CP Federal Credit Union in Jackson, Michigan, began its Education Savings Club in August 2001. Growing out of CP Federal’s Youth Program, which includes their Student Credit Union and numerous financial education-based activities in 27 Jackson area public schools, the Education Savings Club was created by the credit union as a way to bring its mission to life in area schools.

CP Federal is demonstrating that there are creative ways to offer IDAs. The Education Savings Club has several components of an Individual Development Account (IDAs) tool: savers, restricted savings, a match incentive, an asset goal toward which the savings and match is targeted, and a financial literacy curriculum designed to prepare young people to be better consumers and to make sound financial decisions. So how does the Education Savings Club work? Here are a few of the details:

- **Regular Shares Account required**
- **Age 0-19; Parent/Guardian signature required if under 18**
- **Earn 1.00% APY over the current regular share rate**
- **Minimum starting deposit $10.00 required**
- **Minimum monthly deposit of $10.00 or more to be transferred from another account or deposited through the teller window**
- **Matures on date of high school graduation**
- **When money is withdrawn, account will be closed automatically. NOTE: If account is closed and the check is made payable to an entity other than an educational institution an early withdrawal penalty is applied.**
- **When account is closed and the disbursement check is made payable to your college you receive an additional 5% of the amount sent to your college (up to $200.00)**
- **Any withdrawal prior to student turning 18 years of age requires parent/guardian name on check**

Anticipating 100 savers in the next year, CP Federal’s youth savings program serves a double bottom line: wealth building among its members and serving the mission as a community focused credit union. A difference between CP Federal’s youth savings program and IDAs is the target audience: The CP Federal youth program is open to any person aged 0-19. IDAs specifically address a population who could benefit both from access to financial services and a matched savings program whose overall goal is the increased financial security of those in the community with the lowest income.

Where did CP Federal generate their match funds for their newly created Education Savings Club? According to Beth Bruesch, V.P. for Branch Administration, the anticipated expense of 100 accounts was figured into the budget. It is an expense short-term but an investment long-term. Beth should know; she oversees an award-winning youth program that has been in place over the past ten years. As a result of focusing on their youth membership, 18% of the credit union’s total membership is under 18 years of age. The credit union’s goal is to attract and retain young members whether they go on to college or not.

So how does CP Federal anticipate reviewing their Education Savings Club initiative as a success? According to Dan Robbins, V.P. of Membership Services, Success will be measured by whether or not the youth reach their goals, they take advantage of credit union services, and a trust is built with the credit union so that they come in and get the help they need so that long term personal wealth and financial security is built. It is a win-win situation for everyone.

For more information, visit CP Federal’s website at www.cpfederal.com.
**Michigan Education Savings Program**

Several credit unions are partnering with local public schools to start youth Individual Development Accounts (IDAs). Students who become youth IDA holders will be able to save in such an account for as little one year. One valuable method to assist students to maximize their education saving opportunity is to invest in the Michigan Education Savings Program. Young savers will be able to direct their savings and youth IDA match funds into a MESP account.

What is the MESP? The MESP is a qualified state tuition savings program, known generally as a Section 529 college savings plan. Michigan’s 529 college savings plan is called the Michigan Education Savings Program.

The MESP allows parents, grandparents, other relatives or friends to contribute as little as $25 to create an account to save for a child’s higher education, or $15 through payroll deduction. With the MESP the contributor is the account owner and the youth is the account beneficiary. There are three investment options, each with its own investment strategy and degree of risk. The accounts are managed by TIAA-CREF (a financial service provider focused on the education field). Earnings grow federal and state tax-deferred. Eventual federal income taxes are paid at the rate of the beneficiary rather than that of the contributor (it is presumed that the rate of the youth/beneficiary will be lower than that of the contributor/account owner). There are no state income taxes on earnings used to pay for qualified higher education expenses. Account owners may receive an annual state income tax deduction of up to $5,000 for a single filer, or $10,000 for joint filers.

There also is a State matching contribution of one dollar for every three dollars contributed by a first-time account owner, up to a maximum State contribution of $200 (with a family income eligibility ceiling of $80,000 and a beneficiary age ceiling of six years). Credit unions may assist families of youth IDA holders to use their savings and match funds to deposit into a MESP and receive an additional $200.

For additional information about the MESP call (877) 861-MESP or visit the website at www.misaves.com.

**Community Development Block Grants (CDBG)**

Community-development block-grant money through HUD, may be used as matching funds for Individual Development Accounts. These CDBG dollars can be used for down-payments on buying homes, starting businesses, or paying for education and job training, say a HUD notice (PD-01-12).

HUD and the Treasury Dept. have grappled over how to permit CDBG useAGE for IDAs for almost a year. CDBG funds may be deposited in a reserve pending use as IDA matching funds. But money must be returned to reserve if participants don’t complete the stipulations of their IDAs. Unused reserve funds must be returned to the CDBG program after IDA initiatives are finished.

VISTA members might want to contact HUD’s Entitlement Communities Division or Small Cities Division @ 202/708-1577 or 202/708-1322 for guidance. Check with your City Planning Department or County Planning Department (if your county receives community development block grants).

Nicole Sarasin was optimistic about recruiting savers to Delta County Credit Union’s new IDA program when she began her VISTA tenure last April. However, building an IDA Program takes patience and attention to detail. Nicole expressed concern and disappointment after her first informational meeting held at the United Way last month yielded no return phone calls. Many of the potential IDA candidates asked questions she felt she could not answer.

One month later, she has enrolled eleven participants. Nicole attributes this turn around to the documentation process she conducted. The documentation process is actually the development of the credit union’s IDA Policy and Procedures Manual. I really became clear on how the credit union wanted our program to work, she stated. Nicole created a detailed IDA Manual that included IDA program policies and procedures. She did this by asking questions of the credit union manager.

By getting clear feedback from the credit union manager, Nicole’s confidence increased and she was able to describe IDAs and answer questions as she received referrals from within the credit union. She also focused on recruiting among organizations who offered services to the IDA target population. She is receiving many phone calls everyday and feels the program is working.

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The MI CU-IDA Initiative is made possible through a grant with the Michigan Family Independence Agency. *Community Profits* written by S. Cocciarelli, D. Lawrence, P. Wood, Michigan State University Center for Urban Affairs