RESEARCH REPORT

HOMESAVE: BUILDING INVESTMENTS IN HOUSING ASSETS: FINAL REPORT

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FINAL REPORT

Study of Individual Development Accounts for Housing – A National Demonstration Project–

HomeSave

Building Investments in Housing Assets

Study Prepared for:
Canada Mortgage and Housing Corporation and the National Secretariat on Homelessness

By:

Social & Enterprise Development Innovations (SEDI)

February 2003

PREFACE

Canada Mortgage and Housing Corporation (CMHC) and Human Resources Development Canada (HRDC) funded this project. The contents, views and editorial quality of this report are the responsibility of the author and CMHC and HRDC accept no responsibility for the contents, views and editorial quality or any consequences arising from the reader's use of the information, materials and techniques described herein.

Cette recherché a été finance par la Société Canadienne d'hypothec et de logement (SCHL) et Developpement des ressources humaines Canada (DRHC). La qualité rédactionnelle de ce rapport, son contenu et les opinions qui y sont émises sont de l'auteur. La SCHL et DRHC ne saureaient en assumer la responsabilité pour la qualité redactionnelle, le contenue et les opinions et se dégagent de toute obligation rélativement aux conséquences resultant de l'utilisation que le lecteur pourrait faire des renseignements, des matériaux ou des techniques qui y sont décrits.

SEDI is thankful to all of those in the asset-building and related fields who provided valuable insights, professional contributions and welcomed encouragement for this project.

EXECUTIVE SUMMARY

This paper provides an in-depth examination of the field work undertaken to identify the possible resonance and appropriateness of a potential national demonstration project aimed at testing *Individual Development Accounts* (IDAs) as a means of providing lower-income households with greater access to affordable housing. The project itself has been called *Home*$ave.[1]

The study was undertaken by Social and Enterprise Development Innovations (SEDI), a national, non-profit organization engaged in exploring social policy initiatives to enable disadvantaged Canadians to achieve self-sufficiency through a range of community economic development activities, particularly in the asset-building field.

Through SEDI's previous experience in the asset-building field it has been clear the market-based investment approach inherent in IDAs can lead to the improved economic circumstances of poor individuals and families. In an IDA program, low-income individuals have their savings matched up to pre-established limits and within a specified time frame. The matched savings can be withdrawn on the condition that they are used for approved purposes such as purchasing a home, repairs to housing, etc. Anecdotal evidence from previous and existing programs has indicated that these unique savings accounts lead to improved long-term self-sufficiency.

As of February 2002 SEDI initiated comprehensive research as well as consultations and collaborations with informed multi-sectoral stakeholders and members of Canada's low-income population. This consultation was undertaken on a national scale and has identified the realistic implications and possible applications of designing and delivering a national asset-based IDA pilot project for housing. The related research identifies current demonstrations and existing asset-based policies and programs that indicate positive results to date. In addition, the paper highlights the bi-partisan policy creation and related support for these programs through the US Federal tax system again providing evidence to support the creation of a National demonstration of IDAs for housing.

Despite the early success and the positive anecdotal results of the aforementioned projects, there are issues and approaches that must be considered and perhaps studied in greater depth prior to the implementation of a national *Home***$ave** program. These can be best examined through a Canadian demonstration project that would incorporate an appropriate research and evaluation component. The results of such would inform policy and procedures of a national program.

While strong support for a homeownership IDA was clearly identified through the research undertaken in this study, other uses derived from IDAs or derived through similar projects utilizing the IDA methodology were also identified and supported, in

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[1] *Home***$ave** is the project name trademarked by SEDI in October 2002.

various degrees, by the Stakeholders and those taking part in the Consumer focus groups. These included assisting tenants of social housing to purchase homes, providing incentives for homeowners to create secondary (or accessory) apartments and assisting tenants either in transitional or supportative or in inadequate rental housing to gain access to appropriate and stable housing in the private rental market. Utilizing the asset-building methodology for uses other than those associated with home ownership was seen, through this study, as positive but necessarily separate and apart from a *Home***$ave** project.

There is no denying that the lack of available affordable housing units is a key issue for low-income Canadians. However, strategies for income stability and increased self-sufficiency must be implemented in-conjunction with programs for affordable housing construction so that those who are outside of the economic mainstream can escape the cycle of poverty and achieve the benefits of upward economic mobility. The related benefits of this mobility will not only complement the existing infrastructure but will be felt by all Canadians on a national scale. An inclusive asset-based policy approach is perhaps the most viable way of addressing these issues thereby allowing low-income Canadians access to affordable housing.

In order to consider the full implementation of a national program, which would utilize IDAs as a means to increase access to affordable housing for low-income Canadians, one must consider the reasonable and responsible allocation of funds for such a project. In this case, as a large scale IDA project has not, to date, been undertaken for access to affordable housing within the Canadian context/market and since this study has identified various issues requiring further investigation, it would seem appropriate to research these matters through a national demonstration project designed with a specific research and evaluation component aimed at addressing these issues. The findings from this demonstration could inform policy and procedures necessary for an effective National *Home***$ave** program.

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1. INTRODUCTION

1.1. Purpose and Sponsors of the Study

This paper provides an in-depth examination of the field work undertaken to identify the possible resonance and appropriateness of a potential national demonstration project aimed at testing Individual Development Accounts (IDAs) as a means of providing lower-income households with greater access to affordable housing. The research for this paper, aimed to review the possible effectiveness of an asset-building approach to increased access to affordable housing, was introduced under the project title - *Home***$ave**.[2]

This study was undertaken by Social and Enterprise Development Innovations (SEDI) using funding provided by Canada Mortgage and Housing Corporation (CMHC) and Human Resources Development Canada (HRDC) through the National Secretariat on Homelessness.

SEDI is a national non-profit organization based in Toronto, engaged in exploring a range of social policy innovations for low-income/working–poor Canadians particularly in the asset-building field. Most notably, SEDI has designed and recently implemented a similar demonstration project called *learn***$ave**, which is directed mainly at adult education. The project, funded completely by HRDC, is presently being operated through a network of local non-profit partners and financial institutions across Canada.

1.2. Background

Asset-building has emerged in the last ten years or so as an innovative approach in social policy for addressing poverty. In 1991 Michael Sherraden published his seminal book entitled *Assets and the Poor* illustrating the IDA concept. This work developed the central premise behind IDAs – helping the poor to develop and acquire assets they could break out of poverty permanently. The concept was introduced to Canada by SEDI in 1997.

Sherraden's book also first proposed IDAs as a tool for translating the asset-building concept into effective programs. IDAs are essentially dedicated saving accounts that provide a structured and incentive-based way for the poor to save for assets that will increase their long-term well-being and financial self-sufficiency.

Asset-building programs using IDAs typically have these characteristics:

- The deposits by the participants are rewarded by matching deposits from government and/or other sources. The matching deposits are variously provided at rates of $1 to $8 for every $1 saved by the participants.

- The personal savings of the participants remain their property but the matching deposits are only disbursed for certain authorized uses, which most commonly include purchasing

[2] *Home***$ave** is the project name trademarked by SEDI in October 2002.

a first home, establishing or expanding a small business and undertaking post-secondary education or training.

- Participation in the programs is open only to individuals and families with limited incomes and assets.

- The participants are required to take courses in financial management and participate in a dialogue with a project case-manager on a regular basis while enrolled in the project.

- The programs set various limits on the savings activity, including the maximum personal savings, a maximum savings period, and the minimum and maximum savings per month.

- The programs are operated by community-based organizations and the accounts are held at local financial institutions.

1.3. Outline of the Study

This assessment of the field work undertaken to review the appropriateness of a possible *Home*$**ave** demonstration project has principally drawn information from the following sources:

- a review of the Canadian and US experience with IDA programs that support affordable housing, including an examination of the related current literature. In addition, detailed information was gained through telephone interviews with the administrators of these IDA programs/projects;
- a review of the Canadian experience with related housing initiatives, including existing homeownership programs, registered homeownership savings plans, rent banks, and homeowner education and counselling programs;
- the input from a series of consultative meetings held in Winnipeg, Saskatoon, Toronto, Montreal and Halifax in May and June 2002 with a broad range of housing experts and stakeholders representing all levels of government, financial institutions, non-profit and charitable organizations, potential project Funders, community based agencies etc; and,
- the input from a series of consultative meetings held in Winnipeg, Saskatoon, Toronto, Montreal and Halifax in March 2002 with individuals representing the potential participants who would ultimately take part in a *Home*$**ave** project. These meetings were organized and conducted by Sandbox, a market research consulting firm.

1.4. Structure and Contents of the Report

This report presents the main findings of the study in six sections. Section 2 addresses the potential for a national IDA program to support homeownership through asset-building for lower-income households. It examines both the support and precedents for this type of program and provides examples in both the US and Canadian context. Section 3 identifies other possible uses for Housing IDAs including uses that utilize the asset-building methodology for increased access to the private rental market and Section 4 highlights the ideas by illustrating arguments for ensuring that all government policy creation is inclusive for all income groups. Section 5 presents further findings and specific project issues. Sections 6 and 7 present the study conclusions and recommendations which ultimately support *Home***$ave** - a national demonstration of IDAs for housing.

All of the information collected over the course of this study is presented in an accompanying report entitled ***Background Report: Study of Individual Development Accounts for Housing- A National Demonstration Project - Home*$ave,** prepared in October- December 2002. See **Appendix A** for a copy of the Table of Contents for this report.

The results of the market research are presented in a separate report prepared by Sandbox in April 2002 and entitled ***Home*$ave *Participant Consultative Research (Final Version)*.**

2. IDAs FOR HOMEOWNERSHIP

Potential homebuyers can face two separate obstacles when attempting to qualify for a mortgage. The first is having sufficient income to make the monthly loan payments. The second is having sufficient savings to make the downpayment.

Assistance toward overcoming the first obstacle can be provided in various ways, which are indicated in the many existing homeownership programs in this country *(see page 8 and 9 for a more detailed description of the provincial and municipal programs)*. These programs either reduce the price of the housing or the cost of borrowing.

Generally IDAs utilized for homeownership in both Canada and the US allocate the personal savings and matched credits towards the required downpayments of the homes. Providing downpayment assistance however, represents a different challenge. The insurance programs provided by CMHC[3], and more recently by GE Capital Mortgage Insurance Canada[4], help significantly by providing a way of reducing the minimum downpayment from the conventional 25% to 5% of the purchase price. However, even this reduced downpayment requirement can still represent a barrier, even for some households that have sufficient income to qualify for a mortgage. Nevertheless, there is a justifiable reluctance to eliminate the downpayment entirely, or to use grants or forgivable loans as a way of covering this amount.

Homeowners who have no personal stake in the property are considered less likely to ensure that the mortgage loan payments are made and the property is properly maintained.
As a consequence, downpayment options to date have been largely limited to "sweat equity" or to certain "rent-to-purchase" arrangements. In the latter, tenants essentially earn ownership by paying part of their rent toward purchase and being involved in the upkeep of the property.

IDA programs provide another important way of addressing this obstacle of finding sufficient funds for a downpayment. The recipients of the matching funds must make a commitment through their own regular savings over a specific period of time. To assist in achieving that commitment, recipients receive ongoing support from the community-based agency that administers the project and are also required to attend financial training courses. The extent of their commitment can be measured by their on-going savings behaviour.

[3] For more information please see: www.cmhc-schl.gc.ca/en/moinin/moinbuho/index.cfm
[4] For additional information please see: www.gemortgage.ca/content/Homebuyer/ MortgageInsurance/index.asp

2.1. Support for IDA Homeownership Programs

The potential support for utilizing IDAs to increase access to affordable homeownership was tested in a series of consultative meetings in Winnipeg, Saskatoon, Toronto, Montreal and Halifax with a range of housing experts and potential stakeholders representing the housing sector. In the same locations a series of consultations was held with low-income individuals representing the likely participants in a *Home***$ave** project.

Other support for using IDAs in this way also can be found in the various homeownership programs currently in operation in this country.

2.1.1. Stakeholder Input

The stakeholders in all five meetings generally expressed strong support for using government assistance to help lower-income households achieve affordable homeownership. In addition, there was strong interest in exploring the use of IDAs as a means of providing this assistance.

Affordable homeownership was supported because it was seen to provide many benefits, including the following, which were identified in all or most of the meetings:

- Positive and valuable impact on the "quality of life', not only for the homeowners and their families, but also for the associated neighbourhoods and the community at large;
- Another way of creating much-need affordable housing, particularly for those not having access to social housing nor able to buy market-rate homes;
- A more cost-effective way of providing affordable housing than assisted rental housing because the amount of public investment is smaller while the perceived dividends are greater;
- An indirect way of helping the rental situation by freeing-up existing units at a time that little or no rental housing is being built.

