



## ***FAIM FAST FACTS for the Minnesota Legislature***

**Request:** Expand FAIM in 2009 through a recommendation in Governor Pawlenty's FY 2010 budget and through a recommendation in the Legislative Commission to End Poverty by 2020 report.

**FAIM** increases family and community **financial stability among Minnesota's low-wage earners** through two strategies:

- **Matched Savings Accounts** called Individual Development Accounts (IDAs) allows people to purchase homes, pursue higher educations, launch or expand small businesses assets.
- **Financial Education and Technical Assistance** helps families repair credit, reduce debt, develop savings & spending plans, secure tax credits, enter mainstream financial services, and learn consumer protection and mortgage prevention practices.

**FAIM IDA Accountholders** receive a 3-to-1 match for every dollar of **earned income** saved, for a combined total of **\$3840 in savings and match**. Additional down-payment assistance, financial aid packages and small business loans are added to the \$3,840. IDA Accounts operate similarly to employer-based 401(k) programs. Eligible households have incomes at or below 200% of the Federal Poverty Level (for example: \$35,200 for a family of three) and have financial assets under \$10,000.

**Four Cornerstones financial education, first time homebuyer, career development and small business development classes are completed by FAIM accountholders.**

Accountholders receive free tax preparation and information about the federal Earned Income Tax Credit (EITC), Minnesota's Working Family Credit, and other tax credits for low-income working households.

### **Results**

Between 2000-2007, **FAIM families have deposited \$1.7 million** into IDA matched savings accounts. **Nearly 1000 assets have been purchased** with \$3 million in match funds (31% homes, 31% higher educations, 38% small business). **Over 1200 families have completed financial education classes.**

Upon enrollment:

- the majority of FAIM accountholders were at or below 145% of the federal poverty level.

An analysis of current cohorts show:

- 40% of FAIM accountholders are people of color.
- 78% of FAIM accountholders are women.

**The community impact** is significant as homes are purchased, property taxes paid, small business supplies bought, jobs created, and professional skills increased through higher education. As of December 31, 2007 305 homes were purchased, which generated a minimum of \$28,975,000 in loans and an annual property tax liability of \$549,000. Home sales provide equity to the sellers, an additional impact to community. The need for public assistance decreases as FAIM families increase financial stability and build greater household wealth.

**As of January 1, 2008 an additional 859 families are enrolled in FAIM** and hundreds more will complete financial education classes, as many FAIM Agencies are opening this educational opportunity to the broader community.

**FAIM is a Public-Private Partnership:**

FAIM legislation was passed in 1998\*\* and funded in 1999, 2001 and each biennium since that time. Governor Pawlenty placed a biennial \$500,000 appropriation in the state's base budget. State funds draw down an additional match of \$500,000 in federal Assets for Independence (AFI) funds.

Significant support has come from the private sector and foundations, which include The Greater Twin Cities United Way, West Central Initiative Fund, Southwest Minnesota and Northwest Minnesota Initiative Foundations, Bush, McKnight, Wells-Fargo, Ecolab, TCF and Pohlad Foundations. FAIM IDA Accounts have been managed at Bremer, Wells Fargo, FirstStar, Marquette and several independent banks. Significant investments have been made by Bremer Banks to host IDA accounts, statewide. The University of Minnesota has lead evaluation efforts.

FAIM is delivered by a statewide **28-site collaborative** of 23 Minnesota Community Action Agencies, Women Venture, the City-County Federal Credit Union, Emerge Community Development, Leech Lake and Mille Lacs Bands of Ojibwe Tribal Governments. Currently, agencies are at full capacity and most have waiting lists.

Each FAIM family deposits savings into bank or credit union IDA accounts which are matched:

| Savings & Match           | Year One | Year Two | Total         |
|---------------------------|----------|----------|---------------|
| <b>FAIM Accountholder</b> | \$480    | \$480    | \$960         |
| <b>State Match</b>        | \$720    | \$720    | \$1440        |
| <b>Federal Match</b>      | \$720    | \$720    | \$1440        |
| <b>Total</b>              | \$1920   | \$1920   | <b>\$3840</b> |

Match funds can be raised from any source. This is how the funds have been raised since 2000:

| Source of Match Funds   | Each Biennium      |
|---|--------------------|
| State of Minnesota: DHS   | \$500,000          |
| Federal Government: HHS<br>(Early pilot project included foundations) | \$500,000          |
| <b>Total</b>  | <b>\$1,000,000</b> |

For more information visit [www.minnesotafaim.org](http://www.minnesotafaim.org); the Center for Social Development [www.gwbweb.wust.edu/csd](http://www.gwbweb.wust.edu/csd); Assets for Independence [www.acf.hhs.gov/programs/ocs/afi/assets.html](http://www.acf.hhs.gov/programs/ocs/afi/assets.html); the Corporation for Enterprise Development; [www.cfed.org](http://www.cfed.org); and the New American Foundation, [www.newamerica.net](http://www.newamerica.net) Contact Pam Johnson (651-645-7425 #2; pamjohnson@minncap.org) or Denise DeVaan (612-202-0115; denise@devaanassociates.com) of the FAIM Collaborative.

\*\*Congress passed the Assets for Independence (AFI) law with bi-partisan support in 1997. Minnesota legislation, modeled after the AFI law, was authored by Senators Higgins, Janezich, Berglin, Terwilliger; and Representatives Tommasoni, Clark, Sykora, Pawlenty, and Betterman. These legislators, both Republican and Democrat, were the leaders spanning several years of support for the policy and support for House and Senate appropriations.