



FOR IMMEDIATE RELEASE
Wednesday, April 26, 2006

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New program expands matched savings accounts, helps couples build wealth

Washington, DC – The Capital Area Asset Building Corporation (CAAB), a leader in promoting economic opportunity for Washington area residents, today announced the launch of a new savings program to help married and engaged couples eliminate debt, increase their savings and build wealth through long-term investment.

Couples with combined earnings of \$50,000 or less may be eligible to open a Marriage Development Account (or MDA) with CAAB and receive a 3:1 match on up to \$3,000 of personal savings, for a total of \$12,000 that can be invested in higher education, a small business or a first home. The program, funded by Congress as a line item in the DC Appropriations Act of 2006, provides nearly \$1 million to match the savings of eligible couples. Financial education is a key component of the program; couples are required to attend money management courses and training programs relevant to their savings goal, such as homebuyer education and small business training. While engaged couples are eligible to open an MDA, they must be married by the time they plan to use their savings and matching funds for qualified purchases.

The MDA program is a variation on CAAB's Individual Development Account (IDA) program, which encourages adults and youth to save for higher education, small business development and homeownership. Since 1997, nearly 300 District residents have purchased assets through CAAB's IDA program: 28 have invested in a small business, 117 have attended college or vocational school, and 154 have purchased their first home. Together, these IDA savers have invested nearly \$1 million and leveraged more than \$12 million in loans.

Marriage Development Accounts are part of a larger initiative to promote healthy families and marriages in DC's low-income African-American communities, where child poverty rates have climbed above 50%, many families have zero or negative net worth, and fewer than 20% of children are living in households headed by two parents. The idea, introduced by Senator Sam Brownback (R-KS) and strongly supported by Del. Eleanor Holmes Norton (D-DC), is a response to a growing body of research on child well-being which indicates that children born and raised in households where their parents are married enjoy significant financial and emotional advantages. Similarly, studies have demonstrated that assets provide families with positive social, psychological, and economic effects, including stronger community ties, improved household stability and a more positive outlook on the future.

In the face of a dramatic rise in income inequality in DC over the past two decades, asset development strategies provide an effective way to reduce dependence on welfare and promote economic security through long-term saving and investment. Colleen Dailey, Executive Director of CAAB, sees MDAs as a unique complement to parenting classes, marriage counseling and job training programs that are typically part of initiatives aimed at strengthening marriages and families. “For too long, our national and local policies have discouraged low-income families from saving and accumulating financial assets, pushing them farther into debt. By encouraging investment in education, small business and homeownership, this program has the potential to break the cycle of poverty that prevents generations of DC families from benefiting from the region’s strong economy.”

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Capital Area Asset Building Corporation (CAAB) creates opportunities for people of all incomes to improve their financial management skills, increase their savings and build wealth. We believe that a prosperous community is one in which everyone has incentives and opportunities to save for the future.