IDA Administrator Program Glossary

**401(k)**

Ability to allow employees to save for their own retirement; named for section 401(k) of the Internal Revenue Code, which permits employees of qualifying companies to set aside tax-deferred funds.

**403(b)**

Tax-deferred investment and savings program for employees of certain tax-exempt employers. It allows employees of hospitals, educational institutions, and other non-profit organizations to save and invest for their own retirement.

**501(c)(3)**

A non-profit organization may elect to apply for the federal tax exemption status under 26 USC § 501(c)(3). An organization receiving a "501(c)(3) status" gains certain privileges and obligations. A 501(c)(3) organization is exempt from paying federal income taxes and all persons and organizations that make contributions (money or property) to a 501(c)(3) organization will be able to claim deductions for their donations to the organization on the their individual federal income tax.

**Account Balance**

The total amount of money in an account at a certain time.

**Active Account**

An account, which, is open, active and still eligible for match funds.

**Administrator**

Person(s) charged with coordinating and overseeing the day-to-day activities of the IDA program, including but not limited to: recruitment, counseling, deposits and withdrawals, program compliance and liaison to partnering financial institution(s).

**Applicant**

The primary individual who is applying for or is making a formal application to the IDA program

**Arms-Length Transaction**

Neither party involved has no relationship between each other, and is acting in their own best interest

**Assets for Independence Act (AFIA)**

Federal law passed in 1998 that authorized the U.S. Department of Health and Human Services (HHS) to implement a 5-year, $125 million, national IDA demonstration.

**Asset**

Anything owned that has exchange value. In the IDA field, generally a home, a small business, education or training that appreciates in value over time.

**Asset Building**

Engaging in long-term saving and investment behavior as a means to increasing economic independence.

**Beneficiary**

The individual who is specifically mentioned and is eligible to receive the personal savings should a life ending incident occur to the IDA participant.

**Budget**

A spending plan or schedule adjusting expenses during a certain period to the estimated or fixes income for that period.

**Closed Account**

An account which is no longer eligible for match funds and has been physically closed by either the CDC or voluntarily by the IDA participant.

**Closing Costs**

Expenses incurred when real estate is transferred from seller to buyer. These expenses may include: mortgage and title insurances, appraisal and inspection fees, attorney fees and other customary “pre-paid” expenses.

**Community Development Corporation (CDC)**

A private, nonprofit corporation whose board of directors consists primarily of community representatives and business, civic, and community leaders; and whose principal purposes includes the provision of housing, community based economic development projects; or social services; that primarily benefit low income individuals and communities. *(IC-4-4-28-2)*

**Community Reinvestment Act (CRA)**

A federal law that encourages depository institutions to meet the credit needs of all communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations. Enacted by Congress in 1977, revised in 1995.

**Compound Interest**

Money paid for the use of someone else's money; compound interest is calculated at regular (usually monthly) intervals and is added on to the principal each time it's calculated, so that interest from the previous interval earns interest.

**Consular Identification Card (CID)**

Issued by some governments to their citizens who are living in foreign countries. They are not certification of legal residence within the foreign country, so it could be for legal or illegal aliens.

**Custodial Account**

Similar to guardian accounts for children, custodial accounts, are savings accounts under the participant’s name, whereby the acting CDC is listed as a custodian on the account and acts on behalf of the participant. This limits the type of transactions the participant may engage in to deposit activity. Any other activity may only be done with the direct authorization of the custodian on account.

**Earned Income**

Money that is received from work or investments.

**Earned Income Tax Credit (EITC)**

The Earned Income Tax Credit (EITC) is a federal anti-poverty tax credit that is designed to supplement the earnings of low income workers by reducing or eliminating their taxes. A refundable federal income tax credit for low-income working individuals and families.

**Emergency Withdrawal**

A withdrawal by an account holder from those funds deposited by the account holder in his individual development account due to a personal crisis, including but not limited to, illness, eviction, potential foreclosure, job loss or urgent family reasons.

**Employer**

The company that an IDA applicant works for.

**Employer Based IDAs**

Individual Development Accounts provided to employees by an employer.

**Expired Account**

An account that is physically open (with a balance) but is no longer eligible for match.

**Family Self-Sufficiency Program (FSS)**

Implemented in 1993 by the U.S. Department of Housing and Urban Development (HUD) to promote the development of local strategies, integrate programs; coordinate public and private resources to enable low-income families on welfare assistance to achieve economic independence and self-sufficiency.

**Fast Track (FT)**

The ability to expedite the established IDA timeline by completing the program requirements in three years or less.

**Federal Poverty Guidelines (FPG)**

Federal poverty measure issued each year in the Federal Register by the U.S. Department of Health and Human Services (HHS). Provide guidance for administrative purposes - for instance, determining financial eligibility for certain federal programs. The poverty guidelines are sometimes loosely referred to as the "federal poverty level" (FPL).

**Financial Institution**

A bank, savings association, credit union, or any other institution regulated under IC 28 or federal law. *(IC-4-4-28-3)*

**Financial Literacy**

Economic literacy training that teaches participants how to repair their credit, set up a budgeting and savings schedule, and educated participants on the basics of money management.

**Fixed Interest Rate**

An unchanging mortgage lending rate that is not impacted by inflation or other economic factors.

**Flexible Interest Rate**

A mortgage lending rate that responds to changes in inflation or other economic factors.

**Graduated**

An active eligible IDA Participant who has completed their savings contribution period and obtained their asset goal(s).

**Gross**

Before taking deductions for expenses, taxes, etc...

**Hourly Rate Employees**

Earnings at hourly rate exclusively. If the employee is employed solely on the basis of a single hourly rate, the hourly rate is his regular rate.

