

Homestead Individual Development Account Program (HIDA) Participant Handbook



Developed by
Council for Native Hawaiian Advancement
Delivered by
Hawaiian Community Assets

March 2007



On behalf of the Council for Native Hawaiian Advancement (CNHA), our Board of Directors, our Coalition Members and our Staff, we are pleased to present the *Homestead Individual Development Account* product serving homestead families statewide. We developed the *HIDA* product to increase the homeownership resources available in Hawaiian communities and because we believe that asset building strategies for families promote the overall health and well-being of everyone in the state of Hawaii.

CNHA is a statewide and national coalition of Native Hawaiian Organizations formed in 2001 to unify, serve and advocate policy, community and economic development. A 501(c)3 nonprofit, CNHA delivers Training & Consulting services in the Pacific, operates an active Policy Center and administers the Hawaiian Way Fund to support Hawaiian culture and community development.

Mahalo nui to our *HIDA* partners, the Department of Hawaiian Home Lands and Hawaiian Community Assets. We hope that *HIDA* serves as an important tool in making homeownership a reality for families all across our great state.

Robin Puanani Danner
CNHA President & CEO

Mahalo To Our Partners



DEPARTMENT OF HAWAIIAN HOME LANDS

HIDA is funded in part by a grant from the Department of Hawaiian Home Lands (DHHL) under a sub-recipient grant from the Department of Housing and Urban Development under the Native American Housing Assistance and Self Determination Act and the Native Hawaiian Housing Block Grant. DHHL is a state agency administering the federal trust created by Congress through passage of the Hawaiian Homes Commission Act of 1921.



HIDA is delivered by Hawaiian Community Assets (HCA), a 501(c) 3 nonprofit dedicated to increasing homeownership opportunities for Native Hawaiian families. HCA provides financial literacy programs, homebuyer education counseling and operates the only nonprofit mortgage brokerage service in the state of Hawaii, originating home loans on fee simple and homestead properties.



HIDA is a Council for Native Hawaiian Advancement program delivered by Hawaiian Community Assets





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Aloha!

Welcome to the Homesteads Individual Development Account (HIDA) Program!
Congratulations on taking an important step toward growing your family's financial stability and well-being through the goal of homeownership.

At Hawaiian Community Assets, we are committed to advancing homeownership in Native Hawaiian communities through the following programs:

- Homebuyer & Financial Literacy Training & Counseling
- Our *Hawaii Community Lending* initiative, providing Loan Origination Services

To further our goals at HCA, we partnered with the Council for Native Hawaiian Advancement (CNHA) to establish the HIDA program to create Hawaii's first statewide down payment matching grant program dedicated entirely to Hawaiian Home Land lessees and their families. The concept of most Individual Development Account programs is to match the dollars saved by individuals for the purpose of purchasing a home.

This Participant Handbook provides important information and is a good reference as you enter the HIDA program to begin your down payment savings activities. The rules for participation are designed to provide the structure and the motivation that most people need in order to develop good money habits. These rules will be enforced, so it is important that you understand and follow them in order to maintain your enrollment and earn your HIDA savings match.

As you embark on your journey for homeownership, we hope that HIDA will help you reach your goals and in the process, build life long money management skills. On behalf of all of us at HCA, as well as our partner, CNHA -- we congratulate you on your participation in the HIDA program. Please contact us at anytime, and let us know how we can help you succeed!

Malama Pono,

A handwritten signature in black ink, reading "Michelle Kauhane".

Michelle Kauhane
Executive Director

Table of Contents

I.	General Information	Page 3
1.	Program Objective	
2.	Service Area	
3.	Participant Eligibility and Preferences	
4.	Participating Requirements	
II.	Program Design	Page 5
1.	Steps to Program Completion	
2.	Your HIDA Account	
3.	HIDA Savings Account Withdrawals	
4.	HIDA Forms	
III.	HIDA Program Partners	Page 7
IV.	Frequently Asked Questions.....	Page 8

Homestead Individual Development Accounts Participant Handbook

Section I. General Information

HIDA Program Objectives

Our objective for the HIDA Program is to assist families with limited means in achieving home ownership by providing information and down payment and/or closing costs assistance toward the purchase of a home located on Hawaiian Home Lands. HIDA is intended to assist participants to:

- ❖ Develop personal financial management skills;
- ❖ Be informed about homeownership responsibilities & foreclosure prevention;
- ❖ Establish regular savings habits and disciplines, and;
- ❖ Complete a savings plan that with HIDA matching funds results in the purchase of an owner-occupied residence.