Within this context, IDAs were of particular interest because they offered a rational way of addressing the downpayment obstacle. Stakeholders were particularly interested in IDAs because of the notion that recipients of the matching funds have to make a commitment through their own saving efforts. These stakeholders felt that such a commitment was necessary to ensure that the assistance was properly earned. Conversely, they referred to earlier homeownership programs including *The Rural and Native Housing Program*, which was terminated in 1991. They noted that such programs failed because administrators simply "gave away" the downpayment assistance.

In terms of skepticism, Toronto was the one place where a degree of uncertainty towards the IDA concept was expressed. However, this was to be expected due to the high price of housing within the City Toronto and within the Greater Toronto Area. Stakeholders in this city, therefore, indicated they thought the high prices would either increase the level of assistance needed to reach lower-income households, extend the savings period to an unrealistic level, or limit the program to relatively high-income earners.

In addition to the above concerns from Toronto, other issues were raised at the different meetings about affordable housing programs in general, and an IDA homeownership project in particular.

Some of these concerns, included:

- Based on experience with *learn***$ave**, national demonstration projects may impose various research and monitoring requirements, which are burdensome for the local operators. It was recognized that the Funders requirements basically dictate the project research requirements, however, extensive research and evaluation techniques can impose extensive restrictions and requirements on project participants and administrators. These restrictions can be costly and difficult to communicate.

- There are special challenges with aboriginal peoples related to treaty rights, tax treatment, and also, possibly, individual concerns about wanting to deal with only their own agencies.

- The administration of the accounts could be burdensome for the lending institution, and costly relative to any profit that might be derived.

- The matched contributions could be taxable in some jurisdictions, thereby reducing the benefit derived from this assistance.

- Charitable organizations might not be able to support local IDA programs from tax-receipted contributions because many of the participants in the programs might not fall within those income groups eligible for charitable assistance.

- In high-priced markets, the cost of housing could adversely affect the program in two ways. First of all, the high cost of ownership housing will significantly increase both the income and downpayment requirements. At the same time, the high cost of rental housing will limit the savings potential of the participants.

- The allocation of government funding for such a project was also discussed. Generally the Stakeholders felt that there was a need to ensure funding currently provided to social housing was not reallocated into a project to support homeownership.

2.1.2. Consumer Input

Before being introduced to the *Home***$ave** concept, the market research participants were asked about their income levels, savings and desire to purchase a home. Owning a home was a dream of many had as it was considered to be a way of bettering their lives. However, this dream remained unattainable since many of the participants, particularly those with more limited incomes, thought saving for a downpayment would be difficult because of the high cost of living and their admitted lack of discipline. Furthermore, even if they could save the money, they were concerned that they would still not meet the income qualifications for a mortgage.

Taking this background into consideration, it is important to note that when the *Home***$ave** concept was introduced and described it was well received by the participants. They clearly recognized the importance of saving to enhancing their long-term prospects. They also considered the matched savings to be a strong savings incentive, and they acknowledged the benefits of a financial training course. In almost every case, the focus group participants willfully acknowledged that saving for the opportunity to accumulate savings, and the matched contribution for a downpayment, could reasonably take up to five years. More importantly, however, each participant acknowledged the goal was indeed possible to attain.

For further information, see the report prepared by Sandbox in April 2002 and entitled ***Home*****$ave** ***Participant Consultative Research (Final Version)***.

2.1.3. Canadian Homeownership Programs

There are a number of local government programs supporting affordable homeownership in this country. These programs reflect widespread support for assisting lower-income households purchase homes. In most cases, they could also provide the basis for an effective partnership with an IDA program.

Existing provincial and municipal homeownership programs include the following:

- Surrey's *Home Ownership Assistance Program* (HOAP)
- Winnipeg's *Housing Opportunity Partnership* (HOP)
- Winnipeg's *Rent-to-Own Program*
- Montreal's *Domi-cible Program*
- Saskatchewan's *Neighbourhood Home Ownership Plan* (NHOP)
- New Brunswick's *Home Ownership Program* (HOP)

These programs have differing priorities namely:

- Four are revitalization programs available only in certain inner-city neighbourhoods (Winnipeg's HOP and Rent-to-Own Program, Domi-cible, and NHOP). The assistance is available only for the purchase of existing housing.

- The other two are programs available across the entire jurisdiction offering the program. One is specifically for new construction (HOAP), while the other supports both new and old housing (New Brunswick's HOP).

- Only one of these programs (Domi-cible) is a downpayment program. This assistance is provided in the form of \$3000-\$8000 grant that reduces the downpayment needed by resident-owners purchasing small multi-unit buildings.

- Only one other of these programs (Winnipeg's HOP) addresses downpayment requirements. Since its inception, this program has accepted "sweat equity" for up to half of the minimum 5% downpayment. Recently, it has also started to offer financial assistance for a similar amount.

2.1.4. Federal/Provincial Housing Agreements

There is a potential for additional homeownership programs under the recently signed housing agreements between with the federal and the provincial/territorial governments. Seven of the ten agreements signed to date provide for homeownership initiatives, including those in Alberta, Saskatchewan, Ontario, Nunavut, the Northwest Territories, Manitoba and Nova Scotia. Under these agreements, the federal government will provide capital grants to increase the supply of affordable housing. That funding will be up to a maximum of \$25,000 per unit as an overall average. The provinces and territories will be required to match the federal contributions.

As these agreements aim to increase the supply of affordable units, this could present an opportunity for *learn***\$ave** participants to possibly acquire these units.

2.2. Existing IDA Homeownership Programs and IDA Demonstration Projects

There are many comparable IDA programs that offer housing as a savings goal as well as other asset-building initiatives in both Canada and the US. Of particular relevance are the three significant IDA demonstration projects now underway in Canada and the US – *learn***\$ave**, American Dream Demonstration and the American Assets for Independence Act.

The results of these initiatives validate the use of IDAs as an asset-building tool and are providing valuable information about various aspects of IDA programs and the saving ability of the participants. While the Canadian *learn***\$ave** project does not offer housing as one of its permitted savings goals, it represents the world's largest asset building demonstration and will inform us of the administrative needs of a similar demonstration that would offer housing as a savings goal.

2.2.1. Current Initiatives in Canada

In Canada, the asset-building field is in its developmental stage. A small but vibrant field of practice continues to grow in tandem with research from a national demonstration managed by SEDI and a policy agenda being developed by SEDI.

Introducing the IDA concept to Canada in 1997, SEDI developed and conducted consumer and policy research over a period of three years. During this time two existing IDA programs, one in Calgary and one in Kitchener were launched and offered further encouraging evidence. Results of the SEDI work led to the development and design of the *learn***$ave** project, currently the largest IDA policy demonstration in the world.

a) Local Canadian IDA and Homeownership Programs

IDAs have been used to support downpayments for homeownership in two existing local programs in Canada, one in Calgary[5] and the other in Winnipeg[6]. Saskatchewan also offers programs but use different concepts of asset accumulation for low-wealth individuals and families.

Calgary
The program in Calgary, which has been operated by MCC Employment Development since 1999, has two stages. In the initial one-year *Fair Gains Program*, participants are able to save for adult or child education, business start-up or expansion, as well as home purchase. During this year, the participants must save a minimum of at least $15 monthly up to a maximum of $45. These savings are matched by additional funds at a rate of 3:1. The participants also are expected to attend regular workshops, peer group meetings, and one-on-one counselling.

The "second stage" *Owen Hart Program* is devoted to homeownership. The participants who continue into this second one-year program save only for home purchase. The minimum and maximum savings of $45 and $90 respectively are matched at 4:1. The participants are also required to attend education courses specific to homeownership.

The intake previously has been 20 per year, but has been recently increased to 40. Although most of the participants enter *Fair Gains* for home purchase, only about a quarter proceed to *Owen Hart* for various reasons, but mainly due to insufficient income. As of early 2002, five participants have purchased a home.

Winnipeg
Winnipeg's *Housing IDA Program,* made up of a partnership of the North End Community Ministry, Assiniboine Credit Union, Mennonite Central Committee, SEED Winnipeg and United Church Conference, commenced participant intake in December 2000. The funding for

[5] Information pertaining to Calgary's two housing IDA programs has been gained through conversations with Walter Hossli, Executive Director and Rodd Myers, Coordinator Financial Literacy, MCC Employment Development Calgary.

[6] Information pertaining to Winnipeg's *Housing IDA Program* was derived through conversations held with Andrew Douglas, IDA Program Coordinator, Northend Stella Community Ministry/SEED Winnipeg Inc.

the matched contributions came from the Provincial Government, the United Way, the Winnipeg Foundation, and anonymous donors.

In this program, the funds can be used for home purchase or renovation and over the three-year savings period, the participants must save a minimum of $15 to a maximum of $250. These savings are matched at 3:1 and all participants are required to attend a comprehensive money management course and participate in one-on-one case management.

The one-time intake (December 2000) for this program was 40 participants. To date three participants have purchased homes[7] and a number of participants have cashed out partially or fully for home renovations. The average monthly savings has been $75.

Saskatchewan
Saskatchewan offers examples of programs using the different concepts of asset accumulation leading to stabilizing housing for low wealth individuals and families. The following list provides some examples of these initiatives:

- *Quint Development Corporation* works on a housing co-operative model using the rents from the cooperative members as a down payment on their house.

- *New Beginning Housing Cooperative, Prince Albert* uses sweat equity and a pool of funds which spreads risk of default of mortgage over the cooperative. This model is not limited to the cooperative housing; and,

- In Saskatoon, the city takes advantage of the province's successful homeownership program, *Neighbourhood Home Ownership Plan* (NHOP), and provides assistance through its Housing Reserve Fund, the Saskatoon Housing initiatives Partnership and the Affordable New Home Development Foundation.

While not directly involved with IDAs, Saskatoon has been successfully promoting homeownership in their inner-city neighbourhoods and is beginning to develop a wider range of homeownership initiatives. The objective is to make homeownership accessible to all working households in the community including those on social assistance.

b) *learn**$ave** National Demonstration*

*learn***$ave** is a Canadian nation-wide demonstration project, which commenced in 2001, and is examining the use of IDAs for adult education. The project, initiated, designed and currently administered by SEDI, is being supported through $35 million provided by the Applied Research Branch of Human Resources Development Canada (HRDC). Non-profit organizations deliver the project locally in ten communities, namely Calgary, Toronto, Winnipeg, Montreal, Vancouver, Halifax, Fredericton, Kitchener-Waterloo, County of Grey Bruce, and Digby and Annapolis County.

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[7] According to Andrew Douglas, IDA Coordinator, Northend Stella Community Ministry/Seed Winnipeg, the homes purchased ranged from $45,000 to 79,000 and the participant's incomes ranged from just under $20,000 to $25,000.

*learn***$ave** participants are permitted to use the matched contributions for post-secondary education, job training, micro-enterprise start-up, and learning supports like books, computers and tools of the trade.

Participation is limited to households with incomes no more than 120% of the LICO (low-income cut-offs)[8] and financial assets that amount to no more than 10% of their income or a maximum of $3,000.

The project will ultimately support 3,675 accounts, of which nearly 500 will be available to individuals receiving provincial social assistance.

The participants are able to save up to a maximum of $1,500 over a three-year period. Generally, the deposits will be matched at a rate of 3:1. This will allow for a maximum matched contribution of $4,500 and a total accumulated deposit of $6,000. In some of the *learn***$ave** sites, the project design has been varied respecting such items as match rates, savings periods, type and length of financial management training, services and supports offered, in order to test the effect of these components on savings behaviour.

The results of this demonstration project will be closely monitored and evaluated by the Ottawa-based Social Research and Demonstration Corporation (SRDC).

The project will be conducted over an eight-year period. The participants can open accounts during the initial two years and then will be given 3 years to save. Project evaluation will be completed in 2009.

As of January 2003, over 2,000 participants had enrolled in the program. 62% of these intend to save for education, 12% for skills training, and 26% for a small business. The monthly savings have been nearly $54.10 on average[9].

c) Other Canadian Asset Building Programs

Asset-based approaches to savings underpin various fiscal programs in this country, although this term is not generally used to describe them. These programs basically use tax incentives to support retirement savings, homeownership or post-secondary education.

The federal government currently operates two such programs:

- *Registered Retirement Savings Plans (RRSPs)* are designed to assist individuals and couples to save and invest some of their current income for their future retirement. Through the supplementary *RRSP Home Buyers' Plan*, they can also temporarily withdraw up to $20,000 per individual (or $40,000 per couple) for buying or building a home.

[8] The LICOs used to define the income threshold are pre-tax, post-transfer LICOs so that potential participants will be asked about their pre-tax, post-transfer family income. Almost all definitions of poverty are based on *family* income, because of the assumption of income sharing within families. LICOs were chosen as the income measure for this project because they are one of the most widely accepted and the best-known measure of poverty.
[9] Demographic Cumulative Report prepared by Karen Kerk, Program Coordinator, Social and Enterprise Development Innovations, January 27th, 2002.

