

SENATE No. 662

The Commonwealth of Massachusetts

PRESENTED BY:

James B. Eldridge

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to savings enabling prosperity.

PETITION OF:

NAME:

James B. Eldridge

DISTRICT/ADDRESS:

Middlesex and Worcester

SENATE No. 662

By Mr. Eldridge, a petition (accompanied by bill, Senate, No. 662) of James B. Eldridge for legislation relative to savings enabling prosperity. Financial Services.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Second General Court
(2021-2022)

An Act relative to savings enabling prosperity.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General Laws are hereby amended by inserting after chapter 26 the
2 following chapter:-

3 CHAPTER 26A

4 SAVINGS ENABLING PROSPERITY

5 Section 1.

6 As used in this chapter the following words shall, unless the context clearly requires
7 otherwise, have the following meanings:

8 “Account holder”, a household earning equal to less than 80 per cent of the Area Median
9 Income, as defined by the Department of Housing and Urban Development.

10 “Community-based organization”, a public or private nonprofit organization that is
11 exempt from taxation under 26 U.S.C. 501(c)(3) with demonstrated effectiveness in representing

a community or a significant segment of a community and providing educational or related social services to individuals in that community.

“Fiscal intermediary”, a nonprofit organization that is exempt from taxation under 26 U.S.C. 501(c)(3) as amended and in effect on January 1, 1999 with demonstrated effectiveness in matched-savings account management.

“Financial institution”, a bank, credit union, any association or corporation chartered by the commonwealth under chapter 168, 170, 171 or 172, or an individual, association, partnership or corporation incorporated or doing a banking business in the commonwealth subject to the supervision of the commissioner.

“Matched-savings account”, a contract between an account holder and a fiscal intermediary, for the deposit of funds into a designated account at a financial institution by the account holder, and the deposit of matching funds into a second designated account at the financial institution, to allow the account holder to accumulate savings for use towards achieving a specific wealth-building purpose.

Section 2.

(a) The problem of poverty will not be solved solely by government programs and income subsidies.

(b) Family economic well-being does not come solely from income, spending or consumption, but instead requires savings, investment and the accumulation of assets.

(c) It is appropriate for the commonwealth to institute an asset-based anti-poverty strategy.

(d) The commonwealth has an opportunity to become a key player in the asset-based anti-poverty strategy through the use of state revenue, including but not limited to any future federal dollars set aside for matched-savings programs.

(e) It is important to note that a robust asset-based anti-poverty network of community-based organizations has existed in Massachusetts since the late 1990's that have built successful matched-savings programs increasing the wealth of commonwealth residents using available federal dollars: (1) in September 2020 funding from the federal Assets of Independence (AFI) program funding terminated; (2) many community-based organizations across the commonwealth continue to serve their constituents through limited yet unsustainable private funding; and (3) this network is poised to use its existing expertise to expand its matched-savings programs to assist more lower-income households to recover and rebuild after this once-in-a-lifetime economic crisis.

(f) Investment in a statewide matched-savings program will enable lower-income households to obtain the assets they need to succeed and thrive. The commonwealth will benefit from the resultant economic and social benefits of investing in lower-income households to build wealth through investments in small business development, higher education, first-time home ownership, existing home repair, rental housing, vehicles to assist with employment attainment, adaptive technology and retirement.

(g) It is desired that the commonwealth enact legislation that enables an authorized fiscal intermediary sufficient flexibility to receive federal, state and local monies for matched-savings accounts. The general court should periodically review the provisions of this Act to ensure that

the commonwealth maximizes the receipt of available federal monies for matched-savings accounts.

Section 3.

(a) A person who qualifies to become an account holder may enter into an agreement with a community-based organization for the establishment of a matched-savings account.

(b) A person qualifies to become an account holder if the person is a member of a lower income household and has assets of no more than \$75,000 indexed for inflation at 2.5 per cent per year, to be assessed at the time of program entry.