The HIDA Program provides:

- ❖ Homebuyer Education & Assistance through Hawaiian Community Assets;
- ❖ Home Loan Origination Services through HCA's (Hawaii Community Lending) initiative;
- ❖ A Savings Incentive for Down Payment Resources – HIDA provides a 3:1 match for every dollar saved by participants used to meet down payment requirements on a home purchase. Maximum HIDA match is \$7,500 per participant, per home purchase. Example: Participant saves \$2,500. HIDA will match the savings by \$7,500 (3:1), resulting in down payment resources toward the purchase of the participants home purchase of \$10,000.

Our goals with the HIDA program are to support the success of each participant to reach the worthwhile goal of homeownership. Hawaiian Community Assets has selected its financial institution to establish your savings account.

HIDA Program Service Area

The HIDA program service area consists of residential properties administered by the Department of Hawaiian Home Lands under the Hawaiian Homes Commission Act in the state of Hawaii.

HIDA Participant Handbook

Participant Eligibility & Preferences

HIDA participants will be selected among applicants that meet the following criteria:

- ❖ Eligible beneficiary as defined in the HHCA and certified as such by DHHL;
- ❖ Family household income at or below 80% of area median income as defined by the Department of Housing and Urban Development (HUD);
- ❖ Employed or self-employed for a minimum of 1 year prior to application to HIDA;
- ❖ Is 18 years of age or older;
- ❖ Intends to purchase an owner-occupied home located on Hawaiian Homes Lands from DHHL or its Developer, where HIDA funds are not already being used by another household occupant;
- ❖ Participant is or will be the Lessee of record and the borrower of record on the purchase and/or mortgage loan transaction.
- ❖ Completed a HIDA application and a financial assessment by HCA.

Preference will be given to eligible applicants that are:

- ❖ Lessees of an Undivided Interest Award from DHHL and;
- ❖ Participant households with biological or adopted children, or children for whom the applicant is a legal guardian or;
- ❖ Non-custodial parents, in order that they might better support their children.

Participation Requirements

Participants approved and enrolled in the HIDA program must meet the following conditions to remain enrolled and eligible for HIDA funding:

- ❖ Receive a certificate of completion from HCA or other approved provider of a Homebuyer Education or Financial Literacy training;
- ❖ Open a HIDA savings account with a minimum deposit of \$25.00;
- ❖ Make a savings deposit from earned income each month the participant is enrolled in the program;
- ❖ Each participant must contribute earned income of at least \$500 during their participation in the program.
- ❖ Does not miss more than two (2) deposits while enrolled in the program, as approved by HCA;

HIDA Participant Handbook

- ❖ Submit a Gift Declaration Acknowledgement form for each savings deposit made from gift income during the enrollment period, which may not exceed \$2,000.00.
- ❖ The maximum term of enrollment shall be up to eighteen (18) months from initial enrollment. The enrollment period may be extended with authorization by HIDA specialists after review of the account status.

Section II. Program Design

Steps to Program Completion

The HIDA program has been designed to provide participants with a meaningful experience and opportunity to save funds for down payment and/or closing cost on home purchases, to become informed homeowners, with increased financial literacy skills, and receive HIDA matching funds for participant dollars saved. The steps to successfully completing the HIDA program and receiving matching grant dollars are as follows:

Step 1. Meet with or contact an HCA representative to review the HIDA program. Complete and submit the HIDA application with all required documentation to HCA. The application will be reviewed for eligibility and the availability of open slots under the program.

Step 2. HCA will provide participant with a schedule of Homebuyer Education Training sessions available.

Step 3. If approved as a HIDA participant, HCA will notify the participant and coordinate a meeting to develop a savings plan/budget, execute all HIDA documents and open a HIDA savings account at a financial institution selected by the program.

Step 4. Participant completes deposit goals from earned income (wages, salary, professional fees, Earned Income Tax Credit, or other amounts received as compensation for personal services) of at least \$500 or more. Participants may also deposit gift income (funds gifted to the participant where there is no expectation of repayment by the gift maker).

