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Individual Development Accounts Program

Sec. 31-51ddd-1. Definitions

As used in sections 31-51ddd-1 through 31-51ddd-16, inclusive, of the Regulations of Connecticut State Agencies:

(1) “Account Holder” means “account holder” as defined in section 31-51ww of the Connecticut General Statutes;

(2) “Adjusted gross income” means “adjusted gross income” as defined in subsection (a) of section 12-701 of the Connecticut General Statutes;

(3) “Approved plan” means “approved plan” as defined in section 31-51ww of the Connecticut General Statutes;

(4) “Area median income” means “area median income” as defined in section 31-51ww of the Connecticut General Statutes;

(5) “Certified state IDA program” or “program” means “certified state IDA program” as defined in section 31-51ww of the Connecticut General Statutes;

(6) “Clearinghouse” means “clearinghouse” as defined in section 31-51ww of the Connecticut General Statutes;

(7) “Community-based organization” means “community-based organization” as defined in section 31-51ww of the Connecticut General Statutes;

(8) “Department” means the Labor Department;

(9) “Earned income” means any compensation payable by an employer to an employee, including but not limited to wages, salaries, commissions, bonuses, and tips, earnings from self-employment or contractual agreements, and Earned Income Tax Credit refunds.

(10) “Education” means “education” as defined in section 31-51ww of the Connecticut General Statutes;

(11) “Emergency withdrawal” means a withdrawal by an account holder from those funds deposited by the account holder in his individual development account due to a personal crisis, including but not limited to, illness, eviction, potential foreclosure, job loss or urgent family reasons;

(12) “Entrepreneurial activity” means “entrepreneurial activity” as defined in section 31-51ww of the Connecticut General Statutes;

(13) “Federal poverty level” means “federal poverty level” as defined in section 31-51ww of the Connecticut General Statutes;

(14) “Financial institution” means “financial institution” as defined in section 31-51ww of the Connecticut General Statutes;

(15) “Household” means “household” as defined in section 31-51ww of the Connecticut General Statutes;

(16) “Individual development account” or “IDA” means “individual development account” as defined in section 31-51ww of the Connecticut General Statutes;

(17) “Individual Development Account Reserve Fund” means “Individual Development Account Reserve Fund” as defined in section 31-51ww of the Connecticut General Statutes;

(18) “Job training” means “job training” as defined in section 31-51ww of the Connecticut General Statutes; and

(19) “Qualified disabled individual” means “qualified disabled individual” as defined in section 31-51ww of the Connecticut General Statutes.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-2. Eligibility requirements for account holders

(a) To participate in a certified state IDA program, an individual, at the time of application, shall be a member of a household located in Connecticut whose adjusted

gross income is not in excess of eighty per cent of the area median income for the area in which the individual resides and shall:

- (1) have earned income; or
- (2) be a qualified disabled individual as defined in subdivision (19) of section 31-51ddd-1 of the Regulations of Connecticut State Agencies.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-3. Selection criteria

In the selection of account holders, a community-based organization shall use its best efforts to ensure that at least thirty percent of the individual development account holders have earned income at or below two hundred percent of the federal poverty level.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-4. Permissible savings goals of individual development accounts

Individual development accounts shall only be established for one of the following purposes:

- (1) the costs of education or job training;
 - (A) Education costs for an account holder are all costs which are necessary for the enrollment and successful completion of a program of education, as defined in subdivision (10) of section 31-51ddd-1 of the Regulations of Connecticut State Agencies, including but not limited to tuition, fees, books, supplies and equipment.
 - (B) Job training costs for an account holder are all costs which are necessary for the enrollment and successful completion of a job training program, including but not limited to tuition, fees, books, supplies and equipment.
- (2) the costs of purchasing a home as the account holder's primary residence, which costs shall not exceed one hundred-twenty percent of the average area purchase price applicable to such residence, and may include but not be limited to the costs of acquiring, constructing, or reconstructing a residence, including any usual or reasonable settlement, financing, or other closing costs;
- (3) the participation in or development of a new or existing entrepreneurial activity for which a business plan has been developed with the direct or indirect assistance of the community-based organization.
- (4) the purchase of an automobile for the purpose of obtaining or maintaining employment; or
- (5) the purchase of a lease deposit on the account holder's primary residence.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-5. Support services

