

CREDIT UNION TIMES

Nine Iowa Credit Unions Recognize Member Needs Through IDAs

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DES MOINES, Iowa — Nine credit unions in Iowa are helping low-income members save for their future through an individual development account program. The credit unions, partnered with the Iowa Credit Union Foundation, are offering members that qualify for the IDA accounts the opportunity to open the matched savings account to purchase a home, start up a small business, pay for education or job training, or purchase a vehicle.

The Iowa Credit Union Foundation Board approved the IDA program in 2006 and so far the foundation has raised \$600,000 to fund the program.

"Iowa has been offering IDAs since 1998, but not a lot of organizations have signed up to offer them because it's time consuming and they think they don't have the resources," said Marybeth Foster, executive director of the Iowa Credit Union Foundation.

The credit unions participating in the program are Affinity Credit Union, Ascentra Credit Union, Cedar Falls Community Credit Union, Community 1st Credit Union, Dupaco Community Credit Union, DuTrac Community Credit Union, Employees Credit Union, Linn Area Credit Union and Veridian Credit Union.

Consumers that qualify for the IDA accounts become a member of the credit union if they aren't already and participate in a financial education program.

The foundation started training the participating credit unions last year on how to verify income and household size to make sure consumers are eligible for the program and how to offer literacy programs.

The Iowa Community Action Association is also working with the credit unions to refer people who are eligible for the program.

Foster said that the foundation has funding set aside for 125 accounts and is hoping the additional funding will be added and allow the number to grow.

Veridian Credit Union took a slightly different approach to the program than other credit unions participating and is using an outside partner as program administrator.

Veridian partnered with Iowans for Social and Economic Development to determine the consumer's eligibility and develop and teach the financial education program. Once the consumer is found to be eligible, they come into the a Veridian branch to open their IDA and become a member if they are not already, the credit union then receives permission to check their credit score.

So far, Veridian Manager of Community Development Wanda Birdsong said they have been able to accommodate 30 IDA this year for members whose savings plans include first-time home purchases, education and small businesses. She said that their current IDA owners range from ages 21 to 58, have credit scores ranging from 440-741 and are saving for first homes, small businesses and education.

"There are few IDA opportunities within our state, so there has been a long-term need for this program. The members that we signed up were within IDA income guidelines before the economic downturn," Birdsong said.

The credit union originally budgeted for 10 members for the first year of the program, but by partnering with the ISED Ventures and the foundation, they have been able to accommodate the 30 accounts.

Birdsong also said that the partnership with ISED allowed the credit union to eliminate the need to develop an internal program from the ground up.

Employees Credit Union has signed up four people for the IDA program since they launched it in November. Kathy Beaver, Employees CU officer supervisor, said that all four members in the program are in their 20s and trying to save for their first home. "We're located in a rural area, and we knew people were struggling to buy their first home because of their income. My goal originally with the program was to get one or two people into a home, so I'm thrilled with the results so far," Beaver said.

The four members currently enrolled in Employees CU's program will put \$2,000 into the account, the maximum amount for an individual, which the foundation will match dollar-for-dollar, and Employees will match 50% on top of that. In the end, each member will have \$5,000 to put down on a home.

Beaver said that each member in the program has developed a savings plan. Two are saving \$50 a month, one is saving \$60 a month and another is saving \$100. "It may take 40 months, but it's part of the whole point that they take time and stick to the plan." In addition to the savings plan, the members participate in a general financial education class taught by Beaver and a homeownership financial education class taught by a community partner.

Like Veridian, Beaver said Employees decided on the 50% contribution to the program and already has funds set aside.

"The four participants we have were already members," Beaver said. "But if word spreads, we would certainly like to serve new members. It would be great if the credit union experienced growth as well. We'd hope that if we were able to serve members with a program like this that later when they need a car loan or any other service, they would look to us first."

Initially, Beaver said her credit union targeted college savings, and though several parents inquired, their income levels were too high.

To continue to spread the word, Beaver has contacted a radio station to do a live spot and visit with the news director to talk about the program.

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