

HOUSE No. 1099

The Commonwealth of Massachusetts

PRESENTED BY:

Carmine Lawrence Gentile

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:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Carmine Lawrence Gentile</i>	<i>13th Middlesex</i>	<i>2/16/2021</i>
<i>James B. Eldridge</i>	<i>Middlesex and Worcester</i>	<i>2/19/2021</i>
<i>Lindsay N. Sabadosa</i>	<i>1st Hampshire</i>	<i>2/24/2021</i>
<i>John Barrett, III</i>	<i>1st Berkshire</i>	<i>3/6/2021</i>
<i>Marcos A. Devers</i>	<i>16th Essex</i>	<i>3/30/2021</i>

HOUSE No. 1099

By Mr. Gentile of Sudbury, a petition (accompanied by bill, House, No. 1099) of Carmine Lawrence Gentile and others for legislation to establish a matched savings account program to be administered by fiscal intermediaries. 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 Court hereby finds and declares that:

2 (1) the problem of poverty will not be solved solely by government programs and income
3 subsidies;

4 (2) family economic well-being does not come solely from income, spending or
5 consumption, but instead requires savings, investment and the accumulation of assets;

6 (3) it is appropriate for the commonwealth to institute an asset-based anti-poverty
7 strategy;

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

11 (5) it is important to note that a robust asset-based anti-poverty network of community-
12 based organizations has existed in Massachusetts since the late 1990s and that they have built
13 successful matched savings programs increasing the wealth of commonwealth residents using
14 available federal dollars;

15 (6) in September 2020, funding from the federal Assets for Independence program
16 funding finished;

17 (7) many community-based organizations across the commonwealth continue to serve
18 their constituents through limited yet unsustainable private funding;

19 (8) this network is poised to use their existing expertise to expand their matched savings
20 programs in order to assist more lower-income households to recover and rebuild after this once-
21 in-a-lifetime economic crisis;

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

28 (10) it is desired that the commonwealth enact legislation that enables an authorized
29 fiscal intermediary sufficient flexibility to receive federal, state and local monies for matched
30 savings accounts. The general court should periodically review the provisions of this act to
31 ensure that the commonwealth maximizes the receipt of available federal monies for matched
32 savings accounts.

33 SECTION 2. The General Laws are hereby amended by inserting after chapter 167J the
34 following chapter:-

35 CHAPTER 167K. Savings Enabling Prosperity

36 Section 1 . As used in this chapter, the following words shall, unless the context clearly
37 requires otherwise, have the following meanings:

38 “Account holder ”, an eligible individual pursuant to subsection (b) of section 2.

39 “Approved savings goal”, an approved savings goal, pursuant to section 3, developed as
40 part of a savings plan.

41 “Community-based organization”, a public or private nonprofit organization that is
42 exempt from taxation under 26 USC § 501(c)(3) with a demonstrated effectiveness in
43 representing a community or a significant segment of a community, as determined by the
44 division of banks, and providing educational or related social services to individuals in that
45 community.

46 “Fiscal intermediary”, a public or private nonprofit organization that is exempt from
47 taxation under 26 USC § 501(c)(3), as amended and in effect on January 1, 1999, with a
48 demonstrated effectiveness in matched-savings account management, as determined by the
49 division of banks pursuant to section 6 .

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

54 “Lower-income household”, a household earning equal to or less than 80 per cent of the
55 area median income, as determined by the United States Department of Housing and Urban
56 Development.

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

62 “Savings plan”, a plan developed by a person and community-based organization for the
63 purposes of establishing an approved savings goal, pursuant to section 3, and providing the
64 person with financial education, counseling and training designed to increase wealth.

65 Section 2. (a) A person who qualifies to become an account holder may enter into a
66 contract with a community-based organization to establish a matched-savings account.

67 (b) A person shall be eligible to become an account holder if the person is a member of a
68 lower-income household and has assets of no more than \$75,000, indexed annually by the
69 commissioner of banks for inflation at 2.5 per cent per annum , at the time of program entry.

70 (c) A person applying to establish a matched savings account shall create a savings plan
71 to achieve approved savings goals pursuant to section 3. The savings plan shall be developed by
72 the person with the assistance of a community-based organization. The plan shall provide the
73 person with the appropriate financial education, counseling and asset-specific training designed
74 to increase the wealth of the person’s household.

75 Section 3. (a) Approved savings goals, created as part of a savings plan, shall include, but
76 shall not be limited to:

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

78 (2) If the account holder has established the account for the benefit of a household
79 member who is under the age of 18, the payment of extracurricular non-tuition expenses
80 designed to prepare the member for post-secondary education or job training;

81 (3) If the account holder has established an account for the purpose of meeting qualified
82 higher education expenses as authorized pursuant to 26 USC § 529 or prepaid tuition plan on
83 behalf of a designated beneficiary, the account holder shall provide accurate account statements
84 to the fiduciary organization to earn matching funds;

85 (4) The purchase of a primary residence. In addition to payment on the purchase price of
86 the residence, account moneys may be used to pay any usual or reasonable settlement, financing
87 or other closing costs. The account holder shall not have owned or held any interest in a
88 residence during the 3-year period prior to making the purchase ; provided, however, that the 3-
89 year period shall not apply to displaced homemakers or other individuals who have lost home
90 ownership because of divorce;

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

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

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

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

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

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

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

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

115 (b)(1) If a financial emergency occurs, an account holder may withdraw all or part of the
116 account holder's deposits to a matched savings account for a purpose not described in subsection
117 (a). As used in this subsection, a financial emergency shall include making payments: (i) for
118 necessary medical expenses, (ii) to avoid eviction of the account holder from the account
119 holder's residence and (iii) for necessary living expenses following a change in circumstances.