Each community-based organization operating a certified state IDA program shall provide the following services to an account holder:

- (1) Credit history assessments;
- (2) Assistance in credit repair and on-going credit stability;
- (3) General financial education approved by the department;
- (4) Training specific to the permissible savings goal selected by the account holder; and
- (5) Case management for account holders, which includes, but is not limited to, the following:
 - (A) Assisting account holders to develop and revise, as necessary, their approved savings plans to achieve asset-building goals;

(B) Providing crisis intervention for account holders in emergency situations; and
 (C) Reviewing with account holders their monthly account statements and providing counseling as appropriate.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-6. Individual development account reserve fund

(a) The department shall establish and administer an Individual Development Account Reserve Fund for the following purposes:

(1) to provide grants to community-based organizations that are operating certified state IDA programs. The grants shall:

(A) provide matching funds for the individual development accounts;

(B) assist the community-based organizations in providing training, counseling and case management for account holders; and

(C) be utilized for the administration of the program by the community-based organization;

(2) to provide funds for the department's administrative expenses and evaluation of the Connecticut IDA Initiative by the department; and

(3) for the operation of the clearinghouse.

(b) Private contributors may designate no more than ninety per cent of their contributions to the Individual Development Account Reserve Fund to a specific community-based organization's program.

(c) Any funds issued from the Individual Development Account Reserve Fund for matching funds on behalf of individual account holders shall have a matching rate of at least one dollar for every dollar deposited in the account by the account holder, but shall not exceed two dollars for every dollar deposited in the account by the account holder. Funds used for such matching purposes shall not exceed one thousand dollars per account holder for any calendar year, or three thousand dollars per account holder for the duration of the account holder's participation in the program.

(d) No more than five percent of the total funds received by the community-based organization from the Individual Development Account Reserve Fund may be used for the costs of program administration; and the combined cost of training, counseling, case management and administration shall not exceed fifteen percent of such total funds.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-7. Establishment and maintenance of local reserve fund

A community-based organization shall establish, through written governing instruments with a financial institution, a separate local reserve fund into which the department shall deposit funds granted to the community-based organization from the Individual Development Account Reserve Fund and in which the community-based organization shall deposit any funds received for the program from any other source.

(a) **Successful completion.** When the account holder has deposited sufficient funds in the individual development account to meet the savings goals specified in the approved savings plan, the community-based organization shall pay such amount together with the matching funds, plus interest earned, from the community-based organization's local reserve fund directly to the person or entity providing the goods or services. The community-based organization shall ensure that the expenditure by or on behalf of the account holder is lawful and prudent.

(b) **Termination by account holder.** When an account holder notifies the community-based organization of his desire to terminate his participation in the program prior to completion, the community-based organization shall return to the account holder those funds, plus interest earned, deposited by the account holder in his individual development account and any matching funds, plus interest earned on the matching funds, shall be forfeited. The community-based organization shall be required to return such matching funds, and interest earned, for redeposit in the Individual Development Account Reserve Fund not later than December 31st of each year, except as provided in section 31-51ddd-9 of the Regulations of Connecticut State Agencies.

(c) **Termination for non-performance.** When matching funds from the Individual Development Account Reserve Fund have not been paid out by the community-based organization to a permissible savings goal on behalf of an account holder due to the account holder's failure to make deposits in accordance with the approved savings plan within five years of the date of the establishment of such account, the matching funds from the Individual Development Account Reserve Fund, plus interest earned, shall be returned by the community-based organization to the department within thirty days of the termination of the account for redeposit in the Individual Development Account Reserve Fund.

