many campus

programs are also putting together videos for YouTube that showcase programs. A YouTube video about education IDAs would help market and promote them.

Develop an IDA-friendly designation

It is important for postsecondary institutions, especially those with many low-income students, to become familiar with IDAs. One way to encourage this type of learning and involvement would be to create an IDA-friendly designation. If a foundation were willing to fund an initiative to create an IDA-friendly designation, then CFED or some other organization could provide a mechanism for institutions to demonstrate a certain level of knowledge about IDAs and a certificate could be given to the institution. For the initial years, the designation could be advertised in the *Chronicle of Higher Education* in order to encourage other institutions to seek this status. If nonprofits organizations knew a postsecondary institution was familiar with IDAs and was a good place to send their students, this could help both organizations. Such a process would encourage postsecondary institutions to go through a nominal process of getting to know IDAs. A short checklist of items can be created.



► One suggestion for creating a funding base for IDAs is having states take 0.5% of the interest going into 529s in order that they be put into an account for IDAs.

State Level

Long-term

1 Funding for matched savings

Create a funding base for IDAs

Without ongoing funds for IDAs and a larger commitment of money, postsecondary institutions are unlikely to use this tool to any large degree. Because of the very minimal administrative cost (15%) matched with the significant burden to track students and conduct government reporting, few institutions are likely to establish the infrastructure to deliver IDAs unless there is a longer-term commitment for funding and a larger portion of funding. The current scale of IDAs would need to be broadened to a much larger population, currently most nonprofits average no more than 30 educational savers, and three or four students might attend each local institution. One suggestion for creating a funding base for IDAs is having states take 0.5% of the interest going into 529s in order that they be put into an account for IDAs. This would not require states to create additional budget money. This would be a small tax on the middle class to support low-income students and states that are committed to access might find this a feasible option for creating funding.

More favorable incentives for businesses and nonprofits

Many policy researchers and higher education leaders noted that tax policies are not supportive enough through tax credits. For example, tax credits create a barrier to developing match funds and scaling up the program. I Have a Dream and the Blanchard

Foundation are not able to write off their scholarship contributions. Employers are also not given enough tax incentives to make employer-based IDAs available. The Center for Social Developments' and United Way's research both support these concerns and we wish to emphasize the need for state and federal policymakers to address these incentives. As noted in the case of the State of Oregon, the right incentives can create a large base of funding (they currently have 6 million dollars for IDAs through tax credits).

Creating new state policy to support IDAs

States policymaker's might encourage financial education as an important K-16 priority

Many states have begun to create policy around financial literacy and financial education. IDAs should be part of these policy dialogues and potentially brought in as a tool to support high school and college curricular efforts. We believe, given all the complexity that we outlined, that disaggregating financial education from the matched savings account might be easier for meeting the goals — having low-income individuals learn financial literacy (in schools) and engage in savings behavior (through a 529 matched account). With other IDAs, there is not an existing infrastructure to offer education, but with the education asset there is an intact infrastructure that could be used.

Develop innovative policy around financial aid for workers

A variety of states were recently showcased for their innovative programs for workers who study. These programs revise state financial aid policies and programs in light of the specific needs of adult students. The main policies that they are experimenting with are: 1) include less-than-half-time students; 2) address income limits in aid formulas; 3) include indirect educational expenses; and 4) provide aid for students who are not in degree or certificate programs. Given that many individuals who save in IDAs are working adults, they face these same constraints and could be empowered by changes in state (and federal) approaches to financial aid. As the national report states: "Pell grants discriminate against workers who study because of enrollment requirements and aid calculations based on a student's prior year income" (Biswas, Choitz, & Prince, 2008, p. 21). Our study reinforces the importance of such state policy innovation. Furthermore, such state policy changes should also include language about excluding the IDA from state financial aid allocations and formulas.



► Many policy researchers and higher education leaders noted that tax policies are not supportive enough through tax credits.

Short-term

Connect to existing access infrastructure

Create incentives for state-based access programs to include IDAs

While we need work at the national level to encourage new partners to offer education IDAs, the states often have the most impact on education policy. Postsecondary education commissions or committees should be informed of IDAs and they should explore ways that IDAs might be integrated into statewide programs that support access as well as GEAR UP or TRIO programs. State agencies, through the national college access network, have gained much greater involvement and coordination with the early access for college programs. One of the main groups that we identified with the potential for expanding and meeting the potential of education IDAs is education nonprofits that integrate IDAs into their existing programs. State policies can create incentives to encourage early intervention for college programs offer education IDAs.

