

# SENATE BILL No. 1635

November 12, 2008, Introduced by Senators JANSEN and HUNTER and referred to the Committee on Families and Human Services.

A bill to amend 2006 PA 513, entitled  
"Individual or family development account program act,"  
by amending sections 2, 3, and 4 (MCL 206.702, 206.703, and  
206.704).

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 2. As used in this act:

2       (a) "Account holder" means a person who is the owner of an  
3 individual or family development account or the family if the  
4 account is a family account.

5       (b) "Agency" means the Michigan state housing development  
6 authority of the department of labor and economic growth.

7       (c) "Contributor" means a person that makes a contribution to  
8 an individual or family development account reserve fund and is not

1 an account holder.

2 (d) "Director" means the executive director of the Michigan  
3 state housing development authority of the department of labor and  
4 economic growth.

5 (e) "Education expenses" means tuition and fees required for  
6 the enrollment or attendance of a student at an eligible  
7 educational institution, and expenses for fees, books, supplies,  
8 and equipment required for courses of instruction at an eligible  
9 educational institution.

10 (f) "Eligible educational institution" means any of the  
11 following:

12 (i) A college, university, community college, or junior college  
13 described in section 4, 5, or 6 of article VIII of the state  
14 constitution of 1963 or established under section 7 of article VIII  
15 of the state constitution of 1963.

16 (ii) An independent nonprofit college or university located in  
17 this state.

18 (iii) A state-licensed vocational or technical education  
19 program.

20 (iv) A state-licensed proprietary school.

21 (g) "Federal poverty level" means the poverty guidelines  
22 published annually in the federal register by the United States  
23 department of health and human services under its authority to  
24 revise the poverty line under section 673(2) of subtitle B of title  
25 VI of the omnibus budget reconciliation act of 1981, Public Law 97-  
26 35, 42 USC 9902.

27 (h) "Fiduciary organization" or "organization" means a

1 charitable organization exempt from taxation under section  
2 501(c)(3) of the internal revenue code that is approved by the  
3 director of the agency or his or her designee to manage a reserve  
4 fund. A fiduciary organization may also be a program site.

5 (i) "Financial institution" means a state chartered bank,  
6 state chartered savings bank, savings and loan association, credit  
7 union, or trust company; or a national banking association or  
8 federal savings and loan association or credit union.

9 (j) "Financial literacy" means personal financial planning and  
10 education.

11 (k) "Individual or family development account" or "account"  
12 means an account established ~~pursuant to~~ **UNDER** section 4.

13 (l) "Individual or family development account reserve fund" or  
14 "reserve fund" means an account established and managed by a  
15 fiduciary organization housed at a financial institution. The  
16 reserve fund holds money that will be used to match participant  
17 savings based on a participant savings plan agreement.

18 (m) "Program" means the individual or family development  
19 account program established in section 3.

20 (n) "Program site" means a charitable organization exempt from  
21 taxation under section 501(c)(3) or 501(c)(14) of the internal  
22 revenue code that is approved by the director or his or her  
23 designee to implement the individual or family development account  
24 program.

25 (o) **"QUALIFIED HOME IMPROVEMENT" MEANS THE PURCHASE AND**  
26 **INSTALLATION OF ANY QUALIFIED ENERGY STAR PRODUCT INTENDED FOR**  
27 **RESIDENTIAL OR NONCOMMERCIAL USE THAT MEETS OR EXCEEDS THE**

1 APPLICABLE ENERGY STAR ENERGY EFFICIENCY GUIDELINES DEVELOPED BY  
2 THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED  
3 STATES DEPARTMENT OF ENERGY, INCLUDING, BUT NOT LIMITED TO,  
4 WINDOWS, DOORS, INSULATION, HIGH EFFICIENCY HEATING AND COOLING  
5 EQUIPMENT, AND ANY APPLIANCES SUCH AS DISHWASHERS, CLOTHES WASHERS,  
6 AND REFRIGERATORS.

7 Sec. 3. (1) The individual or family development account  
8 program is established within the agency. The program shall provide  
9 eligible individuals and families with an opportunity to establish  
10 accounts to be used for education, first-time purchase of a primary  
11 residence, **QUALIFIED HOME IMPROVEMENTS**, or business capitalization  
12 as provided in section 4.

13 (2) The agency shall establish policies and procedures for the  
14 program taking into consideration the policies and procedures  
15 adopted by the department of human services to implement the  
16 individual development account program under section 57k of the  
17 social welfare act, 1939 PA 280, MCL 400.57k.

18 (3) In reviewing the qualifications of fiduciary organizations  
19 and program sites, the agency shall consider all of the following  
20 factors:

21 (a) The not-for-profit status of the organization.

