PURPOSE

The purpose of this policy is to provide instructions on the treatment of Restricted Accounts and Individual Development Accounts (IDA).

POLICY

In addition to the $2,000 resource limit, CalWORKs rules allow a recipient to set aside unlimited funds in a Restricted Account for the specified purpose of buying a home, paying for educational expenses, starting a business, or paying for costs associated with securing permanent rental housing or to pay for rent arrearages to avoid becoming homeless. In addition, any savings held in a Restricted Account are now considered exempt from being counted toward the $100 limit when determining eligibility for Homeless Assistance.

Section 404(h) of the Social Security Act allows CalWORKs eligible individuals to establish a TANF IDA and allows for an exemption of these accounts from the CalWORKs eligibility and grant determinations if they meet specific TANF provisions.

RESTRICTED ACCOUNTS

Who May Have a Restricted Account:

Only recipients may have Restricted Accounts.

Reminder: A person is a recipient:

- On the date all eligibility conditions are met and approval actions are authorized in CalWIN
- When benefits are restored during the month following the discontinuance for no QR7 (Restoration of Aid)

<u>A person is no longer a recipient when</u>:

- After discontinuance, the beginning date of aid is more than one full calendar month following the month of discontinuance

A client must reestablish recipient status prior to signing the CW86 Coversheet and Agreement establishing a Restricted Account.

Value:

There is no limit to the value of Restricted Accounts.

Purpose:

The funds in a Restricted Account must be retained for one or more of these specific purposes only:

- To purchase a home
- To start a business
- For any education or job training expense of an Assistance Unit (AU) member or IRS tax dependent
- To pay for costs associated with securing permanent rental housing or to pay for rent arrearages to avoid becoming homeless.

Note: Restricted Account statements must be provided quarterly for QR cases and annually at RRR for Annual Reporting/Child Only (AR/CO) cases to ensure proper monitoring of account activity.

ESTABLISHING A RESTRICTED ACCOUNT

When an AU member requests to establish a Restricted Account,

encourage the recipient to retain close to the $2000/$3000 property limit to pay for any unexpected expenses or emergencies that would not qualify as withdrawals from the Restricted Account.

The recipient must sign the CW86 in the presence of the worker and provide the following verification:

- Account number
- Name and address of the bank
- Names of persons on the account (must include an AU member)
- The balance and activity of the Restricted Account effective the date the CW86 was signed

If this information is not provided within 30 days from the signature date, obtain a new CW86 once the AU provides the information.

The AU must establish and maintain a Restricted Account separate from any other accounts.

CW86 COVERSHEET AND AGREEMENT

CW86 Coversheet and Agreement

Review and give a copy of the coversheet to the recipient and retain a copy in the case file for documentation.

Section A: Sums up the requirement for the Restricted Account and must be completed by the recipient after reviewing the coversheet.

Each item in Section A must be reviewed with and initialed by the recipient. An optional signature section is provided for another adult in the household for joint accounts or when required by the financial institution.

Section B: If Section B is not completed concurrently with Section A, review the instructions in Section B with the recipient; retain one copy of the CW 86 for control purposes, and give the recipient the original and one copy of the CW86.

Set a control for the 30-calendar day return of the original copy and proof of the Restricted Account. The due date is 30 days from the date the recipient signed Section A of the CW86. If the AU fails to return the completed original with proof, within the required 30-day timeframe, the CW86 is terminated.

QUALIFYING WITHDRAWALS

Qualifying withdrawals must meet certain criteria. When a qualifying withdrawal is made, the recipient is allowed 30 calendar days from the date of a withdrawal to expend the funds. When it is determined that a non-qualifying withdrawal occurred, the county calculates a Period Of Ineligibility (POI).

The POI is established at the beginning of the payment quarter for QR cases or at the beginning of the next Redetermination period for AR/CO cases and continues for the determined number of months.

QUALIFYING WITHDRAWAL CRITERIA

Purchase of a Home
Allowable expenses associated with the purchase of a home that will be the home of the AU include fees, down payments, principal payment, repairs, fixtures and closing costs.

- Do not allow expenses for furniture and household goods.
- Do not allow personal expenses such as entertainment.

Starting a Business
Allowable expenses related to the start-up costs of a new business include the purchase and maintenance of capital equipment, required clothing, tools, inventory, rent and utilities for office space, taxes, insurance, fees, and employee salary.

Education or Job Training
Allowable expenses for education or job training for a person who is the account holder or his/her dependent include fees, tuition, books, school supplies, equipment, student housing, meals, childcare, and transportation. Apply expenses toward the withdrawals from the Restricted Account before considering any non-exempt educational loans and grants.

Securing Permanent Rental Housing/Rent Arrearages
Allowable expenses related to securing permanent rental housing or to pay for rent arrearages include overdue rent payments, deposits such as cleaning deposits, first and last month's rent deposits, and utility deposits.

- Do not allow expenses for furniture and household goods.

Note: Money withdrawn in anticipation of expenses that do not occur must be re-deposited within 30 days from the date of withdrawal. Failure to timely redeposit the funds shall result in a Period of Ineligibility POI unless good cause exists. Refer to *Determining Good Cause* and *POI* sections below.