- The *Registered Education Savings Plan (RESP)* is designed mainly to assist parents to save for their children's post-secondary education. Under the supplementary *Canada Education Savings Grant (CESG)*, the federal government contributes another $0.20 for every dollar invested. The expenditure on this program was $ 1.32 billion as of September 30th 2002.[10]

Both of these programs are asset-building programs that promote savings for specific purposes by deferring a potential income tax liability from either a higher-income year or person to a lower-income year or person. However, due to Canada's progressive marginal tax rates, the benefits go substantially to households with higher income. Lower-income households generally do not have sufficient pre-tax income to invest and take advantage of the programs.

The *Ontario Home Ownership Savings Plan*[11] is another asset-building program directed at homeownership. It provides a tax credit of up to $500 per individual to first-time homebuyers saving in dedicated accounts. This program does limit the benefits to upper-income households, first by capping the eligible income and second by reducing the tax credit available for those at the upper end of the scale. Nevertheless because this program relies on tax credits it does not help lower- income households that pay little or no taxes.

2.2.2. Current Initiatives in the United States

The major IDA programs in the US are either part of the American Dream Demonstration (ADD) or authorized under the *Assets for Independence Act* (AFIA). Smaller initiatives include The Federal Housing and Urban Development's (HUD) Family Self Sufficiency (FSS) program and an IDA program for refugees run by the US Office of Refugee Resettlement.

Before discussing the US programs, it is important to note that US IDA programs received an important boost in 1996 from provisions contained in that year's major welfare reform legislation, the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA). First, PRWORA mandated that any funds accumulated in an Individual Development Account would not affect a welfare recipient's eligibility for any federal means tested program. In other words, as Sherraden explains, "the welfare poor can save without penalty in IDAs".[12] This legislation also allows states to use federal welfare money to fund IDA programs. As of January 2000, nine states were using or planed to use welfare funds for IDAs.[13]

a) The American Dream Demonstration (ADD)

The American Dream Demonstration (ADD) was the first large-scale test of Individual Development Accounts. It was designed and implemented by the Corporation for Enterprise

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[10] The Canada Education Savings Grant Quarterly Statistical Review, analysis by HRDC- Knowledge Management and Analysis, January 2003. The figure represents the Federal Government's commitment in grants to support post-secondary education through the CESG initiative.

[11] *Ontario Home Ownership Savings Plan; Information Bulletin* (Dist 6305), On.Ministry of Finance; April 01.
[12] Sherraden, Michael, Sondra Beverly, Margaret Clancy, Jami Curley, Lissa Johnson, Mark Schreiner, and Min Zhan (2000) *Savings Patterns in IDA Programs* (St. Louis, Washington University: Center for Social Development) Pg. 6.
[13] Ibid Pg. 15

Development (CFED) a non-profit charitable organization based in Washington D.C. The demonstration began in 1997 and ran until mid-2001, with the evaluation and follow-up being completed this year.[14] The name "American Dream Demonstration" was chosen "in recognition of the potential of IDAs to 'help restore to poor people and distressed communities a reasonable opportunity to realize the American Dream of good jobs, safe homes, and small businesses."[15] Another goal of the ADD is to evaluate IDAs and "thereby impel and inform larger policy and programmatic initiatives".[16]

CFED raised approximately US$18 million for this project from 11 foundations and some sites are supported by local Funders as well. The funding is being utilized for the matching deposits, operating assistance as well as the comprehensive evaluation of the project.

The ADD is comprised of 14 programs that are run by 13 non-profit, community-based organizations across the United States. All of the programs allow matched withdrawals for home purchase, post-secondary education and micro-enterprise development. In some cases, they can also be used for other activities like home repair and job training.[17] There remain, however, many differences among the 14 ADD programs, as there were no attempts to create a common national program design

The project began July 1, 1997 during a period of unprecedented growth in the American economy. The project has reached roughly 2,500 Americans whose family income is at or below 200% of the U.S. poverty line. Individual project sites targeted several and varied sub-populations such as single mothers, youth, former welfare recipients and working poor families with children. Project follow-up and evaluation will continue until June 31, 2003.

Project Details

In ADD, there is a great deal of variation in all of these features across the 14 programs. In 11 sites, the IDA savings accounts are owned solely by the participant, however in three sites the accounts are jointly owned with the local delivery agent. Match rates also vary across the sites, and among participants, ranging from 1:1 to 7:1 with a mean of 2:1. Participant savings eligible to be matched are capped at between $240 and $7,500, depending on the project site (mean of $1,465) and some are annual caps whereas others are caps for the lifetime of the project. Minimum time limits before a participant can withdraw the funds and matching savings credits range in ADD sites from no limit to 1 year (with a mean of 18 weeks). ADD included a number of uses for IDA savings that would be eligible to receive the matching credits although not all were offered at all project sites. All 14 programs within the ADD project allowed matched withdrawals for home purchase, micro enterprise development and post-secondary education. Eleven programs also offered job training or technical education as an eligible use, 8 programs offered home repair and 4 programs offered retirement savings as an eligible goal. Overall ADD is a set of highly divergent small, local IDA programs.

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[14] Ibid Pg. 17

[15] Sherraden, Michael, Deborah Page-Adams, and Lissa Johnson (1999) *Downpayments on the American Dream Policy Demonstration,* Start-up Evaluation Report (St. Louis, Washington University: Center for Social Development). Pg. 6.

[16] CFED (2000a) 'American Dream Demonstration,' *Corporation for Enterprise Development.* November 2000. http://www.cfed.org/individual_assets/ida/newcontent_idanet/ADD_intro.html>

[17] Sherraden, Michael, Sondra Beverly, Margaret Clancy, Jami Curley, Lissa Johnson, Mark Schreiner, and Min Zhan (2000) *Savings Patterns in IDA Programs* (St. Louis, Washington University: Center for Social Development) Pg. 27.

Project Insights
The project has already yielded significant insights into IDAs and how such a program affects savings behavior. This project has provided support for many of the basic hypotheses about the impact of asset-accumulation on fundamental attitudes. It also has validated IDAs as an effective asset-building tool, and begun to reveal the relative effectiveness of various alternative approaches.

The interim results[18] derived from the ADD illustrate the following[19]:

- The poor can save and have done so through reductions in consumption;
- Community-based groups working with financial institutions can create an effective and supportive environment for these programs;
- Financial education improves savings performance;
- Income is not strongly linked with savings behaviour;
- Receipt of social assistance does not affect savings behaviour;
- Institutional structures aid in savings behaviour;
- Education, Employment or Income had no clear links with the risk of exit from the program;
- Highest number of matched withdrawals was for Home Purchase (24%);
- Home purchase represented 33% of value of all matched withdrawals and home repair represented 20%;
- 58% of all intended matched withdrawals are for home purchase, 4% for home repair;
- Participants who purchase homes have fewer withdrawals; and
- Largest matched withdrawal was for home purchase.

Furthermore, the most recent results from the evaluation[20] of this project indicate that:

- The average monthly deposit was $19.07.
- The rate of deposit regularity was 50%, or six out of every 12 months.
- As of December 31st, 2001, a total of $2,530,538 was deposited (gross).[21]

As the project nears conclusion, research is continuing on many aspects. The impact of different match rates and financial training programs in particular are not fully understood yet. For example, while financial training has been shown to be effective, longer courses produce diminishing results. Also, higher matching rates seemed to have the effect of keeping participants in the program, but not with increasing their savings rates.

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[18] Beverly, Sondra; Clancy, Margaret; Jami Curley, Grinstein-Weiss; Schreiner, Mark; Sherraden, Michael; Johnson, Lissa; Min Zhan; *Savings and Asset Accumulation in Individual Development Accounts Downpayments on the American Dream Policy Demonstration, A National Demonstration of Individual Development Accounts*, Center for Social Development, George Warren Brown School of Social Work, Washington University, St. Louis, M.O. February. 2001.
[19] *Savings Preferences on the American dream Demonstration. A national Demonstration of Individual Development Accounts, Final Report.* October 2002. Center for Social Development G. Warren Brown School of Social Work, Washington University in St. Louis.
[20] Boshara, Ray; *Building Assets, A Report on the Asset-Developments and IDA Field*, Corporation for Enterprise Development, Washington D.C. USA. December 2001. A110.
[21] Gross deposits are defined as cash flows into an IDA, including interest net of bank fees.

The ADD has been key in spurring growth in the field. When ADD commenced, there were only four IDA programs in existence. Now there are more than 350 programs across the US. The growth and success of the field in the US has also spawned IDA development in Taiwan and Sweden with interest rapidly spreading in other nations.

b) The Assets for Independence Act

Passed into law late in 1998, the *Assets for Independence Act* (AFIA) aimed to fund demonstration projects to test the effects of IDAs and whether IDAs "will help lower income working families accumulate assets; and to what extent such accumulation of assets will help these families achieve greater self-sufficiency and enter the economic mainstream" 22CFED estimates that the legislation will help fund approximately 30,000 to 40,000 IDAs for the working poor over five years.[23]

The act authorizes the Department of Health and Human Services to transfer up to US$25 million per year for five years to non-profit organizations for IDA projects. In US 1999 and 2000 the budget for AFIA was set at US$10 million. In 2001 the budget will be US$25 million. Organizations are selected on the basis of a competitive bidding process. For this program, only savings from earned income can be deposited into an IDA.[24] The IDAs can be used for a first home purchase, small business capitalization or post-secondary education.[25]

c) The Savings for Working Families Act

On June 13, 2001, Senators Joe Lieberman (D-CT) and Rick Santorum (R-PA) and Representatives Joe Pitts (R-PA) and Charlie Stenholm (D-TX) introduced the *Savings for Working Families Act* of 2001 (SWFA) which, supported by President Bush, represents a strongly bipartisan IDA Tax Credit proposal that is backed by a coalition of organizations representing the financial, non-profit, academic and corporate sectors.[26]

Re-introduced, as a scaled down version, in the house in May 2002 as the Charity, Aid, Recovery and Empowerment Act (CARE), the Senate Finance Committee approved the Act, in June 2002 the which includes a provision that will make $450 million in tax credits available to financial institutions that match and support IDAs.

The IDA tax credit would work by providing financial institutions with a dollar-for-dollar tax credit for every dollar they contribute as matching funds for IDAs, up to $500 per IDA per year. The Credit would substantially expand the amount of matching funds available for IDAs and cement them as an asset-building tool for low-income Americans in the federal tax system. Allowable uses for the savings would be first-home purchase, post-secondary education and small business start-up. Households at or below 80% of the area median income would be

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[22] Saul, Richard: *Assets for Independence Demonstration:* 2001. See www.idanetwork.org/archives/idanetwork/aug2001/att-0007/04-2001_2ND_ANN_SUMMARY.DOC

[23] CFED (2000c)'IDA Overview,' *Corporation for Enterprise Development* <http://www.cfed.org/individual_assets/ida/ida_overview.html> 27 September 2000.

[24] CFED (2000d) 'Questions and Answers on the Assets for Independence Act,' *Corporation for Enterprise Development.* November 20, 2000 <http://www.cfed.org/individual_assets/ida/q_and_a.html>

[25] Boshara, Ray (1999) *Overview of the Assets for Independence Act.* Washington, D.C.: Corporation for Enterprise Development. Pg. 5-7.

[26] For additional information please see Savings for Working Families Act: IDA Tax Credit, Summary of H.R. (Reported in the Senate October 10th, 2002). Or the Corporation for Enterprise Development, www.cfed.org, Policy, Legislative Proposals, Saving for Working Families Act of 2002.

eligible, under the current language of the Bill that reflects the adjusted gross income of $18,000 single, $30,000 head of household, $38,000 joint filer.

For IDAs created under the IDA Tax Credit, any bank account interest accruing on the IDA will be taxable however, the matched credits and interest that accrues on it will be treated as nontaxable income to the accountholder.