22 (b) The fiscal accountability of the organization.

23 (c) The ability of the organization to provide or raise money  
24 for matching contributions.

25 (d) The significance and quality of proposed auxiliary  
26 services to support the goals of the program.

27 (e) The availability of a financial literacy program for

1 account holders.

2 (f) The ability to maintain and manage necessary program data  
3 for tracking account holders and participants in the program and  
4 for development of reports as required under section 9.

5 (4) The agency shall select fiduciary organizations to provide  
6 technical assistance and support to program sites and establish and  
7 manage reserve accounts on a not-for-profit basis. In reviewing the  
8 qualifications of fiduciary organizations, the agency shall  
9 consider the ability of the fiduciary organizations to do all of  
10 the following:

11 (a) Administer 1 or more reserve funds to provide matching  
12 funds for account holders ~~pursuant~~**ACCORDING** to participant savings  
13 plan agreements.

14 (b) Administer any money appropriated by this state for the  
15 purposes of this act.

16 (c) Collaborate with program sites on a regional basis.

17 (d) Provide technical assistance and support to program sites  
18 to assist them to effectively administer programs.

19 (e) Work in conjunction with approved program sites to hold,  
20 manage, and disburse matching funds for accounts as provided in  
21 section 5.

22 (f) Maintain and manage necessary program data for tracking  
23 account holders and participants in the program and for development  
24 reports as required under section 9.

25 (5) The agency shall select program sites to administer the  
26 accounts on a not-for-profit basis. In reviewing the qualifications  
27 of program sites, the agency shall consider the ability of the

1 program site to do all of the following:

2 (a) Develop and implement participant savings plan agreements  
3 to be used with account holders that include at least all of the  
4 following:

5 (i) The purpose for which the account holder's account is  
6 established.

7 (ii) The schedule of deposits that the account holder will make  
8 to the account.

9 (iii) The agreed-upon amount of matching funds and the projected  
10 date when those matching funds will be provided.

11 (iv) A plan to provide financial literacy; homeownership  
12 training; education, career, or business planning assistance, if  
13 appropriate; and any other services designed to increase the  
14 independence of the account holder or the account holder's family  
15 through the achievement of the designated purpose of the account.

16 (b) Develop a partnership with all account holders with whom  
17 the program site has a participant savings plan agreement to assist  
18 the account holder to effectively make financial decisions relating  
19 to the use of the funds available through the account and to offer  
20 support services to maximize the opportunities provided by the  
21 individual or family development account program.

22 (6) The agency shall work cooperatively with financial  
23 institutions, fiduciary organizations, program sites, and  
24 contributors to implement the programs under this act.

25 Sec. 4. (1) An individual or family whose household income is  
26 less than or equal to 200% of the federal poverty level for an  
27 individual or for that family's family size may apply to a program

1 site to establish an individual or family development account.

2 (2) A program site may approve applications to the extent that  
3 the program site has matching funds available to meet matching  
4 commitments in participant savings plan agreements.

5 (3) A program site may reject an application made under  
6 subsection (1) if approving the application would result in the  
7 establishment of an individual or family development account by 1  
8 or more of the members of a family that has established an  
9 individual or family development account for the same person for  
10 the same purpose.

11 (4) A household shall not have more than 1 account for the  
12 same purpose if that purpose is a first-time purchase of a primary  
13 residence or start-up capitalization of a business.

14 (5) If the program site approves the individual's or the  
15 family's application to establish an individual or family  
16 development account, the individual shall do all of the following:

17 (a) Establish the individual or family development account  
18 with a financial institution.

19 (b) Enter into a participant savings plan agreement with a  
20 program site.

21 (c) Declare, with the approval of the program site, the  
22 purpose for which the account is established.

23 (d) Any other criteria required by the program site.

24 (6) An account may be established only to pay qualified  
25 expenses as provided in subsection (7).

26 (7) An account shall be established for 1 or more of the  
27 following purposes:

1 (a) To pay educational expenses for the individual account  
2 holder who will be 17 years of age or older when the funds in the  
3 account will be used if the account is an account for educational  
4 purposes.

5 (b) For the first-time purchase of a primary residence by the  
6 individual account holder if the account is an account for the  
7 purchase of a primary residence.

8 (c) For start-up capitalization of a business for the  
9 individual account holder who is 18 years of age or older if the  
10 account is an account for capitalization of a business based on a  
11 business plan approved by the program site.

12 **(D) FOR QUALIFIED HOME IMPROVEMENTS.**

13 (8) An account established under this section shall be an  
14 account that requires 2 signatures for withdrawals. The 2 required  
15 signatures shall be those of the account holder and an  
16 administrator of the program site with which the account holder has  
17 a participant savings plan agreement.