Integrate IDAs into innovative state programs for access

Many people in our focus groups and case studies identified the potential of IDAs to be a part of programs such as Indiana's Twenty-first Century Scholars program. IDAs could be used as another tool in this important program. IDA practitioners have already found that the IDA tool works best when bundled with other programs that serve low-income populations. Our research suggests that creating scalable models at the state level might be the best approach for creating greater access for low-income students and meeting the potential of education IDAs. While Oregon represents an important statewide model, CASA needs to work more closely with the statewide access programs. They have recently begun working with GEAR UP and Cash for College, which has dramatically increased their ability to successfully offer IDAs.

Connecting to the VITA sites

One of the most successful ways that low-income populations have been accessed is through the tax preparation sites. Low-income individuals get assistance with filling out their tax forms and are also advised on how to use or invest their return. Researcher Bridget Terry Long is already working with H&R Block to connect the FAFSAA application with the tax assistance programs. IDA applications can also be integrated into the VITA sites and connected to their FAFSAA application. This might be a process that could be integrated into state level models to scale up education IDAs.



▶ **Postsecondary education commissions or committees should be informed of IDAs and they should explore ways that IDAs might be integrated into statewide programs that support access as well as GEAR UP or TRIO programs.**

Another option for scaling up matched savings

While IDAs are one option for addressing the needs of low-income and first-generation college students, they may not be a scalable model. IDAs are expensive to offer (on average \$64 per month per participant) because they are often a high-touch program with a significant financial education and case management component (Schriener, 2002). In addition, a major state and/or national infrastructure would be needed, particularly in getting education nonprofits to apply for and set up IDAs.

Our research suggests many limitations to the broader use of IDAs. In fact, our data indicate that IDAs are best used among certain populations and within certain institutions. IDAs will likely require dramatic changes in public policy to be scaled up. The following recommendations are offered for ways to think about scaling up the notion of a match savings account.

Create an IDA “lite”

In order for education IDAs to be scaled up, it may be important to consider modifying the AFI version. Instead of offering intensive case management and financial education, an education IDA lite might be offered, which would still have a match savings account, but with less intensive case management and financial education. We understand that by lessening the case management and financial education we could undermine some of the best aspects of the IDA, which have been essential components to bringing people out of poverty. However, a demonstration project might look at whether an IDA lite is still able to accomplish many goals, but with lower costs, and greater ease for scaling up.

Matched 529s accounts

Instead of expanding IDAs, policymakers might consider rethinking 529s — adding in a match savings component. Existing 529s do not always provide appropriate incentives for low-income populations. However, some states are experimenting to develop 529 that work for low-income populations. Eleven states currently offer incentives (see <http://gwbweb.wustl.edu/csd/policy/index1.htm>). In 1999, the State of Maine set up a 529 program, called Nextgen College Investing Plan, that includes a matched savings account specifically targeted to low-income families. Studies of the program demonstrate that the matched savings component was an important incentive to get low-income people to enroll in the program. The match limit is relatively modest. For an overview of several 529 plans and the ways that they might be paired with IDAs see Clancy, 2003, *College saving plans and Individual Development Accounts: Potential for partnership*. (details Rhode Island, Maine, Michigan, Minnesota, Louisiana, Oregon, and Pennsylvania). Also, see Clancy & Sherradan (2003), *The potential for inclusion in 529 savings plans: Report on a survey of state's*. States can build off of existing vehicles and modify both 529 accounts and prepaid tuition to provide incentives for low-income to

save. States can also offer IDA tax credits. Steering committees should include members of the IDA community who have experience working with low-income populations.

ROTH IRA

ROTH IRAs are another vehicle for low-income people to save for education. The advantage of a ROTH IRA is that it is flexible to the changing needs of a low-income family since it can be used for any asset and there is no time limit. Clancy, Orzag, & Sherradan (2004) *College savings plans: A platform for inclusive savings policy*, describes the pros and cons of 529 vs. ROTH IRAs in more detail. One model that builds upon the ROTH IRA is Children's Savings Accounts.

