

# **NPTHA**

## **Individual Development Account (IDA)**

### **Program Policy**

#### **SECTION I: PROGRAM DESCRIPTION**

A. Purpose: The NPTHA Individual Development Account (IDA) Program is designed to make it easier for lower-income families to reach their financial goals for homeownership and developing economic independence. In order to accomplish this goal, the Program design addresses three main areas:

1. Development of Positive Savings Habits;
2. Financial Literacy and Homebuyer Education Training and One-on-One Counseling;
3. Asset Building.

B. Participation in the IDA Program is contingent on four factors:

1. Tribal Membership;
2. Attendance of Homebuyer Education or Homeowner's Maintenance;
3. Monthly Deposits in the IDA account.
4. No early withdrawals, even for emergencies, are permitted.

C. In order to obtain the match money from the IDA Program, participants must attend the required classes and make regular deposits into a savings account. If a participant is planning on missing a session, they will be required to contact the Homebuyer Counselor and provide a reasonable explanation for the absence. In addition, the participant will have to meet with the Homebuyer Counselor to catch them up on the material that was discussed in the session they missed. In no case can a participant miss a class without making it up. Furthermore, participants will only be able to access the match money if they make regular monthly deposits. Consequences for missing monthly payments are as follows:

1. If participant misses one month, they will be required to write a letter to the Housing Counselor explaining why that deposit was missed. In addition the participant will be required to make up the deposit within the next two months along with making the regular monthly deposit.
2. If a participant misses two months (consecutive or non-consecutive) they will receive a letter from the Housing Counselor informing them that they need to come and meet with the Housing Counselor to determine why the payment was missed and to formulate a revised plan that will allow them to make up the payments within two months. If the participant does not create a revised plan or fails to catch up on their deposits under a revised plan, they will not be able to access the match money.

3. If a participant misses three months (consecutive or non-consecutive), they will be given a written letter and phone call informing them that they are no longer eligible for the IDA Program. They will, however, be given an opportunity to meet with the Housing Counselor to develop a plan that will work better for their individual situation may be eligible for participation again after six (6) months if sufficient funding is available.

D. Finally, if a participant makes an early withdrawal or withdraws money from their IDA account for an unauthorized purchase, they will be terminated from the program. Applicants are not eligible to re-enroll in the IDA program for a minimum of six (months).

## **SECTION II: IDA PROGRAM FOR HOMEOWNERSHIP**

### **A. Development of Positive Savings Habits**

1. **2:1 Match:** The IDA program will provide participants with a 2:1 match on their savings up to a maximum of \$5,000 in matching dollars for closing costs or down payment in the purchase of a home. This means for every \$1.00 saved by the participant the IDA Program will match \$2.00.
2. The amount that a participant saves is determined by creating a savings plan. The savings plan includes the savings goal, schedule of monthly deposits and the length of time they will be in the program. Generally, participants must make monthly contributions and save for at least six (6) months but no longer than twenty-four (24) months. The minimum six month time requirement for saving is placed on the participants for two reasons:
  - The six month time limit allows enough time to prepare participants for homeownership. In most cases, it will take at least six months to prepare their credit and perform all of the preliminary paperwork with the BIA that will allow them to obtain a mortgage loan.
  - The time requirement allows participants enough time to develop positive savings and budgeting habits. Throughout those six months they will be required to make monthly deposits into their IDA savings account, develop a workable budget that accounts for all of their monthly expenses as well as their savings goals and develop a plan that allows them to live within their means that will stick with them after they become homeowners.
3. Lump sum deposits may be considered for participants who receive and will utilize sporadic income for their savings. Although monthly deposits are key in developing routine saving habits, utilizing sporadic income for saving is also encouraged. A savings plan will be created noting the lump sum deposit in lieu of the monthly deposits. Lump sum participants are still required to participate for a minimum of six months and complete all other aspects of the program.

B. Housing Education & Counseling: In order to be eligible for the program, participants will be required to complete appropriate training courses and housing counseling activities.

1. Homeownership: In order to be eligible for the homeownership matching program, participants will be required to attend the Homebuyer Education (HBE) class. The HBE program provides participants with valuable information relating to budgeting skills, lending, housing options, credit repair and maintenance, working with IHS and the BIA, and responsible homeownership. This training accomplishes two main goals.