Those who originally sponsored the legislation have expressed their commitment to pressing Senate leaders to bring the CARE package to a vote in the full Senate. Although the timing is uncertain, the bill could be voted on by the full Senate and then reconciled with the House version of the bill before the end of the current Congressional year. Both President Bush and the Senate Leadership have expressed a commitment to moving the package forward.[27]

d) The Family Self Sufficiency Program

The oldest US IDA program is the relatively small *Family Self Sufficiency Program* (FSS) sponsored by the Department of Housing and Urban Development (HUD). FSS is operated by local housing agencies and eligible participants must be residents of subsidized federal housing units.[28]

For those living in subsidized federal housing, increases in income lead to increases in rent. When the income, and therefore the rent, of FSS participants rises, an amount equivalent to the increase in rent is deposited in an escrow account on their behalf. A case manager works with the participant to develop a participation contract. This contract spells out interim and long-term goals for the recipient, goals that include completing a job training program or obtaining a job with benefits. The money in the escrow account is transferred to the individual when the terms of the contract are met and when the person becomes independent of welfare.[29] Sherraden indicates that "there has never been an evaluation of FSS (no money for evaluation was allocated), but anecdotal reports from many parts of the country are positive".[30]

[27] *Savings for Working Families Act: IDA Tax Credit, Summary of H.R.7* (Reported in the United States Senate October 10th, 2002).
[28] The program is currently widely but not universally available. FSS programs are currently being operated by more than 1,400 housing agencies throughout the United States (Sard and Lubell, 2000).
[29] Sard, Barbara and Jeff Lubell (2000) 'The Family Self-Sufficiency Program,' *Center on Budget and Policy Priorities* http://www.cbpp.org/5-5-99hous.htm 11 November 2000.
[30] Sherraden, Michael, Sondra Beverly, Margaret Clancy, Jami Curley, Lissa Johnson, Mark Schreiner, and Min Zhan (2000) *Savings Patterns in IDA Programs* (St. Louis, Washington University: Center for Social Development) Pg. 27.

2.2.3. Other American IDA Programs

There are roughly 400 local IDA programs in operation in the US. These programs are supported by a variety of federal and state funding sources. At least 36 states provide support for local IDA programs, and 32 have included IDAs in their welfare reform plans. The federal government provides assistance in various ways, including funding that targets low-income refugees, the youth, people with disabilities and Native Americans.[31]

[31] Mills, Gregory *et al*: *Evaluation of Asset Accumulation Initiatives, Final Report*; Abt Associates: prepared for the US Dept of Agriculture: 29 February 2000. Article available at: ***http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Program%20Design/AssetAcc.pdf***

3. OTHER USES FOR HOUSING IDAS

In the course of this study, various other options have been identified for using IDAs or IDA-type programs to support access to other forms of affordable housing than homeownership. These could be used either to enable lower-income families and individuals to better their housing, or to establish an equity stake through their existing housing. All of these options have potential, but because they have not been widely used, they need more study.

3.1. Transitional Needs

Programs utilizing the methodology relating to IDAs could help individuals and families facing difficulty in securing appropriate private rental accommodation because they lack sufficient savings and access to the continuum of supports. Aside from the accounts, financial education and counselling could be used to enhance individuals or a family's budgeting and saving habits so that they could save for various up-front costs like the first and last month's rent (or security deposits), utility deposits and/or essential appliances. People living in transitional housing, as well as those in inadequate private apartments, could especially benefit from this type of support.

Independent Living Accounts (ILAs), a term coined by SEDI, could be a vital new tool to assist governments and communities in providing affordable accommodation, financial education and related supports to those living in transitional or supportative housing. In addition, ILAs could assist in building the foundation required to accumulate personal wealth through asset-building and increased income generation.

When this option was discussed at the stakeholders' meeting, it produced mixed support. The stakeholders were aware of the increasing problem of people living in transitional or supportative housing and recognized that providing financial training and counselling could be a valuable tool in assisting here. However, many of the stakeholders remained uncertain about the effectiveness of using asset-building measures, like the savings incentives, to assist these particular individuals and families.

Basically the use of matched savings for this purpose was not viewed as asset-building and it was thought that if this concept was to be realized in a programmatic application it would be necessary to do so completely separate and apart from a IDA project for home purchase.

3.2. Social Housing

IDA programs also have the potential for helping tenants in social housing develop assets, purchase a home, or even gain an equity stake in their existing homes. These tenants are typically unable to build a financial stake in their homes and also, because they generally pay low taxes, they are unable to take advantage of tax credit measures aimed at asset development. However, with appropriate assistance, they should be capable of saving because their housing costs are controlled.

There are IDA programs like this in the US. These programs have been established by non-profit housing agencies specifically for their tenants and their principal purpose is to assist the tenants in purchasing homes. For some agencies, they also have the secondary benefit of freeing-up rental units where the supply of rental housing is limited.

At the Stakeholders panel in Montreal, participants expressed strong interest in using an IDA program to assist people living in non-profit co-op housing. Such a program could be modelled on the FTQ (Fédération des travailleurs du Québec) fund, a labour investment fund into which workers make voluntary but incentive-based donations through automatic withdrawals from their pay-cheques. An IDA program designed around this idea could be administered by a financial institution like the Caisse d'économie Desjardins des Travailleuses et Travailleurs, and the money used in the interim to finance co-operative housing development. The co-op residents could use their savings for retirement, home purchase and possibly other prescribed purposes.

3.3. Secondary Apartments

In addition to Social Housing, there is also potential for using the IDAs to support existing or new homeowners in creating secondary (or accessory) apartments. These apartments historically have been used by lower-income homebuyers as a means to afford homeownership. Furthermore, these units have typically provided much-needed and inexpensive rental housing.

This option was discussed at the Stakeholder's meetings, but not widely supported. In many cities accessory apartments are not widely permitted, due to existing zoning restrictions, and can, in some instances, be associated with poorly maintained housing. Many stakeholders also questioned whether this option would be practical, considering the financial burden that homeownership in itself places upon lower-income homebuyers.

4. INCLUSIVE POLICY AS AN ALTERNATIVE

Michael Sherraden, in his testimony to the President's Commission on Social Security [32] in Washington DC on October 2001, identified that while asset-based policies are created, a major challenge will be to aim for inclusion. He noted that while housing IDAs are a step in the right direction, the shift to asset accounts is considerable more regressive than income based policy for two reasons:

i) the poor often do not participate in the asset-based policies that currently exist; and
ii) asset-based policies operate primarily through tax benefits (tax expenditures) that benefit the poor, little or not at all.

The above reasons illustrate why asset-based policies have the potential to exacerbate inequality, and indeed are doing so, because the poor are being left behind.

Sherraden argues that the goal should be to bring everyone into the system with adequate resources in their accounts for social protections and household development.

Basically the thought here is that since IDAs are showing evidence that the saving amount is not statistically related to income, many of the poor can and will save if they have the opportunity and incentive. Not unlike how saving is accommodated through RRSPs and RESPs. The challenge is to incorporate this principle into the large-scale asset-based policies that already exist and the new ones, which are being proposed. This of course should therefore be a consideration in the design stage of a project of IDAs for housing in Canada.

[32] Invited Testimony to the President's Commission on Social Security, Washington DC, *Assets and the Poor: Implications for Individual Accounts and Social Security*, Michael Sherraden, October 18th 2001. Center for Social Development, George Warren Brown School of Social Work, Washington University in St.Louis, MO.

5. FURTHER FINDINGS AND PROJECT ISSUES

The following section outlines some of the facets that will need to be considered prior to the design of a national demonstration project of IDAs for housing. These issues were discussed at both the stakeholder meetings and consumer focus groups and the resulting comments have been reflected here.

5.1. Authorized Uses for Savings

IDA homeownership programs in the US and Canada have principally been used to support savings for downpayments for home purchase. There also is a potential to apply the savings for a variety of related uses. In fact it would seem prudent to allow the accounts to be used for an additional use to home purchase such as closing costs as those costs are always attributed to the purchase of a house no matter what the location. Closing costs such as legal fees, and land transfer tax contribute to the final cost of purchasing the house, in addition to the downpayment.

5.2. Other Initial Costs

There are many possible costs associated with home purchase. Among these are the *closing* costs, which could include the land transfer tax, legal fees, survey and inspection fees, utility hook-up charges, application fees for mortgage insurance, and other charges payable upon closing. In addition, there are other *incidental* costs such as those associated with moving, purchasing new appliances and making essential home repairs.

All of the aforementioned costs collectively could represent a barrier to home purchase. Therefore, it would be consistent with the purpose of an IDA program to allow the savings to be used for some or all of these costs. On the other hand, including these additional costs could inflate the required savings to an unmanageable level. This aspect is reviewed in a section 5.6 *minimum savings*.

Allowing home repairs by homebuyers could be important for facilitating the purchase of older properties, particularly because many lenders may require remedial improvements before providing a mortgage. However, the limited funds that could be made available through the IDA savings would probably be insufficient for major repairs. Therefore, houses in need of serious upgrading are likely to depend upon other renovation programs when available.

5.3. Homeownership Options

IDA programs could also allow for the purchase of various other types of homes, including condominiums and equity co-ops. Condominiums may represent the lowest-priced alternative suitable for small households in many markets. The opportunities for assisting in the purchase of equity co-ops might be limited, but they still potentially represent a suitable low-priced housing option.

Using the savings for newly built houses also appears to be a reasonable option that could be left open. Although the price of new homes typically will be higher than comparable existing ones, these homes could be more suitable for households with limited incomes because they require less repair and upkeep. This option could be made more practical where additional subsidies are provided through price reductions within local homeownership programs.

5.4. Non-Housing Uses

The IDA programs in the US, as noted earlier, allow savings to be used typically for micro-enterprise development and adult education as well as home purchase. Some also allow the funds to be used for job training, home repair, retirement investments and children's education.

Having one or more of these options available even in a homeownership IDA program could be very important. Buying a home is a costly and demanding undertaking and, although some of the participants in these programs will start with the intention of buying a home, for several reasons they may find they are unable to achieve it. Various options would allow the participants unable to achieve homeownership to utilize their savings for another worthwhile purpose, while gaining the advantages of participating in an IDA program.

5.5. Income and Asset Thresholds

House prices vary widely across the country. This variation affects two major aspects of any nationwide IDA homeownership project;

i) the eligibility of the households participating in the different communities and,
ii) the minimum saving rates required to provide for a downpayment and the related costs associated with house purchase (the related costs are discussed in section 4.6)

Without conclusive information respecting the participants' incomes, building condition and type of unit available that would be reflective of an "affordable unit", within the specific geographic locations (sites) it is somewhat difficult to determine the average monthly savings required without making informed assumptions.

For this preliminary analysis, information for average house price was taken from two different sources namely:

i) The Stakeholders meetings conducted for this study and the current MLS real estate listings

ii) The MLS house prices were taken from ROYAL LePAGE's *Summary of Canadian House Prices, 3rd Quarter 2002, Issue 21.* They are based specifically upon the average of the lowest-priced units in two separate neighbourhoods in each of the five cities. For Toronto, the Greater Toronto Area was used as this geographical catchment area was thought appropriate.

According to these two sources, the minimum house prices in the five communities range from $57,188 (Winnipeg) to $141,445 (GTA).

5.5.1. Tables

The following two tables illustrate the realistic components thought necessary when determining the average monthly *Home*$**ave** payments in a 3-year, 4-year and 5-year project. It should be noted however that the costs associated with the various components within this table will fluctuate over time and would, therefore, impact the average monthly savings required through the project.

When reviewing the following tables please be aware of the following:

- Mortgage loan is based upon 95% of the house price.
- M.I.F. represents the Mortgage Insurance Fund premium required for a 5% downpayment.
- Minimum household income is based upon the mortgage interest of 7¼% and a 9½% for a 25-year amortization period, a gross debt service (GDS) ratio of 32%. Please note: heating costs are not included in the calculation. (Please see: www.cmhc-schl.gc.ca/en/bureho/buho/afhofiso/afhofiso_011).
- Other closing costs based upon roughly 3½% of the minimum house price (please see Section 4.6 for a detailed description).
- Property tax figures have been provided by CMHC and represent an estimated average for this purpose.
- Average monthly savings are based on a 3:1 match rate.
- The input from the stakeholders meetings was based upon the consensus of the participants at those meetings. As noted, those stakeholders included representatives from the lending industry and various officials involved in administering affordable homeownership programs. From their experience, they were asked to identify/confirm the approximate price of the lowest-priced freehold ground-related two-bedroom houses in a good state of repair that were currently available on the market in their communities.

Subsequent to those meetings, this information for each community was double-checked through direct communication with the following Stakeholders:

- **Saskatoon**: Martin Chicilo, Manager of Community Development for Saskatoon Development Corporation, which has mortgaged over 40 houses purchased by the Quint Development Corporation as part of a local affordable housing program under Saskatchewan's *Neighbourhood Home Ownership Plan*.

- **Winnipeg**: Peter Squire, Director of *Housing Opportunities Program* for the Winnipeg Real Estate Board, which has purchased over 20 houses for renovation and resale as affordable homeownership units.

- **Halifax**: Wayne Paterson, Manager of Lending Services for League Saving and Mortgage, a major Halifax-based credit unit, based upon his recent professional experience and a review of the MLS property listings for the Halifax area.

- **Toronto**: Linda Belanger, Director of Business Development for GE Capital Mortgage Insurance Canada, based upon a review of their recent mortgage insurance policies issued by this company for the Toronto area.