Step 5. Savings goals are achieved and participant executes an eligible purchase transaction. HCA calculates the approved HIDA match and will disburse the balance of the participants HIDA savings account and the HIDA match into an escrow account established for the home purchase transaction.

Step 6. Participant provides feedback on the HIDA program, the experience and how the program assisted and/or could be improved to serve future participants.

Your HIDA Account

In order for meaningful goals to be set and achieved, participants must have full ownership of those goals. HCA will assist the participant to establish achievable savings goals, and establish rules for the use of funds as long as the participant remains enrolled in the program.

HIDA Participant Handbook

Each interest-bearing HIDA savings account will be established as a custodial account with CNHA as the contractual custodian for the HIDA participant.

HIDA Savings Account Withdrawals

Any withdrawal from a HIDA account requires the authorization of CNHA. Participant withdrawals may be approved by HCA under the following circumstances and outcomes:

Qualified withdrawals. A qualified withdrawal is only authorized upon completion of all program requirements utilizing the *HIDA Authorized Withdrawal* form. These requests will result in the participant receiving the matching funds in the form of a check mailed directly to the escrow account established for the home purchase transaction.

Emergency withdrawals. These requests will be authorized for situations in which medical care is required, eviction is threatened, or basic living expenses are needed due to loss of employment using the *HIDA Emergency or Unauthorized Withdrawal Form*. Matching funds are not received. Emergency withdrawals must be replaced in the account within one year of withdrawal. All efforts to resolve the emergency without using the HIDA savings will be made first.

Other withdrawals. All other withdrawal requests will result in termination from the HIDA Program. The matching funds will not be received. Only forms as stated above will be authorized and honored for any withdrawal of funds.

HIDA Forms

The HIDA program has a number of forms that will be executed and used throughout term of each participant. Following is a list of the primary HIDA forms used by HCA:

- 1) HIDA Application Form
- 2) HIDA Participation Handbook
- 3) HIDA Savings Plan Agreement
- 4) HIDA Participant Enrollment Form
- 5) HIDA Release of Information
- 6) HIDA Beneficiary Designation
- 7) HIDA Missed Monthly Deposit Letter
- 8) HIDA Authorized Withdrawal Form
- 9) HIDA Emergency or Unauthorized Withdrawal Form
- 10) HIDA Exit Interview for Successful Participants

Section III. HIDA Program Partners

The HIDA is a program of the Council for Native Hawaiian Advancement and delivered by Hawaiian Community Assets. HIDA partners and their roles are as follows:

Hawaiian Community Assets (HCA)

Hawaiian Community Assets (HCA) is a 501(c)(3) non-profit organization with a mission to increase the capacity of low- and moderate-income families in Hawaii to achieve economic self-sufficiency. The organization has particular focuses on Native Hawaiians and expertise in servicing the homestead community. The organization's philosophy supports homeownership as the vehicle to achieve its mission. Homeownership is the tool to build, strengthen and sustain families and communities for future generations. HCA's lending program is known as Hawai'i Community Lending (HCL) and is Hawaii's only non-profit mortgage broker.

Participants may attend courses offered by HCA to meet the requirements for homebuyer education and financial literacy training. HCA also provides one-on-one counseling to assist participants with debt reduction, credit repair, budgeting and establishing savings goals. All services are offered to achieve the ultimate goal of homeownership.

Hawaii Community Lending (HCL), is the lending arm of HCA. Participants may receive assistance from HCL to apply and qualify for mortgage loans. HCL can identify appropriate home loan products and will assist with financial assessments for pre-qualification purposes.

Council for Native Hawaiian Advancement (CNHA)

CNHA is responsible for the development of the HIDA program and to ensure compliance to all regulatory requirements of the funders of HIDA.

Founded in 2001, the Council for Native Hawaiian Advancement (CNHA) is one of the largest statewide and national coalitions of Native Hawaiian organizations. CNHA is governed by an elected 15-member Board of Directors, with more than 140 members, primarily consisting of Native Hawaiian organizations located on every island working in affordable housing, education, culture, healthcare and economic development. CNHA is intimately connected to Hawaiian communities.

