

# MICHIGAN IDA PARTNERSHIP: YEAR 3 PROGRAM EVALUATION REPORT

## EXECUTIVE SUMMARY

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Authors:

Jan L. Losby  
Jill R. Robinson

Project Administrator:

John F. Else



**ISED Solutions**

1900 L. Street NW, Suite 705  
Washington, DC 20036

Phone: (202) 223-3288

Fax: (202) 223-3289

Website: [www.ised.org](http://www.ised.org)

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## **DISCLAIMER**

The views expressed in this report are those of the authors and may not reflect the views of the Michigan IDA Partnership, which funded the evaluation.

## EXECUTIVE SUMMARY

### INTRODUCTION

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Individual Development Accounts (IDAs) are matched saving accounts designed to help low-income and low-asset families accumulate a few thousand dollars for high-return investments such as homeownership, education, and business ownership. The Michigan IDA Partnership (MIDAP) was created in 2000 to develop a statewide IDA program in Michigan. MIDAP is a partnership between the State of Michigan Family Independence Agency (FIA) and the Council of Michigan Foundations (CMF). Currently there are 56 program sites and 5 regional coordinating organizations (RCOs). As of June 30, 2003, 1,063 participants had enrolled in MIDAP—this number includes everyone who was ever entered into MIS IDA. Participant savings of up to \$1,000 are matched by \$2 for education and small business and \$3 for homeownership for every dollar saved by the participant.

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

- What are the characteristics of program participants?
- What are the participants' savings patterns, use of program services, and outcomes?
- What are the participants' patterns of utilization of public benefits?
- How do participants assess the IDA services?
- How has involvement with the IDA program affected the participants?
- What are the differences between participants who complete the IDA program and those who do not?

This brief summary is intended to outline the major highlights from the third year's program evaluation. For more complete details please refer to the full report entitled *Michigan IDA Partnership: Year 3 Program Evaluation Report*, Losby, & Robinson, ISED Solutions (2004).

### ACHIEVEMENTS

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The Michigan IDA Partnership continues to do a noteworthy job of providing IDA services statewide. After 27 months of program operation, participants are overwhelmingly pleased with the services they receive—both graduates (i.e., people who made an approved matched withdrawal) and non-graduates (i.e., people who stopped participating in the program). One person said, "It is great having someone guiding you through the steps of purchasing a house, someone there to help me out with matched funds which is a huge incentive. It made 'someday' turn into reality." Even non-graduates are mostly positive about their experiences. One person explained, "I didn't want to stop, but I wasn't able to put money into the account every month."

Based on the findings, it is clear that there are positive benefits to participating in the MIDAP Program—knowledge of and taking action to manage household finances and improved planning for the future—and this holds true even for people who did not make an asset purchase. For example, non-graduates are creating and keeping budgets, paying attention to their credit and taking steps to improve it, and feeling more confident about their future. The commitment to

save continues even after people graduate or leave the MIDAP Program. One hundred percent of the graduates and 92 percent of the non-graduates have current savings.

An important programmatic achievement is the considerable improvement that has been made in the quality of data collected in MIS IDA in this past year. Participant account activity, funding sources and match rates, and matched withdrawal data are much more complete and accurate for this year’s evaluation report, and duplicate records have been removed from the system. It is clear from the improved state of the database that MIDAP made a concerted effort to make cleaning up MIS IDA a priority. This is especially commendable because entering and maintaining data accurately is a time-consuming process.

**SUMMARY OF FINDINGS**

This year’s evaluation consists of two components: a survey of 100 former participants and an outcome study using MIS IDA (the IDA participant tracking software) and FIA data from all program sites. The findings from each of these components are summarized below.

<b>PARTICIPANT SURVEY STUDY</b>	
<b>SAVING BEHAVIOR</b>	<ul style="list-style-type: none"> <li>• 78% of graduates had checking account before participating in MIDAP and now 92% have them.</li> <li>• The most common strategy for both graduates and non-graduates to set aside money for IDA deposits by using resources more efficiently such as shopping for food more carefully. However, non-graduates (20%) are significantly more likely than graduates (2%) to postpone paying bills as a strategy for saving.</li> <li>• 100% of the graduates and 92% of the non-graduates currently have a savings goal.</li> <li>• 42% of the graduates and 24% of the non-graduates continue to save a regular amount each month after participating in MIDAP.</li> </ul>
<b>SERVICES</b>	<ul style="list-style-type: none"> <li>• For over 30% of respondents this was the first time they learned about balancing a checkbook, keeping a household budget, and managing debt.</li> <li>• One proxy for financial health is not bouncing checks. Before participating in MIDAP, 58% of graduates reported bouncing checks. After participating in MIDAP, only 19% reported bouncing checks. Non-graduates also reported a decrease—from 56% to 25%.</li> <li>• There are improvements in credit scores from the time of enrollment to exit. Improvements range from 12% to 23% depending on the credit vendor. A higher credit score means a person is more likely to receive a mortgage or loan.</li> <li>• Negative opinions of IDA services are related to making homeownership classes mandatory that really do not apply to all participants, the perception that homeownership is the primary goal for everyone, and the content of some classes.</li> <li>• 98% of all respondents would recommend the program to a friend—which is quite remarkable considering some of the non-graduates were asked to leave the program.</li> </ul>
<b>EFFECT HAVING IDA HAS ON LIFE</b>	<p><b>POSITIVE EFFECTS</b></p> <ul style="list-style-type: none"> <li>• Over 90% of respondents are more aware of their credit rating—98% of non-graduates and 92% of graduates.</li> <li>• 94% of non-graduates and 88% of graduates are more likely to create and use a budget.</li> <li>• 86% of graduates and 82% of non-graduates agree or strongly agree that they are more likely to work for pay or to stay employed since participating in the MIDAP Program.</li> <li>• Over 90% of graduates have their basic needs met—working utilities, a place to live, a telephone, and enough food.</li> </ul>

