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Programs help low-income people save

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OLYMPIA - Three years ago, after an unexpected pregnancy and a disastrous marriage, Wendy Stauffacher found herself alone with her kids in Spokane, struggling to get by.

After living on welfare for a while, she found work as an X-ray technician. It paid just enough to support herself and the three kids. The family was squeezed into a two-bedroom, one-bath apartment.

Then Stauffacher found out about a way to triple any money she could save.

It's called an Individual Development Account. It's a state-funded program to help low-income people save money for a home, business or college degree. The state - and sometimes the federal government or private donors - matches a person's savings up to \$2 for every dollar set aside.

The idea, proponents say, is to encourage savings, teach people how to handle their money and get them to spend it on a lasting asset. In the last four years, nearly 700 low-income people state-wide - many of them former welfare recipients - have enrolled in Individual Development Accounts. Scores have used the money - a maximum of \$2,000 from them plus \$4,000 in matching dollars - to help buy homes. Dozens more have opened businesses or gone to college.

"This helps give people a jump-start, but it doesn't give them a handout," said Kerri Rodkey, economic development coordinator for the Spokane Neighborhood Action Programs, which runs the program locally. The goal, she said, is to keep people from falling back on the welfare system, which is far more expensive.

Higher-income people have government-blessed incentives to save, such as tax-deferred company 401 (k) plans or tax deductions for mortgage interest, she said. Individual Development Accounts are a savings incentive for poor people.

State lawmakers are now weighing whether to continue the four-year-old program, which expires in June. House Bill 1408 would extend the program with \$3 million over the next two years. It also would expand savers' options, allowing them to spend their money on a computer or a car.

The bill has survived two critical hurdles and is awaiting a vote in the full House of Representatives. Sponsors include Rep. Timm Ormsby, D-Spokane, and - for a similar Senate bill - Sen. Lisa Brown, D-Spokane.

Idaho is trying to start its first statewide Individual Development Account program this spring. United Way of Treasure Valley applied for a \$500,000 grant last week to distribute among Community Action Partnership programs that will select qualified people to participate, said Gaye Bennett, United Way community impact director. She's counting on approval to launch the program in May.

Mountain States Group, a nonprofit organization in Boise, has offered a similar program to refugees in Boise and Twin Falls for nearly five years. Anita Brunner, program coordinator, said 299 people from Bosnia to the Congo have settled in Idaho and earned \$2 for every \$1 they've saved to buy or remodel homes, pay school tuition or purchase cars. The U.S. Office for Refugee Resettlement has contributed \$974,871 over the five years to match the participants' savings, but the grant ends in September.

That money bought 29 homes and 175 cars, remodeled five homes and paid tuition for eight students.

"We've had a booming and popular program," Brunner said. "It's a killer to turn people away now."

Stauffacher heard about the program through SNAP. She was stunned to learn that she could get a

two-for-one match for her savings.

But saving money wasn't easy. She was living paycheck to paycheck. The family's car desperately needed repairs. The kids wore thrift store clothes. Cable TV was out of the question, and ordering a pizza was a rare luxury.

"There were some months when I would only put \$10 in," she said. "It was a drop in the bucket."

People who open the accounts must save at least that much each month. They must maintain the savings account for at least six months and no more than three years. They must take financial-skills classes.

If they're starting a business, they have to take business classes and work up a business plan. For a home, there are real-estate classes. And aspiring college students must meet with a counselor to discuss their classes and future.

They're taught, Rodkey said, "how to stop their money from just kind of frittering away" on lattes, lunches, soda from machines and things children demand at a store. "They're the kind of purchases where you leave home with \$10 in your pocket and come home with \$1, and you really don't know where it went," Rodkey said.

Month after month, Stauffacher saved up, until she had about \$1,000, plus \$2,000 in matching dollars. The family looked around and found a great deal on a 30-year-old home that had been repossessed. Today, Stauffacher, her new husband and four children live in the six-bedroom, three-bath house.

There are now more than 500 IDA programs in at least 34 states, according to the Center for Social Development at Washington University in St. Louis.

In the Spokane region, about 179 people have enrolled since 2001. Rodkey said applicants tend to be one of two types: either they grew up in chronic poverty, never learning much about saving, or they were thrown into poverty by a divorce, lost job or medical problems.

Due to Spokane's relatively low wages, many of the savers have discovered that they can go into business for themselves and earn more, Rodkey said. IDA savers in Spokane have started businesses in commercial janitorial work, tile- and bricklaying, massage therapy, art glass, beauty salons, health food, interpreting, pet food and flower-growing.

Margarita Vera said that as a child she never learned much about saving. Her mother would save dimes in a piggy bank to pay for visits to Mexico.

So when a counselor mentioned the savings plans to Vera, Vera just laughed and said she had no money to save.

"She told me 'Just save \$25 a month,' " Vera said. "And it added up and added up."

In fact, it added up to \$2,000 - plus a \$4,000 match from the state. Vera and her husband, a truck mechanic, met with a business planner, worked out a plan, and finally spent the money on a used truck and some repair equipment. The couple launched a mobile-repair business for big-rig trucks. He does the repairs; she works part-time at a women's shelter and does the book-keeping for the repair business.

"And we're doing really, really good," Vera said. "We're totally blessed."

The program is smart for government, she said. She and her husband can now afford to buy their own health insurance. They pay business taxes. It's a huge change for a family that, just a few years ago, was homeless.

"The business is coming in. Life is good," said Vera, who's gone on vacation to New York and Las Vegas. "I wake up every morning and go 'Wow. Whose life am I living?' "