120 (2) The account holder shall resume contributions to their savings account once the
121 financial emergency has been resolved, as determined by the account holder. The account holder
122 may choose to continue to pursue their savings plan through the appropriate financial education,
123 counseling and asset-specific training in coordination with their community-based organization
124 during the financial emergency.

125 (c) If an account holder withdraws moneys from a matched savings account for a purpose
126 not approved in this section, the fiscal intermediary may remove the account holder from the
127 program.

128 (d)(1) If the account holder of an account established for the purpose set forth in clause
129 (3) or (10) of subsection (a) has achieved the account's approved purpose in accordance with the
130 savings plan developed by the account holder, the account holder may withdraw, or authorize the
131 withdrawal of, the remaining amount of all deposits, including matching deposits, and interest in
132 the account as follows:

133 (i) For an account established for the purpose set forth in clause (3) of subsection (a), by
134 rolling over the entire withdrawal amount into one or more savings plans authorized under 26
135 USC § 529, the establishment of which is the purpose of the matched savings account; or

136 (ii) For an account established for the purpose set forth in clause (10) of subsection (a),
137 by rolling over the entire withdrawal amount into an individual retirement account, a retirement
138 plan or a similar account or plan established pursuant to the federal Internal Revenue Code.

139 (2) Upon withdrawal of all moneys in the matched savings account as provided in
140 paragraph (1), the matched savings account shall terminate .

141 (e) If an account holder moves from the commonwealth to another state or is otherwise
142 unable to continue in the program, the fiscal intermediary may remove the account holder from
143 the program.

144 (f) If an account holder is removed from the program pursuant to subsection (b), (c) or
145 (e), all matching deposits in the account and all interest earned on matching deposits shall revert
146 to the fiscal intermediary. The fiscal intermediary shall use the reverted funds as a source of
147 matching deposits for other matched savings accounts.

148 Section 4. (a) A fiscal intermediary may qualify as the recipient of account contributions
149 pursuant to subsection (f) of section 3 , if:

150 (1) the fiscal intermediary matches amounts deposited by the account holder according to
151 a formula established by the fiscal intermediary; provided, however, that the fiscal intermediary
152 shall deposit at least \$4 into the account for each \$1 deposited by the account holder;

153 (2) the matching deposits by the fiscal intermediary to the matched savings account are
154 deposited in a savings account that is controlled by the fiscal intermediary and is separate from
155 the matched savings account of the account holder; and

156 (3) the total amount paid into a matched savings account during its existence, including
157 amounts from participant deposits and matching deposits shall not exceed \$20,000, equivalent to
158 \$4,000 deposited by the account holder and \$16,000 in matching funds deposited by the fiscal
159 intermediary.

160 Section 5. The division of banks may select no more than 2 fiscal intermediaries to
161 administer moneys directed by the commonwealth to matched savings account purposes. In
162 making the selections, the division of banks shall consider factors including, but not limited to:

163 (1) the ability of the fiscal intermediary to implement and administer the matched savings
164 program, including its ability to verify account holder eligibility, certify that matching deposits
165 are used only for approved purposes and exercise general fiscal accountability;

166 (2) the capacity of the fiscal intermediary to convene and provide professional
167 development opportunities that increase the capacity of community-based organizations to
168 provide financial education, counseling and asset-related training to account holders; and

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

172 Section 6. (a) Subject to the division of banks, a fiscal intermediary shall have sole
173 authority over, and responsibility for, the administration of matched savings accounts.

174 (b) A fiscal intermediary may use not more than 5 per cent of the allocated moneys to the
175 matched savings program for account management, compliance and participation in audits.

176 (c) A fiscal intermediary selected to administer moneys directed by the commonwealth to
177 matched savings account purposes shall provide the division of banks with an annual report of
178 the fiscal intermediary's matched savings account program activity. The report shall be filed no
179 later than 90 days after the end of the fiscal year of the fiscal intermediary.

180 The report shall include, but not be limited to:

181 (1) The number of matched savings accounts administered by the fiscal intermediary;

182 (2) The amount of deposits and matching deposits for each account;

183 (3) The purpose of each account;

184 (4) The number of withdrawals made; and

185 (5) Participant demographics and any other information the division of banks may require
186 for the purpose of making a return-on-investment analysis.

187 (d) The division of banks shall promulgate all reasonable and necessary regulations to
188 ensure fiscal intermediary compliance with this chapter.

189 Section 7. (a) Subject to regulations promulgated by the division of banks, community-
190 based organizations shall be responsible for all aspects of operating the matched savings
191 program, including marketing and outreach, verification and enrollment of participants, financial
192 education, one-on-one counseling, conducting asset-specific training, indirect costs and other
193 required verification and compliances activities.

194 (b) There shall be no limit to how many community-based organizations may work with a
195 selected fiscal intermediary if they meet the required qualifications.

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

198 (d) A community-based organization may act in partnership with other entities to comply
199 with this section.

200 SECTION 3. The division of banks shall determine the eligibility criteria for the
201 selection of fiscal intermediaries to administer funds directed by the commonwealth for matched
202 savings account purposes no later than 90 days after the effective date of this act.
203 Commonwealth agencies shall render all necessary cooperation to the division, and the fiscal
204 intermediaries selected by the division, to expedite the process of preparing the fiscal
205 intermediary to administer matched savings accounts.