(c) A person applying to establish a matched-savings account shall create a savings plan developed by the participant and the community-based organization. The plan shall provide the participant with the appropriate financial education, counseling, and asset-specific training designed to increase the wealth of the participant's household.

Section 4.

(a) Approved savings goals include, but are not limited to:

(1) the acquisition of post-secondary education or job training;

(2) if the account holder has established the account for the benefit of a household member who is under the age of 18 years, the payment of extracurricular non-tuition expenses designed to prepare the member for post-secondary education or job training; (3) if the account holder has established a savings plan authorized under 26 U.S.C. 529 or prepaid tuition plan on behalf of a designated beneficiary, the participant shall provide accurate account statements to the fiduciary organization in order to earn match;

(4) the purchase of a primary residence. In addition to payment on the purchase price of the residence, account moneys may be used to pay any usual or reasonable settlement, financing, or other closing costs. The account holder shall not have owned or held any interest in a residence during the three-year period prior to making the purchase; provided however, that the three-year period shall not apply to displaced homemakers or other individuals who have lost home ownership because of divorce or owners of dwelling unit structure;

(5) the rental of a primary residence. Account moneys may be used for security deposits, first and last month's rent, application fees and other expenses, including, but not limited to, major appliances when not included in the lease, necessary to move into the primary residence.

(6) The capitalization of a small business. Account moneys may be used for capital, plant, equipment, and inventory expenses, and to hire employees upon capitalization of the small business, or for working capital pursuant to a business plan. The account holder shall develop the business plan with a financial institution, nonprofit microenterprise program or other qualified agent demonstrating business expertise. The business plan shall include a description of the services or goods to be sold, a marketing plan and projected financial statements.

(7) Improvements, repairs, or modifications to a home already owned by the account holder.

(8) The purchase of equipment, adaptive technology or specialized training required to become competitive in obtaining or maintaining employment, or to start or maintain a business, or to increase the economic independence of the account holder.

(9) The purchase or repair of a vehicle, as specified in the account holder's matched-savings plan for increasing the economic independence of the person.

(10) The saving of funds for retirement, as specified in the account holder's matched-savings plan.

(11) The payment of debts owed when the account holder is saving for another allowable purpose, as specified in the account holder's matched-savings plan, and where the credit counseling is provided by a nonprofit organization demonstrating this expertise.

(12) The creation or improvement of a credit score by obtaining a secured credit-builder loan or a financial product that is designed to improve credit, as specified in the account holder's matched-savings plan for increasing the economic independence of the person.

(b)(1) If an emergency occurs, an account holder may withdraw all or part of the account holder's deposits to a matched-savings account for a purpose not described in subsection (a) of this section. As used in this paragraph, an emergency includes, but is not limited to, making payments for necessary medical expenses, to avoid eviction of the account holder from the account holder's residence and for necessary living expenses following a change in circumstances.

(2) The account holder shall resume contributions to the account holder's savings account once the account holder deems that the financial emergency has been resolved. The account holder may choose to continue to pursue the savings plan through the appropriate financial education, counseling, and asset-specific training in coordination with the account holder's community-based organization while experiencing the financial emergency.

(c) If an account holder withdraws moneys from a matched-savings account for other than an approved purpose, the fiscal intermediary may remove the account holder from the program.

(d)(1) If the account holder of an account established for the purpose set forth in subsection (a)(3) or (a)(10) has achieved the account's approved purpose in accordance with the matched-savings plan developed by the account holder, the account holder may withdraw, or authorize the withdrawal of, the remaining amount of all deposits, including matching deposits, and interest in the account as follows: (i) For an account established for the purpose set forth in subsection (a)(3) of this section, by rolling over the entire withdrawal amount into one or more savings plans authorized under 26 U.S.C. 529, the establishment of which is the purpose of the matched-savings account; or (ii) For an account established for the purpose set forth in subsection (a)(10) of this section, by rolling over the entire withdrawal amount into an individual retirement account, a retirement plan or a similar account or plan established under the Internal Revenue laws of the United States.

