

Joint Task Force Addressing Racial Disparities in Home Ownership

Individual Development Account Proposal

August 18, 2022

Proposal

- Support the Oregon Housing and Community Services (OHCS) budget request of a one-time \$35 million allocation for the 2023 – 2025 biennium to boost program support for homeownership savers, particularly in regions where gaps exist for participants from Black, Latinx, or Native American communities. As of July 2022, the draft OHCS budget request specified the following allocations within the \$35 million package:
 - \$10 million to fund Individual Development Accounts (IDAs) for currently wait-listed participants (all asset areas), and support two new fiduciary organizations, NeighborImpact and Habitat Oregon, to scale up to their capacity;
 - \$7.5 million for Homeownership IDAs;
 - \$7.3 million for Education IDAs;
 - \$3 million to fund IDAs supported by new, culturally specific, community-based organizational partners;
 - \$3.2 million for Microenterprise IDAs; and
 - \$4 million for administrative modernization within the IDA initiative, including database updates, and streamlining the administrative process to reduce barriers to partner participation.
- Recommend the Legislative Assembly identify permanent biennial funding for the IDA Program that is responsive to evolving funding needs, specifically through savings from eliminating the Mortgage Interest Deduction for second homes.
- If the Mortgage Interest Deduction is not eliminated, recommend that the Legislative Assembly seek other IDA funding sources as appropriate.
- Consider an increase in the IDA tax credit in the 2027 legislative session (tax credit sunsets on January 1, 2028).

Background

Individual Development Accounts (IDAs) are matched savings accounts that can be used to accrue funds to invest toward an asset goal. IDA account holders may use their savings and match funds to help them purchase a home, fulfill an educational goal, develop and launch a small business, complete home repairs, or make a range of investments toward the financial stability that is necessary for building wealth including assistive technology to increase independence, vehicle, rental, debt repayment, and emergency savings.

Every dollar saved by a participant is matched by IDA funds, typically five dollars for every one dollar saved. The average length of program participation is between 12 and 24 months. A tax credit serves as a funding mechanism and was last increased in 2009 to \$7.5 million in available credits per tax year. Current tax credits are sold at 90 percent on the dollar to yield approximately \$8.3 million per year in available revenue for the IDA initiative. [House Bill 2433](#) (2021) extended the tax credit sunset for individual development account contributions to January 1, 2028.

In the last two biennia, the Legislative Assembly has approved one-time funding to assist the program in supporting additional homeownership savers, including \$2 million in 2019 and \$7 million in 2021. For the 2023 – 2025 biennium, OHCS has requested \$35 million in General Fund dollars to support the Initiative in bringing new fiduciary organizations online and addressing unmet demand for existing partner organizations, as well as specifically increasing the match available to homeownership savers from a maximum of \$6,000 – \$9,000 to a maximum of \$12,000 – \$18,000, based on a saver's timeline.

Statewide, the IDA Initiative currently supports approximately 4,300 savers per year. Between July 2019 and June 2021, Black, Indigenous, Asian/Pacific Islander, and Latinx populations comprised 54.9 percent of enrollments and 43.8 percent of program completions.

Problem Statement

The IDA Initiative has been in a flat funding cycle with the tax credit capped at \$7.5 million since 2009, despite adding providers, assets, and program innovations to better reach underserved communities. In 2020 and 2021, the program received additional one-time, General Fund allocations from the legislature, totaling \$9 million. The program needs a secure, ongoing funding stream to allow continuity for nonprofit partners and IDA account holders, and to address unmet demand among communities of color throughout the state. Based on February 2022 waitlist numbers for existing fiduciary organization partners, the IDA Initiative estimates a projected unmet demand of \$39.5 million for 3,200 savers across all asset areas statewide. This estimate does not account for staff capacity increases necessary to expand program reach to waitlisted savers.