**Household**

All individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

**Household Income**

Combined income of all household members; includes salaries, wages, and nontaxable income such as pensions, Social Security, child support and welfare payments.

**IDA Administrator**

The person responsible for running and overseeing the program at the local level. Also, the IDA Participant point of contact.

**IDA Tax Credit**

A state tax credit which, when purchased, directly reduces the tax liability of an individual or organization at fifty cents on the dollar.

**Individual Action Plan**

A Plan that outlines the activities and related resources necessary to prepare the IDA participant to reach their identified asset goal(s).

**Individual Development Account (IDA)**

A bank savings account geared towards low-income individuals to assist in building assets to achieve financial stability and long-term self-sufficiency. An IDA is used for a predefined purpose, such as starting a business, paying for education or purchasing a home. Account savings are matched by private or public funds.

An Account in a financial institution administered by a CDC that allows a qualifying individual to deposit money to be matched. *(IC-4-4-28-5)*

**Individual Retirement Account (IRA)**

A tax benefited account that encourages workers to set aside earnings for retirement savings.

**Individual Savings Account**

An interest bearing, no fees account, which holds only the personal savings of an IDA participant. This account does not hold any match dollars.

**Land Contract**

Sale and purchase of real estate in which the seller retains the legal title to the property until the purchaser has fulfilled the agreement, usually by completing the payment of the agreed-on purchase price.

**Lump Sum Deposit**

A single deposit of money that exceeds the total amount of money that a respective saver has committed to save on a routine basis, e.g., saver’s income tax refund.

**Maintenance of Effort (MOE) Funds**

1996 welfare reform created a new federal block grant, Temporary Assistance to Needy Families (TANF), to replace Aid to Families with Dependent Children (AFDC). The funds that states are required to spend in order to draw down their federal allocations are called Maintenance-of-Effort (MOE) funds.

**Matching Funds**

Money designated for contribution towards an individual’s annual participant savings at a 3:1 ratio up to a 6:1 ratio. These funds may be used for one of four asset purchases: home purchase, education or job training, small business capitalization and owner-occupied rehabilitation.

**Match Fund Account**

An account established by the administrating CDC to hold all match dollars for their participating IDA account holders.

**Match Rate**

Rate at which individual savings are matched in an IDA, expressed as a ratio (i.e. 3:1)

**Mentor**

An experienced person in an organization or institution who trains and counsels new employees or students.

**Micro Enterprise**

A small business with fewer than 5 employees and less than $250,000 in revenue.

**Motor Vehicle**

A vehicle that is self-propelled. Does not include a farm tractor designed to be primarily in a farm field or on a farm premises, or an electric personal assistive device. *(IC-9-13-2-105a)*

**Net**

The amount received after all costs are deducted.

**Non-Graduated**

A participant who did not fulfill the requirements of the IDA program and was removed from the program.

**Non-Arms length Transaction**

The seller and buyer have a connection by marriage, family or other dealings. The relationship of parties could potentially create an influence of a decision with regards to price, discounts of costs of services being provided or both.

**Nonprofit Loan Fund**

A not for profit agency which provides small business loans to low-income people who have little or no credit history or access to commercial bank loans.

**Parallel Savings Account**

A custodial account established by the CDC for an approved IDA participant, which holds an IDA participant’s matched savings and which requires authorization from the CDC to make a withdraw.

**Participant**

An applicant who meets all the IDA program requirements and is accepted to participate or take part in the program.

**Policy**

A definite course of action or procedure, which must be adhered to without exception.

**Primary Residence**

A person's primary residence is the dwelling where they usually live. A person can only have one primary residence at any given time, though they may share the residence with other people. A primary residence is considered as a legal residence for the purpose of income tax and/or acquiring a mortgage.

**Program Delivery Costs**

Funds awarded to an administering IDA Organization (based on match performance) to help offset the cost of delivering services to their respective IDA participants.

**Qualifying Individual** (see Participant)

An individual or a member of an individual’s household who may establish an IDA. The annual household income is less than 200% of the federal poverty level. *(IC-4-4-28-6)*

**Routine/Regular Savings**

An established pattern of saving in accordance with an IDA participant’s Savings Plan Agreement.

**Savings for Working Families Act (SWFA)**

Promotes Individual Development Accounts (IDA) for first-home purchase, post-secondary education and micro enterprise. Also provided significant tax incentives for financial institutions to establish, hold, and service IDAs.

**Savings Plan Agreement (SPA)**

A plan developed for an individual saver, defining savings goals and program requirements, including the saver’s anticipated use of both their own savings and match funds. The approved plan shall serve as the contract between the IDA participant and the IDA administrator and shall be for a specified contribution period of not less than 48 months.

**Standards**

Something considered by an authority or by general consent as a basis of comparison; an approved model or best practice.

**Statutory Employee**

A worker who is treated as an employee for social security and Medicare tax purposes and as self-employed for income tax purposes. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling sales-persons, and certain home workers.

**Supplemental Security Income (SSI)**

Monthly payments made by the Federal government to people who are 65 or older, blind, or have a disability and who don't own much or have a lot of income. Adults and children who are blind or have a disability can receive SSI.

**Temporary Assistance for Needy Families (TANF)**

Provides cash assistance and work support for low-income families with children. TANF replaces the former Aid to Families with Dependent Children program (AFDC) as a result of changes under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.

**Tax Deduction**

Reduces an individuals or organization's tax liability (financial obligation, debt, claim or potential loss) only in proportion the appropriate tax bracket.

**Terminated Account**

An active eligible IDA Participant who has not met their savings goal, or has been non-compliant with their approved plan, or who violates his/her approved plan agreement and is terminated from participating in the program by the CDC.