



State of Connecticut  
GENERAL ASSEMBLY  
STATE CAPITOL  
HARTFORD, CONNECTICUT 06106-1591

TESTIMONY OF  
STATE REPRESENTATIVE MAE FLEXER, 44<sup>TH</sup> DISTRICT  
&  
STATE SENATOR STEVE CASSANO, 4<sup>TH</sup> DISTRICT

*In support of HB 6145 – An Act Concerning Expansion of the Individual Development Account Program*

February 19, 2013

Senator Cathy Osten, Representative Peter Tercyak, Senator Joseph Markley, Representative Richard Smith and members of the Labor and Public Employees Committee, thank you for reserving this bill for a public hearing and for the opportunity to submit testimony in support of *promoting savings through the state's Individual Development Account Program*.

Economic troubles coupled with poor saving habits have left many Connecticut residents stranded in challenging financial situations. Mobility across socio-economic divides is often difficult without proper assets, job skills, and tools for gaining financial stability. House Bill 6145, An Act Concerning Expansion of the Individual Account Program was conceived to expand on one of Connecticut's programs to address this problem.

Individual Development Accounts (IDAs) support families and individuals of modest means in accumulating assets through a matched savings account program, administered by the State Department of Labor and the Community Action Agencies. This grant targets those who struggle financially and assists them in obtaining assets that would allow for improvement of their socio-economic status. In addition, this program promotes the art of saving, establishing this trait into a positive habit for those involved in the process through participation in financial education.

The program currently limits the types of assets for which participants may receive a match on their savings. The allowable assets are primary homes, small businesses, post-secondary education or training, lease deposit on an apartment, or a vehicle if one is necessary for employment. The program includes a financial education component, which consists of at least 12 hours of training across several subject areas including banking, home finance, credit, investing and financial planning.

Demographically speaking, most current participants are women from single-income households, and members of racial minority groups—groups that are historically less likely to participate in regulated financial institutions. Research shows that IDA homebuyers are less likely to obtain mortgages with

high interest rates and less likely to experience foreclosure.

The road to economic improvement and self-sustainability presents many potential obstacles. The current IDA program offers wonderful assistance when faced with a single roadblock. Through existing Connecticut IDA grants, recipients are assisted in the accumulation of only one asset. HB 6145 seeks to address this problem, allowing for the savings for multiple assets to target many goals. We would also propose that the eligible household income level be changed and that the types of eligible assets be expanded, enabling more families to participate and establish a pattern of savings.

As more and more families live from paycheck to paycheck in Connecticut, it is critical that we enact policies to promote financial stability. We appreciate your consideration of this important proposal and would be happy to answer questions from committee members. We urge the committee to take this up as a committee bill and would be happy to work with you to fully draft the legislation.