Children's Savings Accounts

The New America Foundation and the Center for Social Development have been advocating for Children Trust Accounts/Children Savings Accounts, modeled on the plan in the U.K., where each child born is given a savings account for college. In the United States, accounts could be opened for all low-income children, for example. While some legislatures have considered this option, none has adopted it yet. A demonstration project called SEED is currently underway. See the website: <http://www.cfed.org/focus.m?parentid=31&siteid=288&id=288>. Our research supports the importance of SEED for offering education matched savings accounts. The following findings can be seen to support the SEED initiative:

1. Short time frame of the IDA vs. long term of SEED
2. Inability to roll into a 529 account vs. ability to roll SEED into 529
3. Administrative complexity of AFI IDA vs. options with less bureaucratic components in SEED

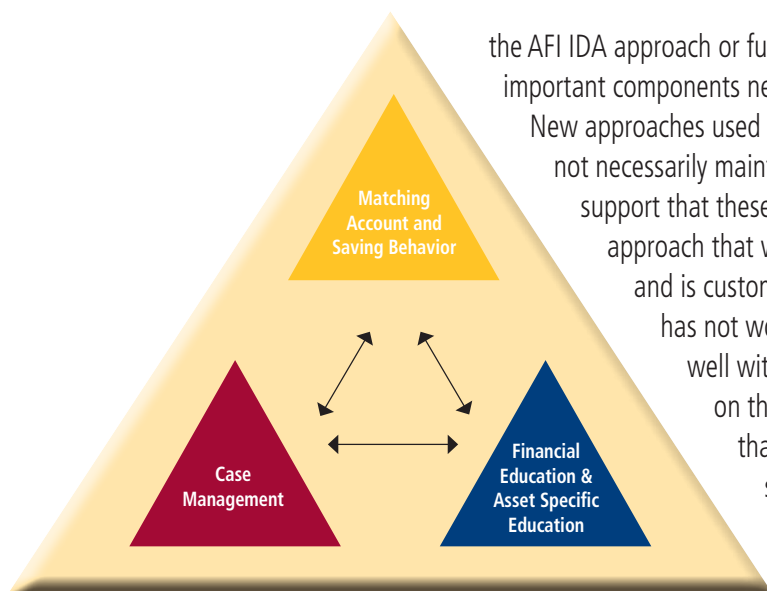
While all of these models seem more scalable approaches to match savings than IDAs, they do not provide financial education or case management, and they may not break the cycle of poverty. However, some states (such as Utah, Oklahoma, and Nebraska) are now introducing legislation that mandates financial education in the K-12 arena, which can help to address the issue of financial education at a much broader and more scalable level. We conclude by mentioning these other options because scale was such a major concern among postsecondary institutions and leaders. Our research suggests that the problems and challenges related to current AFI and some state education IDAs make exploring other options important to supporting low-income students.

Another approach: Disaggregating the IDA

Some states are having success scaling up education IDAs, as evidenced by the State of Oregon and other states that have chosen to explore other existing asset development tools such as Texas or Maine with the 529 program. Our research suggests another approach that might be successful in meeting the intent of the IDA without using



► **We understand that by lessening the case management and financial education we could undermine some of the best aspects of the IDA, which have been essential components to bringing people out of poverty.**



the AFI IDA approach or funding. The current AFI IDA is based on research about the important components necessary for asset development and moving out of poverty. New approaches used by the asset development field such as matched 529s do not necessarily maintain the integrity of the IDA and there is no research to support that these approaches meet the same goals. We recommend another approach that we believe maintains the integrity and concept of the IDA and is customized to the field of education. The asset development field has not worked with the field of education to craft a tool that works well within this setting. We offer this model as a way to capitalize on the existing and growing infrastructure for asset development that exists in higher education that was identified through our study. Our main modification in the approach from the AFI IDA is to think outside the current AFI model of offering the IDA as a single package. We believe the unique postsecondary infrastructure offers a way to provide all the components of the IDA without applying for and using the IDA federal program. The goals can be reached by capitalizing on existing resources and bringing them together in a more coherent manner.