- **Montreal**: Francine Craig, Coordinator with Caisse d'économie Desjardins des Travailleuses et Travailleurs, a major credit union in the city; and Pierre Gadoua, a real estate broker with 25 years experience in the city and the head of his own real estate brokerage, Excalour.

Table 1: Affordability Analysis

STAKEHOLDER INPUT – AVERAGE HOUSE PRICE

	Winnipeg	Saskatoon	GTA	Montreal	Halifax
House Price	70,000	70,000	140,000	110,000	70,000
5% Down	3,500.00	3,500.00	7,000.00	5,500.00	3,500.00
Loan	66,500.00	66,500.00	133,000.00	104,500.00	66,500.00
MIF Premium	2,493.75	2,493.75	4,987.50	3,918.75	2,493.75
Total Loan	68,993.75	68,993.75	137,987.50	108,418.75	68,993.75
Interest Rate	7.25	7.25	7.25	7.25	7.25
Interest Factor	0.00595238	0.005952383	0.005952383	0.005952383	0.00595238
Monthly Payments	493.94	493.94	987.88	776.19	493.94
Property Tax @1.5% of Price	87.50	87.50	175.00	137.50	87.50
Monthly P+I+T	581.44	581.44	1,162.88	913.69	581.44
Income@ 32% GDS	21,803.97	21,803.97	43,607.94	34,263.38	21,803.97
Other Closing Costs	2,450.00	2,450.00	4,900.00	3,850.00	2,450.00
Total Up-Front Costs	5,950.00	5,950.00	11,900.00	9,350.00	5,950.00
Interest Rate	9.50	9.50	9.50	9.50	9.50
Interest Factor	0.00776438	0.007764383	0.007764383	0.007764383	0.00776438
Monthly Payments	594.06	594.06	1188.11	933.52	594.06
Property Tax @1.5% of Price	87.50	87.50	175.00	137.50	87.50
Monthly P+I+T	681.56	681.56	1,363.11	1,071.02	681.56
Income@ 32% GDS	25,558.32	25,558.32	51,116.64	40,163.08	25,558.32
Other Closing Costs	2,450.00	2,450.00	4,900.00	3,850.00	2,450.00
Total Up-Front Costs	5,950.00	5,950.00	11,900.00	9,350.00	5,950.00
Av. M. *Home*$ave Savings (3 years)	**41.32**	**41.32**	**82.64**	**64.93**	**41.32**
Av. M. *Home*$ave Savings (4 years)	**30.99**	**30.99**	**61.98**	**48.70**	**30.99**
Av. M. *Home*$ave Savings (5 years)	**24.79**	**24.79**	**49.58**	**38.96**	**24.79**

Table 2: Affordability Analysis

ROYAL LEPAGE MLS LISTINGS - 3RD QUARTER 2002

	Winnipeg	Saskatoon	GTA	Montreal	Halifax
House Price	57,188	95,625	141,445	73,649	99,250
5% Down	2,859.38	4,781.25	7,072.24	3,682.44	4,962.50
Loan	54,328.13	90,843.75	134,372.51	69,966.31	94,287.50
MIF Premium	2,037.30	3,406.64	5,038.97	2,623.74	3,535.78
Total Loan	56,365.43	94,250.39	139,411.48	72,590.05	97,823.28
Interest Rate	7.25	7.25	7.25	7.25	7.25
Interest Factor	0.00595238	0.005952383	0.005952383	0.005952383	0.00595238
Monthly Payments	403.53	674.76	998.07	519.69	700.34
Property Tax @1.5% of Price	71.48	119.53	176.81	92.06	124.06
Monthly P+I+T	475.02	794.29	1,174.88	611.75	824.40
Income@ 32% GDS	17,813.06	29,785.78	44,057.95	22,940.50	30,914.91
Other Closing Costs	2,001.56	3,346.88	4,950.57	2,577.71	3,473.75
Total Up-Front Costs	4,860.94	8,128.13	12,022.80	6,260.14	8,436.25
Interest Rate	9.50	9.50	9.50	9.50	9.50
Interest Factor	0.00776438	0.007764383	0.007764383	0.007764383	0.00776438
Monthly Payments	485.32	811.52	1200.37	625.02	842.29
Property Tax @1.5% of Price	71.48	119.53	176.81	92.06	124.06
Monthly P+I+T	556.81	931.05	1,377.18	717.08	966.35
Income@ 32% GDS	20,880.24	34,914.49	51,644.15	26,890.55	36,238.05
Other Closing Costs	2,001.56	3,346.88	4,950.57	2,577.71	3,473.75
Total Up-Front Costs	4,860.94	8,128.13	12,022.80	6,260.14	8,436.25
Av. M. *Home*$ave Savings (3 years)	**33.76**	**56.45**	**83.49**	**43.47**	**58.59**
Av. M. *Home*$ave Savings (4 years)	**25.32**	**42.33**	**62.62**	**32.60**	**43.94**
Av. M. *Home*$ave Savings (5 years)	**20.25**	**33.87**	**50.10**	**26.08**	**35.15**

Income thresholds will be needed in any IDA program to ensure that the assistance goes to appropriate households.[33] In addition, maximum liquid asset levels will also have to be established in order to ensure that the project is providing assistance to those who should be targeted. These thresholds presumably will need to be set at a level that excludes those households able to purchase homes without the assistance. On the other hand, they should not be set so low that they only include households without sufficient incomes to qualify for a mortgage.

This preliminary analysis of the households that might be targeted by an IDA program focuses on determining the household incomes needed to purchase the lowest-priced houses on the market. To do this, it applies the standard gross debt service (GDS) ratio as used typically by mortgage lenders. In order to qualify for a mortgage under the standard GDS, the monthly housing costs of the homebuyer are limited to a maximum of 32% of gross monthly income. Housing costs include the monthly payments for mortgage principal and interest as well as taxes. The current interest rate has been taken to be 7¼% for a 25-year mortgage. The property taxes used are based on data from CMHC. It should be noted that these figures do not include heating costs.

Based on all of these factors, minimum annual household income needed currently to qualify for purchasing the lowest-price house ranges from about $25,200 up to $47,550 in the five communities. These figures indicate the lower end of the households that would be able to benefit from an IDA program. In fact, these figures tend to indicate that at both interest rates there is a great probability that rent payments could be higher in these locations then the carrying costs of homeownership.

The interest rate has a significant effect on the income requirements necessary for qualification for a mortgage. This can be seen by comparing the impact of a 7¼% rate for a mortgage amortized over a 25-year period with that of a 9½% rate. At the higher rate, the household's incomes needed to qualify for home purchase increase by about 15%.
The potential for such a change must be considered in determining eligibility because it could adversely affect those households that had marginally qualified for a mortgage at a lower interest rate when their mortgage came up for renewal.

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[33] The IDA program will need to develop its own income thresholds because there is no standard yardstick, methodology nor readily available data in this country for determining affordability criteria in homeownership programs.

A useful comparison can be made with the US, where affordable homeownership is supported by federal funding and by many state and municipal programs. The national eligibility standard for affordable ownership programs across the US is essentially based upon 80% of median household income for the particular local market area. For housing to be affordable at these income levels, the households are expected to pay no more than 30% of their household income on shelter. The federal government annually determines the median income for each of these market areas, and also provides an adjusted figure for each household size ranging from 1 to 8 persons.

A number of income measures are used in this country, including 'core need income threshold', 'housing income limits', 'low-income cut-offs', or 'low income measure', but none are appropriate for this purpose. These measures have been variously designed to define thresholds for poverty, assisted housing and rental housing. They are not related to the income needs associates with market-based ownership housing, nor specifically to the lending criteria that will be used by the mortgage providers in determining eligibility for a home purchase loan.

These calculations are intended only as a preliminary analysis to indicate some of the principal factors that must be considered in developing income thresholds for the IDA program. Before this can adequately be done, further research must be conducted on how best to identify the threshold house prices in each participating community, including other types of housing (such as condominiums) and housing suitable for households of different sizes.

5.6. Minimum Savings

The minimum savings that are needed under an IDA homeownership program will be determined by the minimum downpayment and, as reviewed earlier, the other closing costs associated with house purchase that are considered eligible under the program.

The minimum downpayment requirement in this country is typically 5% of the purchase price, when the homebuyer is eligible for mortgage insurance. Based upon the minimum house prices found in the five communities, the savings required for a 5% downpayment would range from $4,860.94 up to $12,022.80

The closing costs associated with house purchase vary widely across the country and would have to be assessed for each location independently and then considered if thought necessary to include as an appropriate savings goal. For example, the land transfer tax, the largest of these closing costs, ranges from 1% to 4%of the house price indifferent provinces.[34]

The other potential closing costs are not typically based upon the house price, but when considering the most common charges in addition to land transfer tax, such as legal fees, mortgage brokers fees, utility bills, property insurance, survey costs etc. they could add up to 5% of the purchase price. For this initial analysis, 3½% of the house price (based upon the mid-point of 1% to 5%) was used as an estimate of the potential closing costs. On this basis, if the other closing costs were added to the downpayment, the minimum savings requirements would increase to a range of roughly $5,150 up to $12,750.

Based on these combined costs, and assuming a 3:1 match and three-year savings period, the typical homebuyer in the program would need to save monthly on average $34 up to $83.

These required savings rates can be compared with the average monthly savings achieved so far in other programs:

- roughly $25-30 in the *American Dream Demonstration* Project;
- about $75 in Winnipeg's housing IDA program;
- $45 over the first year, and $90 over the second year in Calgary's housing IDA program; and
- nearly $54 in *learn***$ave**.

[34] *CMHC Home Ownership Education Training Program, Student Text.* January 2002, Page 54-56.

Based upon this initial and limited data, the required savings rate appears to be achievable.

Where necessary in the high-priced markets, greater savings could be achieved by extending the savings period or by increasing the match rate. The latter could very well be possible by encouraging local charities and other organizations to contribute toward a supplementary local match. Also, the savings requirements could be reduced where the IDA program was used in conjunction with a local homeownership program that lowered the house price.

5.7. Taxation of Matched Contributions

One of the most significant issues pertaining to the matched contributions is the tax treatment of these funds. Taxing the matched funds reduces their value and thus reduces the amount being allocated towards the house purchase. Of course the tax treatment of the matched contributions depends mainly on the origin of the funding. As this issue has great implications for project design, the tax treatment of the matched contributions needs to be determined prior to enrollment into the project.

5.8. Local Priorities

IDA programs can operate as stand-alone programs, but they are likely to be much more effective if used in conjunction with other local initiatives and community-based organizations. This could lead to various benefits including sharing or spreading the cost of running the programs (or parts like the education and counselling courses) and increasing the match rates through local funding.

The effectiveness of the IDA programs also would be particularly enhanced when used in conjunction with local homeownership programs that provide subsidies to lower the price of the housing. This would have the effect of both lowering the minimum downpayment requirements and also the income thresholds. As a consequence, the IDA programs would be able to reach a significantly wider market.

In order to take advantage of local initiatives or support, a nation-wide IDA project will have to incorporate sufficient flexibility in its eligibility requirements so that it could meet local needs and priorities. Some of the existing homeownership programs identify existing local priorities, for example, some of these existing programs target only inner-city neighbourhoods needing revitalization, while others target only new construction.

5.9. Financial Education

Financial education is a critical feature of IDA programs.[35] Many of the lower-income homeowners participating in these programs are likely to be living within tight budgets and with

[35] The use of homebuyer and financial education extends well beyond its use in IDA programs. In the US, there are well over 1000 organizations now providing these services in some form. In addition, there is a national

heavy debts. This could leave them ill-prepared to handle any unexpected costs, such as those associated with unpredictable home repairs and rising interest rates.

The importance of these programs was strongly endorsed in all of the meetings held with the stakeholders and the participants in the market research, and also in the interviews conducted with IDA program operators in the US. Homebuyer and financial education for lower-income homebuyers was seen as a key to ensuring that these homebuyers are able to sustain ownership over the long term. Some of the stakeholders noted that some past homeownership programs had failed because they had not prepared marginal homebuyers for the responsibilities of homeownership, nor supported them when facing post-purchase difficulties. Programs that provided subsidies for lower-income homebuyers but with no education and support were considered likely to similarly fail.

Within the context of IDA programs, homebuyer and financial education serve two important specific objectives:

- For the IDA providers, they are the means for changing the behaviour of the participants so that they in general take more control of their financial affairs and also in particular make appropriate and regular savings.

- For the lenders involved in these programs, they are the means for keeping the default rates on mortgage loan repayments to an acceptable level.

The early evidence indicates that the education programs do help in meeting both of these objectives, and also that these programs can be costly. More research is needed to assess both the relative cost and effectiveness of the various alternative approaches. Some of this information will be forthcoming from the evaluation of the demonstration projects in the US, and in Canada. In the research design of *learn***$ave** a specific analysis of the financial management training will be undertaken to identify the results and effectiveness of this support.