(2) Upon withdrawal of all moneys in the matched-savings account as provided in paragraph (a) of this subsection, the account relationship shall terminate.

(e) If an account holder moves from the area where the program is conducted or is otherwise unable to continue in the program, the fiscal intermediary may remove the account holder from the program.

(f) If an account holder is removed from the program, all matching deposits in the account and all interest earned on matching deposits shall revert to the fiscal intermediary. The fiscal intermediary shall use the reverted funds as a source of matching deposits for other accounts.

Section 5.

(a) A fiscal intermediary may qualify as the recipient of account contributions only if the fiscal intermediary structures the accounts to have the following features:

(1) The fiscal intermediary matches amounts deposited by the account holder according to a formula established by the fiscal intermediary. The fiscal intermediary shall deposit \$4 into the account for each \$1 deposited by the account holder.

(2) The matching deposits by the fiscal intermediary to the matched-savings account are placed in a savings account that is controlled by the fiscal intermediary and is separate from the savings account of the account holder.

(b) The total amount paid into a matched-savings account during its existence, including amounts from participant deposits and matching deposits may not exceed \$20,000 (\$4,000 participant savings + \$16,000 match).

Section 6.

The division of banks may select a fiscal intermediary to administer moneys directed by the commonwealth to matched-savings account purposes. In making the selections, the division of banks shall consider factors including, but not limited to:

(a) The ability of the fiscal intermediary to implement and administer the matched-savings program, including the ability to verify account holder eligibility, certify that matching deposits are used only for approved purposes and exercise general fiscal accountability.

(b) The capacity of the fiscal intermediary to convene and provide professional development opportunities that increase the capacity of community-based organizations to provide financial education, counseling, and asset-related training to account holders.

(c) The partnerships that the fiscal intermediary maintains with like-minded community-based organizations, government agencies, and other entities that support asset-building and wealth creation among the lower-income households across the commonwealth.

Section 7.

(a) Subject to the division of banks rules, a fiscal intermediary has sole authority over, and responsibility for, the administration of matched-savings accounts.

(b) A fiscal intermediary may use at least 5 per cent of the allocated moneys to the matched-savings program for account management, compliance, and participation in audits.

(c) A fiscal intermediary selected to administer moneys directed by the commonwealth to matched-savings account purposes shall provide the division of banks with an annual report of the fiscal intermediary's matched-savings account program activity. The fiscal intermediary shall file the report with the division of banks no later than 90 days after the end of the fiscal intermediary's fiscal year. The report shall include, but is not limited to: (1) the number of matched-savings accounts administered by the fiscal intermediary; (2) the amount of deposits and matching deposits for each account; (3) the purpose of each account; (4) the number of withdrawals made; and (5) participant demographics and any other information the division of banks may require for the purpose of making a return-on-investment analysis.

(d) The division of banks may make all reasonable and necessary rules to ensure fiscal intermediary compliance with this section and sections 4, 5 and 6 of this chapter.

Section 8.

(a) Subject to division of banks rules, the responsibility of the community-based organization extends to all aspects of operating the matched-savings program, including marketing and outreach, verification and enrollment of participants, financial education, one-on-one counseling, conducting asset-specific training, indirect costs, and other required verification and compliances activities.

(b) There is no limit to how many community-based organizations work with the selected fiscal intermediary if they meet the required qualifications.

(c) Community-based organizations shall receive no more than 25 per cent of the allocated monies for providing all activities listed in subsection (a).

(d) A community-based organization may act in partnership with other entities to fulfill the requirements stated in this Section.

Section 9. The division of banks shall determine the eligibility criteria for an entity to be selected as a fiscal intermediary to administer funds directed by the commonwealth to matched-savings account purposes no later than 90 days after the effective date of this Act.

Commonwealth agencies shall render all necessary cooperation to the division of banks, and the fiscal intermediaries selected by the division of banks, to expedite the process of preparing the fiscal intermediary to administer matched-savings accounts.