(d) **Community-based organization unable to continue program.** When the community-based organization operating the certified state IDA program determines that it is unable to continue operating the program, the community-based organization shall immediately contact the account holders and the department and initiate the contingency plan on record with the department. The community-based organization shall also notify the financial institution in which the organization has established the individual development accounts and local reserve fund.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-8. Leaves of absence

An account holder may request a leave of absence for reasons including, but not limited to, illness, eviction, death, divorce, loss of employment. The community-based organization may grant an account holder a leave of absence for up to two years within the five-year maximum duration of the account holder's participation in the program. Where an account holder does not return to the program upon exhaustion of an approved leave of absence, the community-based organization shall return any savings deposited by the account holder, plus interest earned, to the account holder.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-9. Emergency withdrawals

An account holder may request an emergency withdrawal, as defined in section 31-51ddd-1 of the Regulations of Connecticut State Agencies. The community-based organization may grant an account holder's request for an emergency withdrawal. When a request for an emergency withdrawal has been granted, the withdrawal is limited to those funds, plus interest earned, deposited by the account holder. When the account holder makes an emergency withdrawal, the community-based organization may retain the matching funds, plus interest earned, for the account holder in its local reserve fund until the account holder either redeposits the withdrawn funds, or leaves the program.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-10. Reporting requirements

(a) A community-based organization whose program has been granted certification shall report to the department no later than November 1st of each year in a manner prescribed by the department. The report shall include (1) the number of individual development accounts established and their status; (2) verification that deposits are being made by the account holders pursuant to the approved savings plan; (3) the balance and sources of funding in the community-based organization's local reserve fund, and (4) all matching fund activity.

(b) The community-based organization shall provide such additional information as required by the department.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-11. Approved plan

(a) The community-based organization operating a certified state IDA program shall be required to enter into an approved plan with each account holder.

(b) The approved plan shall contain the following requirements:

(1) a provision that the community-based organization shall establish in a timely manner an individual development account on behalf of the account holder;

(2) a provision that the account holder's participation in the program shall not extend beyond five years from the date of the establishment of such account;

(3) a deposit plan specifying the amount, form and schedule of deposits to be made by the account holder;

(4) the rate at which the account holder's deposits will be matched;

(5) the permissible savings goal for which the account is maintained;

(6) a provision that the community-based organization shall provide financial literacy training approved by the department;

(7) a provision that the account holder shall attend the financial literacy training;

(8) a provision that the community-based organization shall provide asset-specific training based upon the permissible savings goal;

(9) a provision that the account holder shall attend the asset-specific training;

(10) an explanation of the withdrawal policies, including the policies governing withdrawal of savings upon completion of the program, early withdrawal due to an account holder's decision to leave the program, termination of account due to non-performance by the account holder, and emergency withdrawals;

(11) a provision that the account holder may request an emergency withdrawal or leave of absence;

(12) a provision allowing for the development of a contingency plan in the event the account holder exceeds or fails to meet the savings goals outlined in the agreement;

(13) a provision that the community-based organization shall implement the contingency plan on record with the department in the event the organization is no longer able to operate the program;

(14) a provision that any agreement for the investment of assets shall be at the direction of the account holder after consultation with the community-based organization;

(15) a provision that the community-based organization shall not require an account holder to make any purchase or enter into any commercial transaction with a specific individual, business, financial institution or other entity.

(16) a provision designating one or more beneficiaries of the funds, plus accrued interest, deposited by the account holder in the individual development account in the event of the account holder's death;

(17) a provision that the agreement may be modified only with the concurrence of the community-based organization and the account holder.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-12. Financial institutions

(a) A community-based organization operating a certified state IDA program shall be required to enter into a written governing instrument with a financial institution.