1. **Case management** — The postsecondary education community is already fortunate in that it maintains an extensive case management infrastructure through the TRIO, GEAR UP, and the many hundreds of individual programs that exist for low-income, first-generation college students. TRIO and GEAR UP offer support around educational planning, career counseling, academic support, knowledge of scholarships — the college going knowledge necessary to be successful.
2. **Financial education** — The college support systems like TRIO and GEAR UP are building a strong base of support for financial education. Several conditions have changed in recent years to make financial education a priority in higher education, particularly among programs for low-income students. The recent Higher Education Opportunity Act includes language that defines financial literacy as a part of the core mission of Student Support Services programs and a required service of Upward Bound and Talent Search programs. From our survey we know that 50% of the TRIO programs currently offer financial education, some of which is focused on financial aid rather than the broader topic of financial literacy. In the last couple of years, GEAR UP has been developing a robust financial education curriculum, which was released in Fall 2008. The Higher Education Opportunity Act also included language that financial education was an allowable activity for funding in GEAR UP. The current political concerns over the general financial literacy among Americans has motivated policymakers to support and fund initiatives around financial education. On our website we highlight some of the innovative curriculum that have been developed by organizations such as the National Council for Community and Education Partnerships. Within the next few years, a rich, deep curriculum and resources will exist within postsecondary education.

3. **A matched savings device** — As noted in this report, in some circumstances the AFI IDA will be a useful matched savings device for postsecondary institutions through a local community partner, education nonprofit, or through their on campus foundation. However, we do not see this as the only mechanism for creating matched savings and encourage postsecondary institutions to think about and compare various mechanisms including:
- A. Private matched savings with scholarship money
 - B. Private matched savings with corporate or philanthropic funds
 - C. Matched 529s in the states they exist
 - D. No match, but encourage savings in a 529 or ROTH account

While the AFI legislation and some states provide funding for matched savings accounts, postsecondary institutions may decide to use scholarship funds as a match, and thereby obtain private funding and use other avenues to avoid the paperwork and bureaucracy of the AFI or state funds. (However, some of the state funds require less intensive tracking, broader uses of funds and more flexibility, therefore looking into variations in state matched funds is important.) In order to follow trends in state policies, please see: (<http://gwbweb.wustl.edu/csd/policy/index1.htm>) Matched 529s are another approach for obtaining match funds. Campuses may want to experiment with designing different ways for obtaining a matched savings account — thinking broadly. We know that when students actually save they learn financial literacy more deeply and the impact and outcomes are greater than financial education alone. Given the Pell grant, scholarships, and other resources, perhaps what is most important is to help students better manage the money they have and to create savings to get through emergencies, rather than see the IDA as a source to offset tuition.

In order to better coordinate these individual efforts at supporting low-income students and asset development and make a more synergistic approach, we recommend an invitational meeting with the following groups who we identified in our research as pivotal for moving this effort forward and helping make low-income students more successful:

- Council for Opportunity in Education/TRIO
- National Council for Community and Educational Partnerships/GEAR UP
- National Academic Advising Association (NACADA)
- College Board
- National Association of Student Financial Aid Administrators (NASFAA)
- National Endowment for Financial Education (NEFE), Decision Partners (designed an innovate financial education curriculum), and other related financial education groups



▶ **The college support systems like TRIO and GEAR UP are building a strong base of support for financial education. Several conditions have changed in recent years to make financial education a priority in higher education, particularly among programs for low-income students.**

- Leadership in the 529 community
- Leadership among individual college foundations (group that represents college foundations)
- Major scholarship organizations such as United Negro College Fund, Dollars for Scholars, Foundation for Independent Higher Education, Native American Scholarship fund, etc.
- Asset funder's network — to support some of the earlier recommendations about resources needed to grow the education IDA field.



► **One concern that has been raised in our research is that postsecondary institutions would not want to replace Pell grant money or state aid for low-income students with IDA money or other asset development tools such as matched 529s.**

The goal of the meeting would be to help people see their role in helping low-income individuals acquire appreciating assets and as financial educators.

One cautionary note

One concern that has been raised in our research is that postsecondary institutions would not want to replace Pell grant money or state aid for low-income students with IDA money or other asset development tools such as matched 529s. While this might be a way for the government to save money, the Pell grant program and various state aid programs are too important to substitute with a tool that has not yet been proven effective.

Summary

This section reviewed the major policy and practice changes necessary to make current IDAs more successful. Given the many changes needed to make IDAs amenable for education, it may make more sense or be more feasible to modify other existing tools such as 529s or ROTH IRAs or create a different tool for education such as Children's Savings Accounts. Furthermore, these other tools may be easier to scale up than IDAs, which are high-touch.