- Empowers participants with the information they need to be informed consumers of both lending products and different types of housing; and
- Improves the current level of housing on the Reservation.

2. Housing Counseling: Monthly housing counseling will be provided to ensure compliance with the participant's progress in the IDA Program.

C. Account Structure: The IDA Program and the participant will hold the participants IDA deposits jointly. Joint Ownership has two benefits over individual ownership. Since the consequences are so severe for early withdrawal for an unauthorized purchase, joint ownership requires the participant to speak with the IDA coordinator about their reasons for making the withdrawal. This will allow them the opportunity to obtain counseling on whether this is the best option for them at this time. Joint ownership also allows the account holding bank the opportunity to send account statements both to the **Housing Counselor** and the participant. This makes tracking the account more efficient.

The match account is held in the name of the IDA Program. The participant does not have access to the match account since the money will be paid directly to the vendor once the participant makes a qualified purchase. This prevents the participant from incurring any tax liability based on receipt of the match amount.

The participant will receive a monthly bank statement of their IDA deposits directly from the bank. The NPTHA will send an additional statement showing the participant's deposits and the IDA matching funds to show the accumulative savings amount. Receiving two statements allows the participant the opportunity to see how their money is growing toward their goal.

D. Qualified Purchases: When it comes time for the IDA participant saving for homeownership to use their savings, they will consult with the IDA coordinator and the Housing Counselor to insure that their purchase is a qualified expense and to insure that they are financially ready to incur the obligation. A list of qualified expenses follows:

1. Down Payment on the home
2. Closing Cost for the home loan
3. Rehabilitation Expenses associated with purchasing an existing home.

When it is determined that the costs are allowable, the Housing Counselor will prepare a written recommendation and justification to the NPTHHA Executive Director for approval and issuance of a check.

E. Program Eligibility:

1. Enrolled member of the Nez Perce Tribe.
2. Property must be located on or near the Nez Perce reservation.
3. First time homebuyer:
  - a. had no ownership in a residence during the three year period prior to the date of application to the NPTHHA for the IDA program.
  - b. Owned a principal residence not permanently affixed to a permanent foundation, or owned property not in compliance with building codes, which cannot be brought up to code for less than the cost of constructing a permanent structure. Starter Home participants are eligible if they are unable to make the purchase because they cannot meet the affordability requirements.
4. Must be low income according to HUD National Low-income standard and not exceed 80% of the national median income.
5. The home purchase must be in standard condition or rehabilitated to standard condition with financing. Used manufactured homes are not eligible.
6. Must agree to participate in housing counseling, homebuyer education classes and one-on-one counseling.
7. Must be willing to pay for homeowner's insurance.
8. Must use home as primary residence (at least nine months per year).
9. Must have no outstanding obligations to the NPTHHA and must meet HUD 184 creditworthiness criteria.
10. Must be able to become mortgage-ready within 24 months or with applicable program requirements. (*Extensions granted under other program requirements will NOT be incorporated under the IDA program.*)
11. Must demonstrate at least two years employment stability.
12. Existing NPTHHA renters who purchase a home are eligible for the match under a promissory note until all vacated charges are zeroed out with the NPTHHA. They will initially sign a promissory note for the match amortized for a term not to exceed five years. Once the NPTHHA determines there are no charges or there are minor charges to the tenant, the promissory note will be revised to reflect repayment of the charges and a deferment of the balance over a specified term. Only one Nez Perce Tribal member per household is eligible to participate.

**SECTION III: IDA PROGRAM FOR HOME REPAIR/IMPROVEMENTS**

A. Development of Positive Savings Habits

1. **1:1 Match** Saving for Home Repair/improvement: The IDA program will provide participants with a 1:1 match on their savings up to a maximum of \$3,000 in matching dollars for home repairs or improvements. This means for every \$1.00 saved by the participant, the IDA Program will match \$1.00.