5.10. Geographical Location

In determining the enrolment of participants within a *Home***$ave** project the geographical location of the catchment areas and the portability of the accounts must be determined. In terms of research and evaluation the regional variations may cause there to be higher match rates in

organization, the American Homebuyer Education and Counseling Institute (AHECI), representing the interests of the lenders, providers and other stakeholders.

Community-based organizations are the main providers of these services. Most of them are aggressively working to improve the access to mortgage loans by the so-called "underserved", which includes lower-income households and other groups that have had difficulty in securing mortgages. As an extension of these activities, they also have been become increasingly involved in providing alternative ways of qualifying for mortgages.

The experience in Canada with these types of programs is far more limited both in scope and objective. The key difference is the Canadian programs have been focused on serving the informational needs of prospective purchasers qualifying under conventional standards.

certain locations/catchment areas and decisions on whether or not these savings and allocations for purchase can be used elsewhere must be considered prior to enrollment of participants. These decisions would be translated into project protocols.

6. CONCLUSIONS

The evaluations being conducted as part of the *learn***$ave** demonstration**,** the *American Dream Demonstration, the Assets for Independence Act,* and the other aforementioned IDA projects will provide a useful resource for analysis on many aspects of the specific projects, however, definitive results respecting the impacts of such projects will not be available for some time.

In order to consider the full implementation of a national program, which would utilize IDAs as a means to increase access to affordable housing for low-income Canadians, one must consider the reasonable and responsible allocation of funds for such a project. In this case, as a large scale IDA project has not, to date, been undertaken for access to affordable housing within the Canadian context/market and since this study has identified various issues requiring further investigation, it would seem appropriate to research these matters through a national demonstration project designed with a specific research and evaluation component aimed at addressing these issues. The findings from this demonstration could inform policy and procedures necessary for an effective National *Home***$ave** Program.

6.1. Building Assets in Homeownership - A Viable Way to Address the Wealth Gap

A *Home***$ave** project for increased access to affordable housing can seek to assist in closing the gap between the wealth of renters and that of homeowners through the supports inherent in the project processes and through the long term change in attitudinal behaviour that can result through participation in such a project. For example, although some people rent housing only when they are young, others will need rental housing throughout their lives – they will never be able to afford homeownership and will always depend upon the private rental and social housing sectors. These lifetime renters are at a particular disadvantage and this disadvantage could be addressed through participation in a *Home***$ave** project.

In 1984 and 1999 Statistics Canada carried out a detailed survey of household income and wealth called the Survey of Financial Security. Initial results from the 1999 survey were published by Statistics Canada in March 2001 as *The Assets and Debts of Canadians.*[36]

[36] For additional information please see: http://www.statcan.ca/cgi-bin/downpub/research.cgi

This data[37] provides that there are significant gaps between the income and wealth of renters compared to homeowners. Also:

- **With respect to Income:** Over the 15-year period, the median income of homeowners increased by $2,100 (5%) while the income of renters decreased by $600 (–3%).
- **With respect to Wealth:** The median net worth of homeowners in 1999 was $145,000, an increase of $28,400 (24%) over 1984. For renters, the trend was the

Montreal and Vancouver. For homeowners, high and increasing house costs contribute to their lifelong accumulation of wealth. For renters, however, it is the opposite. High housing costs make it difficult, if not impossible, for them to accumulate assets (such as the amount needed for a down payment) resulting, for many, in lifelong impoverishment.

The household income and wealth of renters is dramatically below that of owners, and the gap is growing. Renter households may find it increasingly difficult to move into home ownership. Government policies that focus on incentives for home ownership, such as tax-exempt savings plans or the Ontario government's waiver of land transfer taxes, do not address the housing needs of the vast majority of renter households. The federal government has not provided new social housing for low- and moderate-income renters since 1993.

A *Home***$ave** strategy, with complimentary regional policies, could assist in creating a positive savings environment for renters, address the low income and possible savings ability in order to put participants on the way to homeownership.

6.2. Limitations

Although a *Home***$ave** demonstration project could positively affect the lives of many Canadians, there are also certain limitations, therefore, this project will not be able to address all of the issues associated with the root-causes of poverty. For example, this project will demand participants that are able to meet monthly savings targets within the specified savings period in order to achieve their goals so the poorest of the population will not qualify.

Other issues to keep in mind include:

- **The supply of affordable housing.** While it is evident from the calculations illustrated in this report that ownership may indeed require monthly payments that are not far from the fee of rental payments, it is clear that the supply of affordable housing for lower income purchasers across the country is not keeping up with the demand. Low supply will inhibit participants from finding appropriate accommodation to purchase.

- **Rising interest rates and economic conditions:** Rising interest rates could affect qualification for a mortgage and could have serious implications for lower-income homeowners at the time of re-mortgaging. In addition inflation and unemployment could have a devastating effect on new homeowners. Therefore, while we are unable to provide any sort of secure forecasts, economic circumstances must be considered during the design of a project.

- **Need for liquid assets:** The poor are often in desperate need of liquid assets — cash in the bank — to deal with financial emergencies. IDAs are available only for the purchase of approved assets, which are basically illiquid assets that cannot be used to cover emergency expenses. Thus *liquid* savings are useful for insurance purposes but IDA savings are not. Most IDA plans, however, allow participants to withdraw their portion of the account (but not the matching funds) in an emergency.

Since all IDA proposals require contributions by participants, an obvious question is "Can the poor save enough to make *Home***$ave** meaningful?" Proponents of IDAs believe that the answer is a qualified "yes". In a paper prepared for Sherraden's Centre for Social Development,[39] S. Beverly admits, "in all disciplines, empirical evidence related to saving in low-income households is extremely limited..." She then argues that low income is a major obstacle to savings because there is a minimum consumption level a person must maintain in order to survive. Therefore, people with incomes sufficient only to support the minimum level will find it nearly impossible to save. Despite these obstacles, however, "many low-income individuals in the U.S. do save money".[40]

6.3. Why a Demonstration Project?

Any type of financial incentive program has the potential to be expensive. In considering the widespread adoption of any potentially expensive program, policy-makers must balance the potential expense against the potential benefits. Since the contemporary incarnations of the "savings accounts for the poor", however promising they may appear is quite new, there is uncertainty about those benefits. We simply do not know what difference these programs might actually make in the lives of those who take part in them. Because the nature and size of the effects is uncertain and the potential cost could be high, it is important that a *Home***$ave** project be carefully evaluated under real-world operating conditions in order to realistically inform any large-scale implementation of the concept. The cost of providing a new, and potentially costly, financial incentive can be justified only if it produces significant benefits. A demonstration project with an adequate evaluation design provides a cost contained method of securing the knowledge necessary to formulate any future policies or programs.

6.3.1. Learning Objectives

Overall, the purpose of any demonstration project is to determine how a new initiative actually works and what impacts it has. In order to do this, the first and most important task is to

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[39] Beverly, S. and Sherraden, M.: *The Institutional Determinants of Savings: Implications for Low-Income Households*, Journal of Socio-Economics 28, Pg. 457-473. 1999.
[40] Ibid

determine the questions to be answered by the demonstration.

Among the many possible questions are:

- Was the project successfully implemented?
- What was the quality of services offered?
- Which services were most heavily utilized?
- Was the project's message clear and well understood?
- Did the project make a difference in people's lives and in what ways? For example, how did the project affect their subsequent housing situation or financial stability?
- Did this project provide ownership in the short and long term?
- Who benefited the most? With which subgroups did the program have the greatest impact?
- Was the program cost-effective from the perspectives of Community Partners, participants, of government budgets, society as a whole?
- Were affordable rental units freed-up by those moving into ownership?
- Which management practices make the greatest difference in outcomes and costs?
- Was the capacity of the community-based agencies increased?
- Are participants more economically literate and engaged in the economic mainstream?
- Can we convert the project learnings into clear Policy for a National Program?

6.4. Considerations for Project Design

This section presents an overview of the considerations that must be weighted in when designing a *Home***$ave** demonstration project.

The suggestions here are based on the several years of development and consultation undertaken by SEDI on the *learn***$ave** demonstration and on the evidence and arguments presented above. It should be kept in mind that any detailed project design work can only take place during the development phase of the project and must be informed by practitioners who work closely with the target population.

It would be expected that an early product of the development phase would be a Project Design Report, which would present the program model and evaluation plan in much more detail. In addition this document would provide valuable information to the project delivery agents. The actual program design should follow the essential research questions that the project is aiming to answer.

6.4.1. Strategic Partnerships

Obviously strategic partnerships during the design and operational phases of the project are extremely important. Specific agreements recognizing the details of roles and responsibilities as well as financial obligations of the partners involved must be drafted and subsequently executed.

The partnerships required for a successful project include Funders, an intermediate organization (technical consultant/project administrator), a research and evaluation team, financial institution partner(s), site or delivery partners, and consultants on an "as needed" basis.

6.4.2. Target Population and Market Analysis

As noted under the previous section on Income and Assets it will be important to identify eligibility criteria that will provide potential participants with realistic means of achieving their goals. This means appropriate project eligibility criteria must be set so the identification of the specific target population can be identified, therefore requiring some market analysis in order to determine the realistic incomes and asset levels to purchase homes within the specific geographic locations.

6.4.3. Research Design, Evaluation Strategy and Measurement Tools

There are several techniques that are utilized in demonstration projects to test the effectiveness and outcomes of the IDA and, therefore, could be used to do the same with ILAs. The following section will describe several of these methods and the ways in which the efficacy of this treatment could be assessed.

We begin by describing the attitudes and behaviours that proponents believe will be affected by the offer of subsidized savings and that are measurable within a reasonable timeframe.

a) Key Research Questions and Measurement of Outcomes

A central premise of Michael Sherraden's book is that asset-holding and asset-accumulation will "change the heads" of the poor. Therefore, the first outcome that could be examined in *Home***$ave** is the *attitudes of the poor*. We could ask whether the accountholders are more forward-looking, more prudent and more informed in their economic decision-making than the control group. These attitudes could be assessed by means of questions answered on baseline and follow-up surveys.

The second outcome is even simpler. The matching of savings should lead the accountholders to save more of their own income. That is, ignoring the amounts contributed by the program, the accountholders should have greater *savings* than those who would not be part of the project. If for example, accountholders are not able to save because their income is too low, then the program will have failed in a critical way. Without increased savings, there is little likelihood that participants will be able to improve their economic status more than those not participating in the project.

Another important outcome of *Home***$ave** participation is whether there is continued stability in the household after purchase and how this continues over time. Despite the importance of this outcome, the limited follow-up period may not allow us to assess this as compared to those not part of the project.

To summarize, we would suggest the measurement of the following key outcomes:

- attitudes and information
- amounts saved
- accommodation acquired (first and last months rent – and what it purchased – was there success in finding more appropriate and affordable accommodation)
- continued housing stability
- link between housing stability and economic participation (investments, employment, self employment)
- savings after exit from the project
- Economic stability after exit from the project

b) Research Design Considerations

The following section will discuss some of the available techniques and methods as well as the positive and negative aspects of those methods specific to the project in question. Of course if there comes a time when the evaluation of such a project is discussed, a research design and evaluation strategy must be chosen and could be based on one of the following techniques or on a combination of some or all of them.

Case Studies
If a project were to study possible variations in program structure amongst the delivery sites the method of utilizing case studies would be effective.

Clearly, a national *Home***$ave** project that would aim at addressing access to affordable housing would have regional variations if implemented in different locations throughout the country. A case study approach would allow site-specific references and evaluation to be undertaken in order to test the effectiveness of the project within the different geographical and socio-economic locations. Programmatically, the site location will allow *Home***$ave** participants to apply their savings to the same approved uses, however, the evaluation design would permit some controlled variation in match rates, savings periods and savings limits. They could also utilize different program management and service delivery approaches.

Implementation Research for Case Studies
A number of key questions can only be answered through implementation research. While the impact evaluation and the case studies could tell us whether the programs worked, it is mainly through implementation research that we will understand how and why they worked (or failed to work). The objective of the implementation research will be to identify gaps between policy and practice, workflow bottlenecks, program features that are under-utilized, and program components that are working well and those that are not. The early results will also provide feedback on program content and quality.

Implementation research can also answer the following kinds of questions:

- Are all components of the program effectively engaging participants?
- Are there parts of the program that are confusing to the staff that has to deliver it?
- Does the message given by staff differ from the "official" message?

This information will be useful in identifying obstacles to effective program delivery that require attention.