Section 11 – Need for demonstration projects and future research

As we began this research, we believed that there were many partnerships between postsecondary institutions and nonprofits to offer education IDAs and larger numbers of examples of varying program designs to offer education IDAs. When we discovered that few program designs or partnerships were in existence, we could not fully examine variations in program design or variations in partnerships in order to understand the efficacy of different arrangements. We established action research sites to examine scale, program design, and partnerships, but given the short time period of the grant project, we were only able to implement a few sites and unable to follow them into delivery and evaluate them. We hope a follow-up research project will be conducted on the State of Oregon’s efforts to offer IDAs, for example.

An important next step for understanding the potential of education IDAs is a demonstration project that sets up sites for study based on our findings and that examines impact, different program designs (including an examination of private IDAs, or IDAs without financial education), different types of partnerships (employer-based, regional or state collaboratives, TRIO-based, postsecondary offering on its own), and models of scale.

In each section below (impact, program design, and partnerships), we highlight the topics that demonstration projects could study and our hypotheses.

Impact

In order to determine the impact of IDAs, the following topics would need to be studied:

1. College going outcomes
 - A. Retention within early intervention programs
 - B. High school graduation
 - C. Grades
 - D. Enrollment in college

2. Compare IDAs with other interventions and tools
 - A. Compare a group of low-income students in a college access program that integrates IDAs with a randomized control group that does not have IDAs included and look at the college going outcomes mentioned above
 - B. Compare a program that integrates IDAs and a program that only integrates financial education without the matched saving

Hypotheses of the impact of IDAs:

- IDAs will increase college aspirations (SEED Initiative has some data already that suggests this is true — Elliott, Sherraden, Johnson, Johnson, & Peterson, 2007).
- IDA clients will have increased self-efficacy related to goals.
- IDAs will increase high school retention.
- IDAs will increase college going.
- IDAs will increase college retention when used with adults and with transfer students.
- There will be a more limited impact when the IDA is a stand-alone tool as opposed to when it is bundled with other services.
- All these outcomes are impacted by the program design and partnership issues described below, which is why they need to be studied in combination.

Program Design

In terms of evaluating program design, the following topics should be examined:

1. Different lengths of program
2. Different match amounts
3. Different amounts and types of financial education
4. IDAs bundled with other programs or services or as a stand-alone tool
5. Youth versus adults
6. Programs that are standardized for one population (youth or adult) versus programs that try to work with both youth and adults
6. Working with existing students versus working with aspiring students

Hypotheses of IDA program design:

- IDAs are better offered within a bundled set of services such as TRIO, rather than as a stand-alone tool.
- Longer-term programs work better for youth while shorter-term programs can work better for adults.
- Programs are more successful when they target either adults or youth populations rather than trying to serve both simultaneously.
- A larger match will result in greater high school retention, graduation, and college going.
- Financial education is more important for the retention of adult students.
- Financial education models must vary between youth and adults to be successful.
- Financial education customized to education savers will result in more positive program outcomes.
- Higher match rates will attract more postsecondary students and may be needed for successful program design.
- Existing studies of IDA programs have demonstrated that existing students save more and save more consistently for postsecondary education than non-students. If they have a strong goal and motivation, this adds to their efficacy.

Partnerships

In terms of partnerships the following topics should be examined:

1. Integration of IDAs into TRIO or other early intervention versus stand-alone programs partnering with a nonprofit
2. Examination of different postsecondary institutional types and ability to successfully offer IDAs
3. Offer IDAs through different postsecondary offices — financial aid, student advising, TRIO, and Centers for Working Families
3. Different campus-based configurations for offering IDAs — those made up primarily of one office and those that cut across a host of offices and create a team

Hypotheses of IDA partnerships:

- IDA programs offered by education nonprofits will have stronger outcomes than non-education nonprofits.
- IDAs offered by education nonprofits will have stronger outcomes than postsecondary institutions.
- A successful partnership model will be when the nonprofit offers the back-office work (tracking) and the education partner offers the direct service to students (asset-specific training).
- IDAs will have more successful outcomes for students at smaller institutions, particularly those with high numbers of low-income students, and where there is a dedicated mission to access and success among first-generation college students. These organizations will be more committed to successfully implementing the IDA, marketing it to students, and integrating IDAs and into their existing services.