Our mission of serving Native Hawaiians through policy, economic and community development is grounded in the organizational vision of an engaged Hawaiian community strengthened by self-determination, cultural knowledge and identity that advances the well-being of the state of Hawaii and its people.

Department of Hawaiian Home Lands (DHHL)

The HIDA program is funded by DHHL through its grant funds received under the Native American Housing Assistance and Self Determination Act administered by HUD.

HIDA Participant Handbook

In recognition of the United States' special trust responsibility to Native Hawaiians, Congress passed the Hawaiian Homes Commission Act of 1920 with the purpose of establishing a homesteading program to place eligible native Hawaiians on lands in Hawaii designated for such purpose.

With the passage of the Statehood Act of 1959, the Territorial control and administration of the HHCA was transferred to the newly formed State of Hawaii. In 1960, the Department of Hawaiian Home Lands (DHHL) was created to administer the Hawaiian home lands program and manage the Hawaiian home lands trust.

Currently, DHHL is one of the 18 departments of the Executive Branch of the State of Hawaii. DHHL serves native Hawaiians or individuals of at least 50% Hawaiian blood, as defined by the Hawaiian Homes Commission Act of 1920, as amended, and their successors. These native Hawaiians are the beneficiaries of the Hawaiian home lands trust consisting of a land trust of over 200,000 acres. The mission of DHHL is, *"To manage the Hawaiian Home Lands trust effectively and to develop and deliver land to native Hawaiians. We will partner with others towards developing self-sufficient and healthy communities."*

HIDA Participant

Our most important partner in the HIDA program is you, the participant. All of these organizations are working together to assist in your ability to purchase your home!

Section IV. Frequently Asked Questions (FAQ's)

1. What is a HIDA?

Homestead Individual Development Account (HIDA) is a matched savings account which enables families with limited means to save, to build assets and to enter the financial mainstream, ultimately achieving home ownership.

The HIDA program is developed by a community-based organization, Council for Native Hawaiian Advancement in partnership with Hawaiian Community Assets and a financial institution that holds the deposits for each individual participant. Federal and state governments and/or private sector organizations and individuals can match deposits for such individuals and families.

2. How does HIDA work?

HIDA participants contribute a monthly amount into a specific account set up at a financial institution. HIDA rewards the monthly savings of the participant by offering them a 3:1 match for their own deposits. These matched savings amounts are then transferred to an escrow account which ultimately is used toward the down payment of the participants newly purchased home.

3. Who is eligible to enroll in the HIDA Program?

Eligible participants are those beneficiaries as defined in the Hawaiian Homes Commission Act certified as such by the Department of Hawaiian Home Lands seeking to purchase an owner-occupied home on Hawaiian Home Lands.

4. How does HIDA help me to save and achieve my goal?

HIDA is a matched saving's account. Participant members save money for a specific goal, in this case towards the down payment and/or closing cost for the purchase of a home on Hawaiian Home Lands as awarded by the Department of Hawaiian Home Lands. All participants will open a savings account with a financial institution that has been chosen by the program. All HIDA account holders must receive pre-purchase homebuyer education training which is designed specifically to provide participants with information needed to build assets and develop good savings behavior. With mentoring from Hawaiian Community Assets (HCA), your HIDA specialists will meet with you to ensure that you stay on track to achieve your final goal.

5. Do the matched funds get deposited into the bank that is designated specifically for me?

Matching funds do not go directly into the participant's account. Instead, it is actually a virtual match until the goal is reached. Once the participant has reached their savings goals and has attended the required training, their savings is matched by the sponsoring agency. HCA and the participating financial institution will coordinate the release of total funds into a pre-determined escrow account for use towards the down payment and/or closing costs of the participant's home purchase.

6. Where do I get an application and enroll in the HIDA program?

You may request an application by contacting Hawaiian Community Assets at:

Hawaiian Community Assets
900 Fort Street Mall, Suite 930
Honolulu, Hawaii 96813
(808) 587-7886 (ph); (808) 587-7899 (fax)

7. Has HIDA proven to be a successful program anywhere else?

Actually, yes. There are Individual Development Accounts (IDA's) across the nation and they are set up for multiple goals. Other uses of IDA's are for Educational purposes and also to start a small business. There are 34 states, Washington D.C., and Puerto Rico that have passed some sort of IDA legislation. Only six states have no IDA activity.



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