



725 SUMMER STREET NE, SUITE B | SALEM, OR 97301
503-986-2000 | www.oregon.gov/OHCS

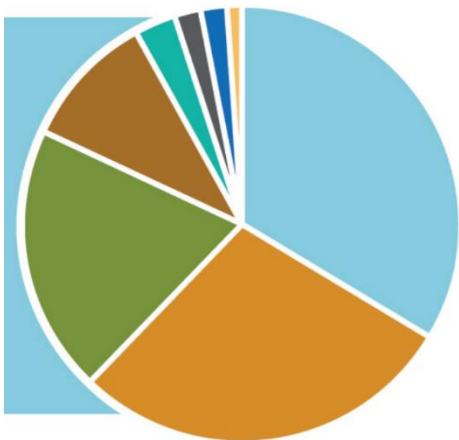
February 3, 2021

Senate Committee on Housing and Development
900 Court St. NE
Salem, OR 97301

Re: Senate Bill 82 – Support for Individual Development Accounts

Dear Chair Jama and Members of the Committee:

I write to urge your support of Senate Bill 82 and the Individual Development Account (IDA) program. Individual Development Accounts, known as IDAs, are matched savings accounts that build the financial management skills of qualifying Oregonians with lower incomes while they save towards a defined goal. IDAs build pathways of opportunity and create models of economic success in Oregon communities. As Oregon’s economy recovers from concurrent crisis, the ability for families with low incomes to build assets is vital to community resiliency, particularly for Oregonians who have been disproportionately impacted by socio-economic conditions, institutional racism or other biases, and COVID-19.



IDA participants plan and save for a variety of asset-building goals that provide on-ramps to financial stability.



SB 82 proposes key statutory changes for the Oregon Individual Development (IDA) Initiative to enhance program delivery, address barriers, and yield positive outcomes for IDA participants. These changes were developed in collaboration with IDA partners prompted by COVID-19 to enable IDA participants the ability to access liquidity in the form of emergency savings to mitigate financial crises. These programmatic changes include:

- Clarifies the definition of net worth, confirming home equity is not part of the calculation of net worth. That calculation will be further defined in rules by OHCS to drive consistency for this program eligibility criteria.



- Clarifies use for payment of debt that reduces an account holder's debt-to-income ratio or improves the account holder's credit score.
- Increasing the cap on pension amount (from \$60k to \$120k) to ease a potential barrier to eligibility for people who have been able to modestly save for retirement.
- Adds a new use for the establishment of emergency savings to support people as they navigate the current health and economic crisis and socio-economic impacts in general. With access to emergency funds, savers can stay in the program while they mitigate housing displacement, debt burdens, fees, and other hardships that have long lasting impacts.
- Broadens the definition of emergency withdrawal by allowing savers to determine what constitutes a financial hardship and confirm this type of withdrawal will not receive match funding.
- Omits a subsection that requires repayment of emergency withdrawals within 12 months; it is too restrictive and creates additional hardship for savers already recovering from crisis.
- Accelerates match earnings from \$3,000 to \$6,000 within a 12- month period. This will allow savers to earn match funds more readily, especially useful for homeownership IDAs as home prices continue to climb. This will allow IDA savers to achieve homeownership and housing stability in a tight housing market.
- Maintains stability of the top three uses for IDAs (education, homeownership, and microenterprise) and allow greater opportunity for fiduciary organizations to participate in the program by not limiting IDA savings types and services.

The bill and the Governor's Recommended Budget propose another shift in the IDA. The IDA Initiative has experienced significant shortfalls in funding due to recent changes in federal tax law and IRS code that affect the tax benefit of charitable contributions. Due to these changes, IDA experienced a 35% reduction in tax credit sales in 2019 resulting in \$2.6M in unsold credits. This challenge, compounded by the economic crisis of COVID-19, continued to significantly impact 2020 sales as OHCS was crafting the 2021 legislative agenda.

To mitigate this issue, SB 82 allows the tax credit funding source to sunset in January 2022 and transition the IDA from a tax credit program to a general fund appropriation during the 2021-23 biennium. This change will preserve the state's commitment to IDAs and stabilize funding for the Initiative over the long-term. This will afford OHCS the opportunity to grow the program in collaboration with IDA Initiative partners and community stakeholders.

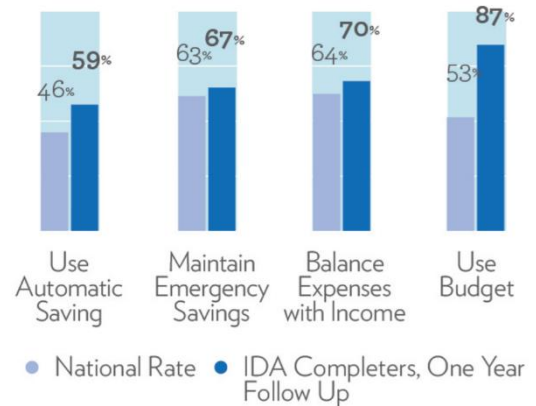
However, after OHCS finalized language of SB 82 and after the release of the Governor's Recommended Budget, the IDA Initiative implemented a new strategy in marketing and selling IDA tax credits. The new marketing strategy targeting stock donations from large donors was successful, and the Initiative sold approximately \$7.3M of the annual \$7.5M credit limit by the



SB 82 (IDAs) Testimony

end of 2020. This late breaking welcome news shifted IDA Initiative Partners strategy for program funding as outlined in testimony for Senate Bill 148.

The IDA initiative has an impressive track record of increasing wealth and financial capacities for low-income Oregonians, as detailed by the chart to the right. The vast majority of IDA savers report that the individual financial coaching provided by the IDA Initiative was significantly helpful. Beyond the long-term assets provided to IDA savers, the IDA program is a proven investment in economic and community resiliency and a powerful tool for Oregon families to build *or rebuild* financial stability. For additional program success, please read the [2020 Impact Evaluation Report](#), a data driven qualitative and quantitative assessment that details three main program drivers: building assets, resilience, and justice.



SB 82 seeks to build on decades of work and stabilize the program for the long term. I urge your support.

Best regards,
Andrea Bell
Director of Housing Stabilization