Scale

We also believe that a separate and additional study needs to be conducted on issues of scaling up IDA programs. While scale is related to the program design and partnership issues, a study focused on the various models described in Section 9, is important to more clearly understand ways to scale up education IDAs. A comparison of a few state models like Oregon, national models like FIHE, and regional models like Compact for Success would be helpful for understanding the advantages and disadvantages of different approaches to scaling up IDAs. The key is for these models to move further along and to fund them as action sites to be tracked over a slightly longer time period.

Based on our data, we believe state models appear to have the greatest likelihood for success. Many states already have an infrastructure to support IDAs — such is statewide guarantors that might take on monitoring IDAs as part of their work. Our data suggest that statewide models that are connected to NCAN or other college access programs are likely to have the most success. National models are likely to encounter more problems and difficulties. However, if they are connected to statewide networks as the FIHE model is, some of these challenges can be overcome. Regional models are perhaps best in very large states such as California, where statewide models would be difficult to manage and create. While we have a variety of hypotheses, an experimental design study could further address which model would work best. Because our data was able to suggest some ideas for how to scale up education IDAs, conducting a demonstration project on program design and partnership approaches is probably the first important step to take.

We believe the IDA-PAYS study has established the need for and characteristics for future demonstration projects.

Section 12 – Postscript: Rethinking postsecondary commitment to low-income students — Lessons from studying IDAs

The IDA-PAYS study has much broader implications than demonstrating the potential of education IDAs for increasing access and success of low-income students. In reflecting on the lack of willingness of most postsecondary institutions to work with IDAs, the research team began to question the broader commitment among postsecondary institutions to the success of low-income students. Our study demonstrated that postsecondary institutions are largely structured to support upper- and middle-income students and that there are many practices and policies in place that create a culture in which low-income students will continue to be challenged and perhaps be less successful. Administrators, faculty, and staff are largely unaware of the hidden middle-class assumptions that prevent them from successfully serving low-income students. Some of these assumptions are that:

1. Low-income students do not have gap funding because of the Pell grant
2. Parents can cover funding outside of tuition
3. Books are affordable
4. Campuses do not need policies and practices that encourage low-income student success on campus because TRIO programs support low-income students
5. Low-income students should not contribute financially towards their education.

These biases are unintentional and not held from a point of malice, but they prevent campuses from understanding the true needs of low-income students. The collective values and beliefs of most campus staff and faculty are a disadvantage to low-income students and create a culture unsupportive of and uncommitted to low-income student success.

TRIO and GEAR UP staff are critical members of campus who need to be brought in to broader and strategic discussions about campus. TRIO and GEAR UP staff members often understand needed changes to help campuses better serve low-income students, but they are often ignored when it comes to broader policy. Most campuses believe that the TRIO program is the only place where low-income students need attention. TRIO staff are lodged within a larger campus culture established to serve upper- and middle class students and their suggestions for modifying the broader culture is often misunderstood or ignored. However, these staff members should continue the important work of noting needed innovations and changes on campus.

Our data suggests that postsecondary institutions may want to examine their culture (their underlying values and assumptions) if they want to successfully serve low-income students. Postsecondary institutions that aspire to better serve low-income students, may need to rethink some of their traditional commitments, values, views of partnership, roles and responsibilities, decision-making and planning processes, and programmatic efforts. How might postsecondary institutions think about ways their culture could change in order to be more successful with low-income students? In our study, organizations which supported low-income students operated differently and had changed their policies and practices that did not serve low-income students. We suggest a set of questions postsecondary leaders might ask themselves to reassess their culture (See Page 103).



► **The study findings also suggest the importance of projects such as the Lumina funded *Achieving the Dream Project* and the Ford Foundation funded *CUE Equity Model*.**

The study findings also suggest the importance of projects such as the Lumina funded *Achieving the Dream Project* and the Ford Foundation funded *CUE Equity Model*. In the *CUE Equity Model* project postsecondary institutions examine their policies and practices related to student success, particularly in serving underrepresented groups such as low-income students. *Achieving the Dream* campuses collect data about their practices, examine existing programs and services, and explore underlying processes and modify them to better serve students. Also, these types of practices frequently help campuses to examine their underlying culture and values (represented in existing practices and policies) and can lead them to deeper changes in organizational culture. The findings from our studying suggest that postsecondary institutions still need to undergo a cultural change in order to better serve low-income students. While we highlight a set of questions for leaders to begin thinking about the issue of organizational culture and how it impacts the success of low-income students, we believe that without an ongoing and systematic process campuses can not be successful in changing their culture.