The implementation research component of the evaluation could be based mainly on observational research conducted across study sites, on interviews with policy-makers, managers and program delivery staff, and on discussions with program participants themselves. In addition, a selection of "case files" could be used to track a sample of people who are eligible for the program through its various phases and activities.[41]

Any variations to be tested within an IDA designed to provide increased access to affordable home purchase could provide the opportunity to learn more about the effects of the following:

- variations in the matched savings incentives;
- variable savings periods;
- variable rates combined with variable savings periods;
- the effects of geographic variables (large metropolitan centers, small urban or rural environs);
- the effects of economic circumstances (could be tested in both single-industry towns and in areas with more diversified economies);

- program variables (possibly test different approaches to the delivery of economic literacy and client counselling services, as well as different local management and delivery models);
- *Home*$**ave** Goals (in addition to home purchase a project could also look at additional uses such as closing costs, home repair, appliances etc.); and
- policy variables (assess the relationship of the project to municipal and provincial regulatory regimes).

Benefit-Cost Analysis

A benefit-cost analysis will provide an assessment of the cost-effectiveness of the program. By combining impact estimates with operational cost information, the analysis will address the question of whether the benefits produced by *Home*$**ave** exceed the costs of providing the program.

In essence, the aim of a benefit-cost analysis is to monetize (i.e. estimate in dollar terms) the direct and indirect use of resources and the results associated with the program being assessed. It is then conceptually possible to add up all of the benefits (the positive values) and costs (the negative values) in order to determine who is better off with or without the program and by how

[41] This research should actually begin prior to the implementation of the project. The first objective would be to describe the efforts that are undertaken to mobilize support for the project and to understand the goals and motivations of those who are involved in putting the program in place. The next phase of the research, coinciding with the launch of the program, would have a strong focus on identifying any start-up problems so that early corrections can be made. Field observations and interviews with staff and participants would identify issues and obstacles, as well as examples of effective practices. The ultimate goal would be to demonstrate that the program model has been put in place and is being delivered effectively, that the service provision network is adequate or can be developed, and that the program will attract participants.

much.

Although this form of analysis is useful to policy-makers in determining "what works" from a government budget perspective, it is also useful for broader analytical purposes in that it allows an examination of how participating individuals, as well as society as a whole, are affected. Paradoxically, part of what makes cost-benefit analysis so appealing to policy-makers also constitutes its main limitation. This approach *aims* at monetizing all of the consequences and use of resources associated with a program; however, it is not always possible to do so. This may be because some of the consequences are intangible and not subject to objective measurement, or because, even if they can in some way be measured, it is difficult to ascribe a monetary value to them.

Tradeoffs Evaluation vs. Costs
Of course the extent of the research methods and evaluation strategy would reflect a compromise between the methods one would ideally like to use in order to fully answer all the above questions, on the one hand, and what is feasible in terms of implementing the project, on the other.

A bad evaluation is not only a waste of money that could be better spent elsewhere, it can also produce misleading results. The evaluation literature provides many examples of less-than-fully-successful programs. Not all programs work as expected. Some programs do not work at all — people receive no benefit from participation. Worse yet, programs can have unintended effects that result in people actually being made worse off. Still other programs have mixed results — they are found to work for some groups of people but not for others. Finally, even if a program is found to benefit participants — by increasing their employment and earnings, for example — it may not be cost-effective from the perspective of government budgets.

It should be remembered that a good evaluation may be expensive to conduct, but can improve the delivery of programs and services costing millions of dollars.

6.5. Programmatic Issues

While some of these issues were detailed earlier under *Considerations for Project Design* and basically reflected the comments made during the Stakeholder and Consumer Focus Group meetings, the following section identifies some of the more detailed programmatic issues that will arise during the design phase of a demonstration project.

6.5.1. Taxation of matched contributions

One of the most significant issues within a project providing financial incentives to participants is whether or not the financial incentive will be deemed income under the *Income Tax Act* (ITA) and the effect that this could have on enrolment and participation in the project.

It is extremely important that this issue is researched and a position taken by the Federal Tax Department immediately upon a funding commitment to the project and that the status of the taxation of the matched contribution be confirmed **prior** to participant enrolment.

The impacts of the taxation of the matched contribution could be significant and could result in the following negative consequences if classified as a taxable benefit:

i) The increase in income for participants or related persons who currently qualify to receive a number of tax credits and benefits under the ITA which are reduced by the amount of income of the taxpayer or other persons (such as a spouse) may be reduced. Benefits which may be affected include the GST/HST Credit, the CTTB and NCBS, medical expense credits, and spouse/equivalent-to-spouse credits;

ii) As a result of the increase in gross taxable income, participants may be disentitled to other income-tested social assistance related benefits offered at a municipal or provincial level, such as subsidized housing, subsidized day care, the consequences of which are both potentially severe for participants and difficult to assess.

As a result of the reduction in the benefits gained due to the tax treatment of the matched contributions, there may be a disincentive for participation in the project.

6.5.2. Provincial Income and Asset Caps

It is difficult to assess whether or not participation in a *Home***$ave** project would include those on social assistance or provincial welfare. However, participation in any such project should **not** result in any benefit reductions for participating social assistance recipients. This would provide an inclusive approach as in keeping with Michael Sherraden's October 2001 testimony to the President's Commission on Social Security (see Section 4.0).

All provinces strictly regulate the amount of cash and other assets that recipients can possess while receiving benefits. The list of assets (and their total value) that social assistance recipients (SARs) can possess varies from province to province. In most provinces, the asset limits vary by family size and whether or not the recipient is considered "employable".

Specific recognition at the provincial government level, relative to where the project is to be delivered, must be obtained. The provincial jurisdiction must recognize that SARs can participate fully (personal savings above the provincially regulated asset caps and matched contributions) in the project without any reduction in their benefits.

SEDI has been successful in obtaining Provincial approval in Nova Scotia, Quebec, Manitoba, Alberta and British Columbia and Ontario and New Brunswick for those SARs enrolled in *learn***$ave**.

6.5.3. Eligibility/Screening Criteria

A crucial aspect of every program is the definition of those individuals who will be eligible. The eligibility criteria will determine whether the findings of the demonstration will be broadly or narrowly generalized.

While SEDI generally believes that focusing on a broad cross-section of the working poor is the best option, SEDI also believes that the program must be as inclusive as possible. It is understood this will not be a project that can test whether or not *Home***$ave** can work for all kinds of poor individuals. Because of this we must be very careful in using narrow eligibility criteria so that the *Home***$ave** concept will receive a fair trial.

The first criterion for eligibility for a *Home***$ave** demonstration is clearly *household income*. Median household income for a family of four in Canada is approximately $50,000 per year and there is great regional variation across the country. Income thresholds must be established and must be targeted at those who need the assistance the most. No one who currently owns a home should be eligible for the project.

The offer of a *Home***$ave** account will be attractive only to those with the ability and desire to save. Participation will be voluntary and only those who are able and willing to save will apply. No formal screening on this criterion is necessary. Those who cannot or will not save will simply not apply since there are no benefits to doing so. It is extremely important that only those with the ability to save be enrolled into the program. No *Home***$ave** project offering or anything similar would want participants saving scarce dollars that should be allocated to their own or their family's necessities of life.

In addition, participants should be screened on the basis of financial assets. It is expected that this target group will not have saved any significant assets, however, it would be suggested that a cap on this amount (possibly up to 10% of their income) be determined.

Finally, only those with manageable debts should be offered a *Home***$ave** account. Many low-income individuals face high monthly payments for vehicle loans, retail merchandise, credit card balances, child support or taxes. Not only will such individuals find it difficult to save, but also their savings could fall to their creditors in the event of bankruptcy or court-ordered debt payments. Monthly payments on non-mortgage debt that are in the range of 10 to15 percent of monthly income are considered "manageable". Generally those with non-manageable debts will not be able to open a bank account and would therefore be ineligible for the project.

6.5.4. The Allowable Uses of the *Home*$ave Account Funds

For purposes of this demonstration, we propose that savings in *Home***$ave** be used for three purposes:

- Downpayment on a home
- Closing costs
- Alternative savings goal if purchase of a home is unattainable (This could be RRSP or RESP).

In addition it must be considered that when the accountholder and the program administrators agree that the savings goal has been reached, the program administrators will release the money to the local agencies for transfer directly to the sellers of the assets (for example to the vendor). The money in the accounts will not be available for any other purpose, although accountholders will always be able to withdraw their own savings (but not the matched amounts provided by the sponsors).

It is important to note that as the poor often encounter unexpected expenses that require immediate attention, accountholders should be allowed to withdraw their own contributions as necessary. Should such withdrawals be necessary, it is proposed that the accountholder be allowed to "catch-up," by re-depositing the funds within the savings period. The government matching funds, however, can only be used for an approved purpose, and cannot be withdrawn in an emergency.

6.5.5. The Match Rate, Savings Maximum and Savings Period

Each *Home***$ave** account must have a match rate, a savings maximum and a maximum savings period. These parameters determine the generosity of the program — the higher the match rate, the higher the personal savings maximum, and the longer the period over which savings will be matched, the more generous the program. For example, the *learn***$ave** project offers $3 for each dollar saved by participants, up to $1,500 of participant savings over a three year savings period.

The combination of the match rate, savings maximum and savings period could significantly assist with addressing the regional variations that occur across the country should a national demonstration be contemplated. By adjusting these parameters, the higher costs of affordable home ownership in such metropolitan Toronto, Montreal or Vancouver could be accommodated by a higher match rate, a longer savings period and a higher personal savings maximum (or even lower personal savings maximum depending on the rate of the matched contribution). Adjustments could also then be made for sites in geographic locations that did not have such high housing costs.

Specific research to analyze the incomes of potential participants, the rental costs of appropriate housing and associated housing costs must be reviewed for each of the specific delivery locations in order to tailor the project to meet the needs of the participants. In addition, the choice of the savings period must take into consideration the fact that the longer the savings period, the longer would be the time between the start of the demonstration and the availability of final evaluation results.

6.5.6. Financial Literacy Course

Virtually all current American and Canadian IDA programs provide services beyond the financial matching of individual savings. Therefore, we also recommend these services for a *Home***$ave** project – they will complement the continuum of supports already provided to residents living in transitional or supportive housing. These additional services include economic literacy courses, periodic counselling, the co-ordination of peer support activities and ancillary services such as transportation and childcare. SEDI could provide a core curriculum and delivery of the economic literacy component.

6.5.7. Timelines

Demonstration projects are, by their nature, temporary and, while this is understood, it is difficult to determine the exact timelines required without having information related to total funding commitment, participant numbers, project design, project partner location, research and evaluation strategy, etc. Ideally the timeframe would allow for the successful collection and analysis of the information to provide the project administrator and Funder with the necessary information to make future decisions as to the efficacy of the strategy to be tested.

In considering the time-lines necessary, the following design elements must be considered:

- **Length of enrolment period.** There is a great deal of hard work to be done at the local site level to identify potential participants and market the potential benefits of the program. Outreach and recruitment under a communication plan would be required. As a caution, and in terms of the *learn***$ave** project, communications to potential participants has been difficult and the enrolment has not been immediate, which is not unlike the U.S. experience.[42] This has prompted an extension to the planned two-year enrolment period in the project by six months.

- **Length of savings period:** Those who choose to open up *Home***$ave** accounts must make regular contributions toward the purchase of approved assets and this takes time. Due to lower income, it will not be easy for them to save so the savings period must provide an adequate time for goal achievement (personal savings and matched contribution). The combination of an enrolment period, of one year plus a savings period of three to five years, means that the operational phase of the demonstration must go on for at least between four to eight years.

  SEDI's experience is that the project start-up is not easy and that a myriad of problems must be worked through by each organization. While this certainly depends upon the breadth of the project and the total funding allocation for the project, we would propose that sites be given up to one year to begin operations. This period will also be used to make final decisions about program parameters, to finalize the research and evaluation design, and to develop operations manuals, survey instruments, and participant application and screening documentation as well as agreement forms, etc.

- **Research Results:** In addition, it will be important to observe the results of the account holders and what they allocate their savings to. It would seem logical to allow up-to one year after the end of the savings period for the purchase of the non-financial assets with the money in the savings accounts and then another year to analyze the data, write up the results and publish them.

In general terms, the project could be framed as follows.

1. Project Start-Up Phase (one year):

- development of administrative structures and contracts (including financial institution)
- development of local site marketing strategies
- finalization of evaluation design and site delivery strategies

[42] All *learn*$ave partner sites have undertaken vast marketing and recruitment techniques in order to enroll participants. During the first year of recruitment, enrollment was slow and it is thought that the project sounded "too good to be true". It is possible that the restrictive nature of the savings goals and possibly the random assignment of participants to possibly a comparison group may have deterred enrollment initially in the project. Now, over half way through the enrollment period and recruitment has picked up greatly.

- development and implementation of project MIS strategy
- development of generic economic literacy curriculum

- delivery of a detailed Project Design Report to Funder after about six months of development work; plus periodic reporting.
- development of a policy and procedures manual.