(b) The written governing agreement shall provide for (1) the establishment of individual development accounts in the form of Trust or Custodial Accounts for the benefit of the account holders, which conform to the requirements of the Assets for Independence Act, Public Law 105-285, as amended from time to time, and into which accounts the account holders shall make deposits; (2) an assurance that the financial institution shall pay at least a market rate of interest on the individual development accounts; and (3) an assurance that the financial institution shall not require an account holder to make any purchase or enter into any commercial transaction with a specific individual, business, financial institution or other entity.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-13. Certification and review process

(a) A community-based organization seeking certification of its existing or proposed IDA program shall submit its request to the department. The request shall include:

(1) evidence of the community-based organization's exempt status from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986 or any subsequent corresponding provisions of the internal revenue code of the United States, as from time to time amended;

(2) a plan outlining the community-based organization's proposed or existing IDA program which shall satisfy the requirements of sections 31-51ddd-1 through 31-51ddd-16, inclusive, of the Regulations of Connecticut State Agencies;

(3) a description of the community-based organization's proposed process of selecting account holders;

(4) a financial budget specifying the costs of training, counseling, case management, and administration of the program, provided such budget contains an assurance that no more than five percent of the total funds received from the IDA Reserve Fund are to be used for the costs of program administration and no more than fifteen percent of such total funds are to be used for the combined costs of training, counseling, case management and program administration;

(5) a description of the organization's accounting procedures, including whether the community-based organization participates in Generally Accepted Accounting Principles;

(6) any history the community-based organization has had in successfully operating individual development account programs and a detailed description of such programs;

(7) a description of the manner in which the community-based organization presently coordinates with other local organizations;

(8) a description of how the community-based organization will publicize the program;

(9) a description of the community-based organization's procedures and timelines for the establishment of the individual development account to ensure that such establishment is sufficiently expedient to safeguard the account holder's interest.

(10) a description of its procedures for monitoring account holder deposits and matching funds deposits; and

(11) a description of the community-based organization's contingency plan in the event the community-based organization is no longer able to operate the program. Such contingency plan shall include but not be limited to: (A) a requirement of immediate notice to all account holders and the department; and (B) all actions the community-based organization shall take to ensure the orderly closing of the program.

(b) The department shall review the request for certification and notify the community-based organization in writing whether the organization's request for certification has been approved or disapproved. Any notice of disapproval shall include the reasons for the disapproval. The department's determination shall be final. A community-based organization may resubmit a request for certification once the basis for the department's denial of certification has been removed.

(c) The department shall review certified state IDA programs on an annual basis.

(d) The department may conduct site reviews of any individual development account program at any time for compliance with applicable statutes, regulations and contracts.

(e) Community-based organizations operating certified state IDA programs shall provide the department with full access to any program records upon request.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-14. Suspension and decertification process

(a) The department may suspend or decertify a community-based organization's program for non-compliance with applicable statutes, regulations and contracts.

(b) When the department suspends or decertifies a community-based organization's program, the organization may request reconsideration by the Labor Commissioner of such suspension or decertification. The Labor Commissioner's decision shall be final. A community-based organization may request in writing a reinstatement of the program where a community-based organization has shown to the satisfaction of the department that the basis for the suspension or decertification no longer exists.

(c) A community-based organization whose program has been suspended or decertified shall not participate in the solicitation process until the program has been reinstated.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-15. Solicitation for funding grants

(a) The department shall publicly solicit proposals for grants from available funds in the Individual Development Account Reserve Fund from community-based organizations to operate certified state IDA programs.

(b) The department shall review all proposals and notify the community-based organization in writing whether the proposal has been accepted or rejected.

(c) In its review of proposals, the department shall, to the extent possible, consider the geographic location of the community-based organization.

(Adopted effective October 1, 2002)

Sec. 31-51ddd-16. Application and implementation

When an individual believes that he has been unfairly denied access to a certified state IDA program or otherwise treated inequitably as an account holder, the individual may complain to the department no later than thirty days after the alleged injury.

The department shall investigate the complaint and shall attempt to informally resolve it. Where applicable, the department may refer the individual to the appropriate state or federal agency for potential relief.

(Adopted effective October 1, 2002)