TREATMENT OF INTEREST

Interest payments shall be exempt as income when the interest is deposited directly into the Restricted Account by the financial institution. Interest not deposited directly into the Restricted Account is a non-qualifying withdrawal unless re-deposited into the Restricted Account within 30 days. If the funds are not re-deposited, a Good Cause determination must be made and a POI could be imposed.

VERIFICATION OF WITHDRAWAL EXPENDITURE

The AU must provide verification of expenditures within 30 days of withdrawal. Verifications include:

- Balance prior to the withdrawal
- Date and amount of withdrawal
- Verifications/receipts of expenditures
- Redeposit of interest not directly deposited into the Restricted Account.

DETERMINING GOOD CAUSE

Good Cause Determination Required
A Good Cause determination must be made when an AU withdraws money and fails to spend the money, verify the withdrawal, verify expenditures, or redeposit money remaining

from a qualifying withdrawal within 30 days.

Good Cause Determination Not Required
Good Cause will not be granted when an AU spends money for a purpose not allowed for a Restricted Account. When a non-qualifying withdrawal exists, a POI shall be calculated.

GOOD CAUSE CRITERIA

Good Cause for not providing verification of expenditures within the 30- day time limit may exist if the AU has circumstances beyond their control such as illness, medical emergency, failed or delayed completion of a home purchase, lack of reasonable transportation or any other extenuating circumstances found by the county. If Good Cause exists, allow a reasonable time to comply before considering the withdrawal nonqualifying.

PERIOD OF INELIGIBILITY (POI)

To compute the POI for a nonqualifying withdrawal:

1. Determine the balance of the Restricted Account prior to the nonqualifying withdrawal.

2. Subtract any portion determined to be a qualifying withdrawal.

3. Divide the result by the MBSAC for the number of persons in the AU, plus special needs.

4. Round down to the whole number. This is the number of ineligible months.

The POI starts at the beginning of the **upcoming** QR Payment Quarter and continues for the determined number of months.

SHORTENING THE POI

The POI is shortened **only** when the AU reapplies for aid **and** the MBSAC has increased as the result of:

- A COLA, or
- Increase in AU size (a newborn or other additional person), or
- A new special need.

To calculate the shortened POI:

1. Identify the Restricted Account balance used to calculate the original POI.

2. Identify the original MBSAC plus any special needs and multiply it by the number of ineligible months prior to the increase and subtract the total from the Restricted Account balance used to calculate the original POI.

3. Divide the remainder by the new MBSAC.

4. Round down to the nearest whole number.

5. Add this number to the number of ineligible months prior to the new MBSAC to determine the revised POI.

TANF INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA)

WHAT IS A TANF IDA?

An IDA is a special bank account that helps an individual save for his/her education, the purchase of a first home, or to start a business. He/she uses earnings from his/her work to set up an approved account for an IDA.
The individual's contribution is matched by or through a "qualified entity". A qualified entity is defined as a not-for-profit organization that is exempt from taxation or a state or local government agency acting in cooperation with a not-for-profit organization.

PURPOSE OF AN IDA

The purpose of an IDA is to help an individual's savings grow faster to be able to purchase their home, start a business or pay for educational costs.

TREATMENT OF TANF IDA FOR CALWORKS ELIGIBILITY AND GRANT DETERMINATION

When an IDA is reported, the worker must obtain verification that the account meets the TANF IDA criteria as noted in the section above. Verification can be obtained directly from the client or the client can sign a Release of Information to allow the worker to obtain the verification from the organization that established the IDA

If the IDA meets all of the criteria above, then the IDA matching funds, the individual's contributions, and any interest earned are disregarded (exempt) when determining eligibility and grant amount during any period in which the individual maintains or contributes to the IDA.

If the terms and conditions of the IDA agreement are inconsistent with the TANF IDA requirements, the funds may not be excluded when determining CalWORKs eligibility and grant amount. See

Other IDA Type Accounts section below.

Property eligibility is determined once per quarter for AR/CO cases when the QR 7 is submitted and annually at RRR therefore, verification of the IDA is not required until the IDA is reported at the next reporting period. Continuing property eligibility is determined for the upcoming QR Payment Quarter/Annual Redetermination period.

TANF IDA statements must be provided quarterly for QR cases and annually at RRR for Annual Reporting/Child Only (AR/CO) cases to ensure proper monitoring of account activity.

WITHDRAWALS

Once established, IDA funds can only be withdrawn for one of the qualified purposes (first home purchase costs, post-secondary education expenses, business capitalization amounts paid). Withdrawals must be paid directly to the educational institution, directly to whom the money is due for the home purchase, or to a restricted business capitalization account. Any funds withdrawn for unapproved purposes will be considered resources when the next QR 7 is submitted for QR cases or at RRR for AR/CO cases.

OTHER IDA- TYPE ACCOUNTS

There are other IDA-type accounts that can be established that **do not** meet all of the TANF IDA criteria above. These IDA accounts are **not** automatically exempted from eligibility or grant determination. Call CalWORKs Program if unsure whether an IDA should be exempted.

REFERENCES

EAS Manual Section 42-213.231
ACL 01-76
ACL 13-16
ACIN 1-59-11
ACL 08-11

ATTACHMENTS

CW86 Agreement and Coversheet