2. **Participant Enrolment Phase (one to two years):**
   - Communications, marketing and selection of participants
   - delivery of economic literacy courses
   - implementation of evaluation and learning exchange
   - regular reports to Funder on project implementation (including a formal published implementation study), participant take-up and related issues; a formative feedback conference of the delivery partnership would also be suggested.

3. **Savings Period for each participant, starting from the date of enrolment (three to five years):**
   - accounts established with local financial institutions
   - accounts monitored locally with continued delivery of periodic counselling
   - withdrawals for approved assets and matched contribution administration begins as initial groups reach their savings targets
   - evaluation and learning exchange continues with initial project findings published in year three of savings period
   - annual reporting to Funder, plus monographs on selected topics identified in consultation with Funder.

4. **Cash Out / Evaluation follow up (two years):**

   - All participants given one year to cash out after the savings period ends
   - follow-up survey of all participants 6 months after their savings period ends
   - follow-up survey, 12 months after the end of their savings period, of all participants enrolled in first 18 months
   - preparation and dissemination of results, which includes the formal published impact and benefit-cost study.

6.6. Budget Considerations

It is extremely difficult to determine the budget requirements of such a project without having a commitment on the details of the project size (number of participants, geographical location). Based upon what is described above, the annual budget requirements could vary considerably, with a peak requirement during the middle years of the project when contributions to savings accounts will be greatest. It is expected that the largest component of the budget (in SEDI's experience is about 40 percent) is the cost of providing contributions to match participants' savings.

Funding for the project must be based upon the assumption that all participants will accumulate the maximum amount of savings that will qualify for matching. This assumption ensures that funds will be available to honour the commitments made to all those who agree to take part. It is likely that there will be some "slippage", however, as some participants drop out of the project, have modest savings targets or fail to meet their savings targets. To the extent that less money is needed to make the matching contributions, the project's funding needs will be lower.

It is expected that the accounts would be delivered in conjunction with economic literacy training and other ancillary services, funds must be budgeted to support the local delivery network. Moreover, since the project would be proposed as a research and demonstration project, a significant proportion of the budget would have to be earmarked for collecting and analyzing data, for producing a comprehensive program evaluation, and for information dissemination activities.

Only when there is a commitment to move forward with secured funding can the parameters of the project be set and the budget allocations be determined. However, the following provides a look into the budget allocations for both *learn*$ave and the U.S. American Dream Demonstration project.

6.6.1. *learn*$ave Budget

The cost of the *learn***$ave** demonstration is estimated at $34.9 million and has been divided into the following parameters:

Matched contributions to participants:	$13.7 million
Local program delivery:	$ 8.1 million
Administration and economic literacy	$ 6.1 million
Research and evaluation	$ 7.0 million
TOTAL	$34.9 million

It must be remembered that this demonstration will be available to 3,875 participants and this project has a very detailed program delivery model as well as a rigorous research design. Generally, site costs for delivery of programmatic applications was budgeted at $2,300 for project administration. The total number of participants per site affects per capita costs with a baseline required regardless of the volume of participants.

These estimated costs include all site administration including staff salaries and benefits, overhead costs including rent, utilities, and administration costs, outreach and recruitment, communications, professional development, travel, equipment, technology, etc. The differences in budgeted amounts are caused by the thought that sites recruiting a greater number of participants would avail of some "economies of scale".

Not until the final cost-benefit study is complete will the actual costs of administering *learn***$ave** be determined.

6.6.2. American Dream Demonstration (ADD) Costs

Cost data for the ADD have been measured with error and have generally been overstated for many reasons (for example, due to start-up costs, provision of technical assistance to other IDA programs and data collection for the evaluation of the ADD).[43]

Average program expenses, in US dollars without matches, were $70.38 per participant-month, or $2.77 per $1 of net deposits. A study of the first 14 months of the experimental design program in ADD also found costs in this range. Costs in ADD did decrease in time. Average program expenses per participant-month through June 30th 1999 were $117.58 and in the next 12 months, they averaged $43.06.

With a 2:1 match, total outlays in IDA expenses, including the matched contribution, were thus roughly $2 per $1 of net deposits.

Are these costs high or low? The answer depends on the as-yet-unmeasured benefits of IDAs. Even without precise knowledge of benefits, however, measurement of costs highlights trade-offs and sets a benchmark that encourages efficiency.

Qualitative evidence from the evaluation of ADD suggests that participants believe that intensive service is a key element of program design. A key challenge for IDA projects is then to provide such services in such a way that benefits can exceed costs.

6.7. Project Delivery Structure

Obviously one of the most crucial components of any demonstration project is its delivery structure. The components of the delivery structure are dependant on the strong partnerships that are required in order to provide accountable and effective service delivery to the participants and to allow for the efficient and effective information gathering that is required as part of this process.

The following is SEDI's suggestion for a possible delivery structure of a modified ILA project for those living in a transitional or supportative housing situation.

6.7.1. Intermediary Organization

Unless the Funders are equipped and have the knowledge and technical and human resource capacity to administer the project "on the ground", they need to recognize the importance of partnering with an Intermediary Organization (such as SEDI). This partnering organization should have direct experience in the field of asset-building and therefore have strong connections with the relevant government departments, social service delivery field agencies, private sector financial institutions, etc. This organization must be effective in its communication and commitment to Funders and translate this into a positive working relationship with the community-based delivery agencies and the other project partners.

[43] Center for Social Development, Washington University, St. Louis Mo. *Savings and Asset Accumulation in Individual Development Accounts, Downpayments on the American Dream Policy Demonstration*. February 2001. P. vi.

The intermediary organization would be a direct source for strategic planning and possibly administration of the project on a national basis. This organization must have a reputation in the field as an "expert" and as an effective administrator with both Funders and community based delivery agencies and must be able to work with both field administrators and Funders to communicate and administer the project effectively.

This organization must be capable of creating an effective project design for implementation and be capable of working with research partners to ensure appropriate and adequate data collection, analysis and dissemination of results. In addition, this organization must be well positioned to facilitate strategic partnerships with financial institutions, consultants (communications, marketing, curriculum development etc.) and various government departments, on all levels, as required for successful project implementation and trouble-shooting as project specific issues arise.

The Funders contract with this intermediary organization could be as a technical consultant or as the full project-executing agency. The specific roles would be defined at the time of contract negotiation.

Due to Treasury Board restrictions a Request for Proposals would be required to solicit interest in this project and to identify expertise to fulfill the project requirements. It is recommended that a "Terms of Reference" be drafted to clarify any project requirements. The intermediary organization should be responsible for the selection of community partners, financial institution partners, etc.

6.7.2. Research Partners and Necessary Research Tools

As research and evaluation would be a necessary component of this demonstration, a project researcher would have to be retained. Of course expertise in this field must be demonstrated and experience with this target group would be beneficial.

The following section provides more information on the considerations necessary for determining the research and evaluation strategy, it is critical to identify that specific tools, necessary for the collection of data, will be needed such as a management information system to allow for the tracking of savings behaviour/patterns, financial data compilation and transfer (from the financial institution to the project administrator and research partners). We would like to note that SEDI has developed a new Management Information System (MIS) software package that offers significant flexibility in adapting to a range of IDA program designs. This includes a user-friendly interface and seamless integration of information that would be required throughout the project, from enrolment to the final withdrawal of savings.

6.7.3. Advisory Board

It is suggested that an advisory board/committee be struck and attended by relevant stakeholders such as representatives from Canada Mortgage and Housing Corporation, Finance Department, HRDC, project partners, etc.

The responsibilities of this body would be to initiate discussions and resolve matters in a strategic manner related to issues facing the project design, implementation, research and evaluation. Issues such as enrolment and participant screening as well as taxation of matched contributions, communications, permitted account uses, etc. are examples of such issues.

It is thought that several meetings would be necessary prior to the commencement of the project with the frequency of these meetings lessening as the project moves into the implementation phase.

6.7.4. Demonstration Sites / Delivery Partners

An effective network of delivery partners in the field is key to the effective communication of the project to potential participants, administration of the project and also is critical for data collection. Site staff also are in the best position to inform the intermediary organization, administer the project, address specific issues that arise with communications, participant enrollment, participant eligibility (screening requirements), savings behaviour, partnership issues (banking relationship, data transfers), and generally have experience with methods to address these issues that benefit not only participants but the project itself.

It is expected that the delivery network would be made up of non-governmental organizations and that these would form the institutional core of the proposed demonstration project. The breadth of the network would depend on the established goals and objectives of the project and, perhaps most importantly, would depend on the amount of project funding.

In order to determine which delivery agencies should be chosen, additional research would need to be undertaken within the more formal "planning year" of the project. Consultations with policy makers, academics, Federal and Provincial governments as well as representatives of agencies administering support to those in transitional houses or supportative housing situations will be necessary in order to determine the delivery structure of the project.

In creating the network of service providers for *learn***$ave**, SEDI commenced discussions in 1997 with the aim of developing a national network of IDA providers and in assessing the potential of IDAs to contribute to anti-poverty efforts in Canada. With funding from HRDC, the Canadian Bankers Association and the Trillium Foundation, SEDI consulted with policy-makers, academics and provincial government officials in British Columbia, Manitoba, Alberta, Quebec, New Brunswick, Nova Scotia and Ontario. SEDI also utilized this research process to establish a network of dedicated partner organizations.

6.7.5. Financial Institutions

*Home***$ave** must be linked to reputable local financial institutions that will accept responsibility for the following services to the project:

- savings account services (account opening, deposit and withdrawal transactions, regular account statements to accountholders);
- account monitoring (providing monthly account transaction information to the Community Partners);

- training branch staff about the project and their roles and trouble shooting with any problems with account operation.

Through *learn***$ave** SEDI has established a strong partnership with RBC Royal Bank and two Credit Unions that support participants in their savings and aim to improve their general relationship to the banking sector.

It is important to note that in collaboration with SEDI, RBC Royal Bank has developed a modified savings account for *learn***$ave** and a system to allow accurate and timely data on accounts to be securely transferred to participating agencies so that matching savings credits can be calculated and progress on savings goals can be monitored – a necessary piece of infrastructure for other potential asset-building models.

7. RECOMMENDATIONS

7.1. Intro

SEDI believes there is sufficient evidence and promise to warrant a federally sponsored national demonstration of IDAs for Housing – a *Home***$ave** project.

Evidence from current and past IDA projects illustrates that individuals with low incomes can and do save when provided with the appropriate incentives and supports. Administered by community-based agencies, support services such as financial management training, case management and peer support provide the assistance and connections necessary to assist in savings ability of the participants and successful goal achievement. Succeeding in such a project could provide participants with the confidence, increased self-esteem and desire to plan for future self-sufficiency. Testing this for those who need the additional assistance to purchase such a valuable asset could provide governments and communities with another tool to address this matter.

A demonstration project to test IDAs for housing for the target population as described above and for the uses identified could:

- Assist in the reduction of poverty;
- Provide partnership arrangements through funding and administration with 3 levels of government, corporate and non-profit sectors;
- Free up affordable rental units as those who purchase units move into ownership; and
- Combine with existing programs and initiatives.

7.2. Steps

SEDI therefore recommends the following:

1. That a formal decision be made by CMHC to commence the preliminary actions necessary to initiate a National Demonstration of IDAs for housing - *Home***$ave -** be made. This decision should incorporate the funding allocation and time lines as well as the basic commitment to project implementation and research results. The scale of the project (number of participants and locations) should be large enough to impact policy creation.

2. That CMHC prepare and disseminate a Request For Proposals to solicit interest from an Intermediary/Executing organization or a technical consultant that can assist the Secretariat with the program, research and administrative design necessary for the aforementioned demonstration project.

3. Upon contracting with the appropriate intermediary organization/technical consultant, this organization should undertake research to determine:

- the target population of a demonstration;
- existing regional disparities that impact on income and housing costs
- project design including, match rates, savings periods, savings maximums and minimums and other project protocols;
- research strategy and evaluation techniques;
- necessary partnerships including the identification of community based agencies who could deliver the project and the financial institutions to administer the accounts;
- the tools necessary for the functioning of the project including the appropriate management information system and financial management training curriculum;
- project administration and reporting requirements; and,
- considerations that are important to the functioning of the project including the tax treatment of the matched contributions, inclusion of Social Assistance Recipients and the implication on their savings in relation to the provincially administered income and asset caps.

4. Once the above has been achieved and the appropriate local agencies and financial institutions have been selected and contracted, project implementation should begin.

Finally, here's a quote from one *learn***$ave** participant about the impact the project has had on her life:

> "Because of this opportunity, I was overwhelmed by the limitless choices that I could do. This program has given me hope where I had none before. I can now have my head held high for I can say that in a couple of years I will be able to frame my degree on the wall in my daughter's room to show her that, no matter what hardships follow her, someday her dreams and aspirations can come true."

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APPENDIX 1: TABLE OF CONTENTS FOR BACKGROUND REPORT