2. The amount that a participant saves is determined by creating a savings plan. The savings plan includes the savings goal, schedule of monthly deposits and the length of time they will be in the program. Generally, participants must make monthly contributions and save for at least three (3) months but no longer than twelve (12) months. The three month minimum savings requirement allows participants enough time to develop positive saving and budgeting habits. Throughout the three months, participants will be required to make monthly deposits into their IDA savings account, develop a workable budget that accounts for all of their monthly expenses as well as their savings goals and complete the home maintenance/repair class. These skills are designed to improve participants ability to manage home maintenance and repair responsibilities.
3. Lump sum deposits may be considered for participants who receive and will utilize sporadic income for their savings. Although monthly deposits are key in developing routine saving habits, utilizing sporadic income for saving is also encouraged. A savings plan will be created noting the lump sum deposit in lieu of the monthly deposits. Lump sum participants are still required to participate for a minimum of three months and complete all other aspects of the program.

B. Home Maintenance Education & Counseling: In order to be eligible for the program, participants will be required to complete appropriate training courses and housing counseling activities.

1. Home repair/maintenance: In order to be eligible for the home repair/maintenance matching program, participants will be required to attend a Homeowner's Maintenance class. This training accomplishes two main goals.
  - Empowers participants with the information they need to be pro-active in planning and budgeting for home repairs and improvements and
  - Improves the current condition of housing on the Reservation.
4. Housing Counseling: Monthly housing counseling will be provided to ensure compliance with the participant's progress in the IDA program.

C. Account Structure: The IDA Program and the participant will hold the participants IDA deposits jointly. Joint Ownership has two benefits over individual ownership. Since the consequences are so severe for early withdrawal for an unauthorized purchase, joint ownership requires the participant to speak with the IDA coordinator about their reasons for making the withdrawal. This will allow them the opportunity to obtain counseling on whether this is the best option for them at this time. Joint ownership also allows the account holding bank the opportunity to send account statements both to the **Housing Counselor** and the participant. This makes tracking the account more efficient.

The match account is held in the name of the IDA Program. The participant does not have access to the match account since the money will be paid directly to the vendor once the participant makes a qualified purchase. This prevents the participant from incurring any tax liability based on receipt of the match amount.

The participant will receive a monthly bank statement of their IDA deposits directly from the bank. The NPTHA will send an additional statement showing the participant's deposits and the IDA matching funds to show the accumulative savings amount. Receiving two statements allows the participant the opportunity to see how their money is growing toward their goal.

D. Qualified Purchases: When it comes time for the IDA participant saving for home repair/improvement to use their savings, they will consult with the IDA coordinator and the Housing Counselor to insure that their purchase is a qualified expense and to insure that they are financially ready to incur the obligation. The home repairs or improvements must be essential and shall not be elaborate or cosmetic in nature. The home repair cannot be for the same type of repair previously assisted by the IDA Program. Only reasonable bid estimates shall be awarded for the essential repairs and all work must be completed in good workmanship like manner. Appliances are not qualified purchases under this program.

E. Program Eligibility:

1. Enrolled member of the Nez Perce Tribe.
2. Property must be owned and located on or near the Nez Perce reservation.
3. Must be low income according to current HUD National Low-income standards and not exceed 80% of the national median income.
4. The home repairs or improvements must be essential and shall not be elaborate or cosmetic in nature. The repairs shall be completed in accordance to standard uniform building codes.
5. At least two bid estimates shall be provided to document the estimated cost of the repairs and to set savings goals. Bids will not be awarded until sufficient savings and matching funds have been accumulated or other financing has been secured.
6. Must agree to participate in housing counseling, homeowner maintenance classes and one-on-one counseling.
7. Must be willing to pay for homeowner's insurance
8. Must use home as primary residence (at least nine months per year).
9. Must have no outstanding obligations to the NPTHA.
10. Must be able to complete repairs within 12 months or with applicable program requirements.
11. Only one Nez Perce Tribal member per household is eligible to participate.
12. Only allowed to use IDA for home repair once per year and only after six months has lapsed from the previous assistance. Priority will be given to applicants not previously served.

#### **SECTION IV: FOLLOW-UP**

A. In an effort to evaluate and improve the NPTHA IDA Program, once participants have purchased their home they will be tracked for a period not less than one year. The Housing Counselor will contact them on at least a quarterly basis. They will be asked to fill out evaluation forms and participate in newsletters by contributing a short article detailing the benefits they received by participating in the IDA Program.

Their continued participation and support of the program is crucial in the program's efforts to reach other Tribal members who are eligible for the program.

#### **SECTION V: PROGRAM DURATION**

- A. This program is based on available funding. Funds will be obligated based on approval and acceptance of the participant's savings plan.