<b>PARTICIPANT SURVEY STUDY (continued)</b>	
<b>EFFECT</b>	<b>NEGATIVE EFFECTS</b>
<b>HAVING IDA HAS ON LIFE</b>	<ul style="list-style-type: none"> <li>• More non-graduates do not have enough to food (30% compared with only 8% for graduates).</li> <li>• Purchasing clothing is the greatest challenge for both groups (58% for non-graduates and 36% for graduates).</li> <li>• Roughly 20% of graduates and non-graduates postpone going to the doctor or dentist.</li> <li>• Non-graduates are significantly less likely to save in ways other than their IDA and more likely to have to give up food or other necessities in order to save than graduates.</li> </ul>
<b>QUALITY OF LIFE</b>	<ul style="list-style-type: none"> <li>• The two groups are most different in their satisfaction of the quality of their relationship with their spouse/partner (97% for graduates and 82% for non-graduates).</li> <li>• 92% of the graduates and 78% of the non-graduates are satisfied with their current housing.</li> <li>• 72% of graduates are satisfied with their current financial situation compared with only 52% of non-graduates.</li> </ul>

<b>OUTCOME STUDY</b>	
	<p>In 27 months, the MIDAP Program has achieved the following outcomes as of June 30, 2003:</p> <ul style="list-style-type: none"> <li>• 1,021 participants (99% of those with account data) have made at least one savings deposit, with an average of \$1,077 in total deposits (which includes people who have made deposits over the \$1,000 cap and people who have made withdrawals for emergencies).</li> <li>• If we look at only the 623 people who did not save over the \$1,000 maximum and did not make any unmatched withdrawals, the average total deposit amount is \$480.</li> <li>• 142 participants (14% of those with account data) have made at least one matched withdrawal, with average total matched withdrawals of \$892. 111 participants also accumulated extra savings in their IDAs beyond the amount matched by the program, with an average of \$120 in additional savings.</li> <li>• Of the 142 participants who have made matched withdrawals, 68% (96 people) purchased homes, 21% (30 people) made small business purchases, and 11% (16 people) used their savings to pay for education. Matched participant savings for these purchases totaled \$126,724; additional savings beyond the matched amount totaled \$13,357. Including match funds of \$2 or \$3 for every dollar saved, the grand total used to purchase assets was \$501,009.</li> <li>• 297 participants (29%) have made at least one unmatched withdrawal, with average total unmatched withdrawals of \$431. An unmatched withdrawal means a person withdrew their savings from their IDA for a purpose other than their asset goal. Program rules allow for unmatched withdrawals in emergency circumstances, for example to pay for a medical bill, and participants can remain in the program. In fact, almost one-quarter of the participants who have made unmatched withdrawals are still active in the IDA program.</li> </ul>

## RECOMMENDATIONS

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The program is very solid and we found few areas for concern. Our primary recommendation is to continue with the practice and policies that been instituted because they are working given the findings. We offer recommendations in effective practices and data collection and management.

### EFFECTIVE PRACTICES FOR OPERATING AN IDA PROGRAM SITE

- **It is clear that respondents are aware of eligibility and participation rules.** The 11 non-graduates who were asked to leave the program all understood the reason they were expelled and they all thought this was a reasonable rule. Though this is a very small sample, this finding shows that program staff are clearly explaining the program to individuals. Our recommendation is to continue this practice.
- **Encourage program sites to have direct deposit saving accounts for their participants.** As was true last year, participants who use direct deposit for their IDAs have a greater number of total deposits and a greater number of deposits per month than participants who do not have direct deposit. However, last year 24% of participants had direct deposit; this year only 11% do. We do not know if fewer employers are offering direct deposit as an option; we only know that fewer participants have direct deposit. Program staff need to encourage participants to use the direct deposit option if their employer offers it.
- **Carefully consider class offerings and their fit with saving goal.** Like last year, consider making the financial literacy training the standard for all participants to attend at the outset of program participation and then direct people to “asset-specific” trainings.
- **Clearly identify which asset goals are available.** Participants must be informed up front about which asset saving goals are provided by their program. They feel that choosing education or microenterprise may not be as highly valued by staff as is homeownership. People are discouraged when their chosen goal does not receive the same amount of support and encouragement.
- **Recognize reasonable limits for program sites.** It must be recognized that all sites do not have the capacity or the relationships to offer all three asset goals. Twenty-five percent (or 14 of the 56 programs) only offer housing assistance. The remaining 75 percent offer at least two asset goals through internal staff expertise or referrals to existing community resources.

### DATA COLLECTION AND MANAGEMENT

- Continue to provide sites and RCOs with support for MIS IDA training and technical assistance and for sufficient staff time to enter data. Adhere to procedures for ensuring that data are entered in a timely manner. Continue to use tools such as MIS IDA and MIS IDA QC<sup>1</sup> reports to detect and correct discrepancies.
- We recommend clarifying the policy for all program sites to collect participant credit reports and credit scores at MIDAP enrollment. This is a valuable tool to track the amount of change that occurs from the time of enrollment to any point in the future—which is an important program effectiveness measure.

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<sup>1</sup> MIS IDA QC is a supplemental information system developed by the Center for Social Development at Washington University in St. Louis to identify some of the more common data errors in MIS IDA.