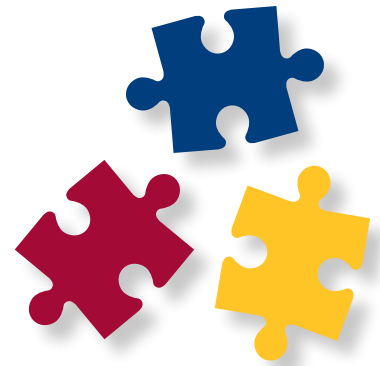
While our overall findings do *not* recommend cross-sector work as helpful for reaching the potential of education IDAs, we do believe that cross-sector work is essential for postsecondary institutions to alter their cultures in order to better work with low-income students. Campuses that formed relationships with community organizations began to fundamentally rethink their own policies and practices. While partnering with

Questions to assess campus culture for low-income students:

1. How are concepts from our outreach programs incorporated into broader campus policies and practices?
2. What are the underlying assumptions of our financial aid packaging process and how do they impact low-income students? How do we use merit aid? How much need-based aid do we offer in comparison to merit aid?
3. How can we experiment more with projects and programmatic ideas for helping low-income students? Have we assessed the current needs of low-income students?
4. Do we understand the challenges of foster care youth, single mothers, Native American students, and other varying populations that tend to be low-income?
5. Do we have a safety net for students who fall outside of financial aid such as students who have defaulted on loans, undocumented students, or students enrolled in non-degree granting programs?
6. Have we examined data on low-income students with regard to retention, transfer, and graduation? Do we understand why low-income students are not transferring to four-year institutions?
7. Do we have programs to help out in financial emergencies?
8. How might we address biases on campus that prevent us from offering financial education?
9. Do we have mechanisms to partner with relevant community agencies that help us better serve our students?
10. How many high-touch programs does our campus have for low-income students? Do they address the needs of adults and youth? Are they adequate? Do they take into account what we know about serving those in poverty?
11. Do we have mechanisms in place to help students balance work with school? Do we have services to help students find appropriate work? Have we used our work-study program to the best of our ability?
12. Do we have childcare facilities?
13. Do we connect with other organizations and resources that support low-income students?
14. How does shared governance or decision-making style stifle innovation? How do they stifle our responsiveness to low-income students or our ability to work with community agencies?
15. How do the values of autonomy and decentralization prevent postsecondary institutions from creating coordinated and team efforts that help make low-income students more successful by bringing together all of the important resources in one place? For example, what if colleges and universities staff were encouraged to rethink roles and responsibilities rather than work strictly within bureaucratic and hierarchical divisions?

community agencies was not necessarily efficient or even the most effective way to offer the education IDA, this process of partnering did allow postsecondary institutions to learn to serve low-income students in deep and fundamental ways that they may not have otherwise. Partnering with community agencies that are dedicated to working with low-income populations could be helpful to postsecondary efforts to better serve low-income students. We felt that it was essential to highlight this finding, even though it contradicts our recommendation, which is to have postsecondary institutions and education nonprofits offer IDAs. Some postsecondary institutions may believe that this type of learning is valuable enough that they will undergo the difficult and intensive work to partner with community agencies because they realize that changing their underlying values and beliefs around low-income students is important enough to invest this time and energy. Ultimately, we also believe that institutions should invest the time needed to create partnerships because the change in culture will ultimately benefit higher education as a sector.

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The IDA-PAYS website: <http://www.usc.edu/dept/chepa/IDApays/>.

This website is a comprehensive guide to help those interested in IDAs — education practitioners, IDA practitioners, researchers, and policy analysts. Please browse through our website to gain a better understanding of the project, education IDAs, and other related topics.

See [About the Project](#) for information on the research team and advisory board, a background of IDAs, an overview of our research, and funding.

For IDA and education practitioners interested in education IDAs, find out more under the [Resources](#) link. Here we have posted our resources on education IDAs, program design, applying for a grant, and financial and asset-specific education.

For researchers and policymakers check out the [Publications](#) link to view the final report, financial aid paper, and other papers we have written for this research project. We have also collected key publications on education IDAs from other organizations.

To email the research team visit [Contact Us](#).

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