

17. Restricted Accounts

17.1 Rule [EAS 42-213.23]

A ‘restricted account’ is a savings account that a recipient family can retain in any financial institution to be spent for certain allowable expenses. Money in a restricted account does not count against the property limit.

Effective January 1, 2008, there is no maximum amount that current CalWORKs recipients may save in a restricted account.



Note:

The Restricted Account rule does not apply to applicants.

The AU must establish and maintain any restricted accounts separately from other accounts.

Any type of account which is maintained at a financial institution can be identified as a restricted account; it does not have to be a “savings” account.

The recipient must state that this account is their restricted account but is not required to declare the purpose of the restricted account until the first withdrawal is made.

17.2 Written Agreement (CW 86)

Before an account can be designated as “restricted,” the caretaker relative must sign an “Agreement — Restricted Account” (CW 86) which sets forth the requirements, restrictions and penalties of having such an account. A CW 86 is required for each restricted account established by the Assistant Unit (AU).

The recipient must be advised to first retain resources close to the property limit to pay for any unexpected expenses or emergencies BEFORE they enter into a written agreement.

Because the CW 86 is a binding agreement, it must be thoroughly reviewed with the recipient, prior to signing. By signing the CW 86, the recipient certifies that they understand the terms which establish, maintain, and end a restricted account as well as the specific consequences (a penalty period) for failing to meet required timeframes.

17.2.1 CW 86 Coversheet

When the recipient has requested a restricted account, one copy of the CW 86 Coversheet must be given to the recipient, and a copy scanned into the IDM case record for documentation purposes.

17.2.2 CW 86 Instructions

When the recipient has requested a restricted account and has been given the CW 86 Coversheet, these procedures must be followed:

| STAGE | WHO | ACTION |
|-------|-------------|---|
| 1. | EW | Reviews the cover sheet with the recipient, giving a copy to that individual and scanning a copy into the IDM case record. |
| 2. | Client & EW | Completes Section A: <ul style="list-style-type: none"> Each item in this section must be reviewed with and initialed by the caretaker relative. The EW must witness the recipient's signature. If this is a joint account, the other person listed on the account must sign the CW 86. |
| | | Completes Section B, which instructs the recipient to: <ul style="list-style-type: none"> Provides information about the account, Provides proof of the account, and Signs, dates and returns the original to the EW within 30-calendar days after the caretaker relative signs the agreement. |
| 3. | EW | Creates a User-to-User alert in CalWIN for 30-calendar days to check on status of CW 86. |
| | | Documents in the "County Use Only" section the date the original agreement was returned and approved, or that the agreement was terminated and the reason why. Give one copy to the recipient. |
| | | Scans the returned original documents into IDM if received timely. OR Terminates the agreement if the AU fails to return a completed original CW 86 with proof of the account, within the 30 days. |

17.2.3 CW 86 Completion

When the recipient is ready to complete the CW 86, the following timeframes apply:

| IF | THEN... |
|------------------------------|--|
| Only Section A is completed, | Review, with the recipient, the instructions in Section B which allow 30-calendar days to return the agreement. |
| | Give the recipient the original and one copy of the CW 86, and scan one copy into the IDM case record. |
| | When the recipient returns with Section B completed with proof of the account, scan the original into IDM and give the recipient a copy. |

| IF | THEN... |
|--|--|
| Section A & B are completed at the same time | Scan the original copy of the CW 86 into IDM, and give the recipient a copy. |

17.2.4 Termination of Written Agreement [EAS 42-213(p)]

The written agreement for restricted accounts terminates when any one of the following occurs:

- The AU is discontinued from CalWORKs.
- The restricted account is closed.
- The AU does not provide timely verification of the account information.
- State or federal law changes the conditions, or no longer permits, these restricted accounts.
- The recipient requests termination of the restricted account. A period of ineligibility could result based upon the balance in the restricted account.

17.3 Account Information [EAS 42-213.23]

The AU must establish and maintain any restricted accounts separately from other accounts.

The ability to establish a restricted account is not a once-in-a-lifetime occurrence. The recipient may make a qualifying withdrawal and be allowed to build up the account again. If a nonqualifying withdrawal is made, a period of ineligibility must be established. Once this is done and the individual again becomes a recipient, he/she may establish another restricted account, if they wish.

17.3.1 Account Verification

The AU must provide verification to the county of the following information for each account within 30-calendar days from the date the written agreement is signed:

- Names of persons as shown on the restricted account,
 - It is recommended that only one name be on the account.
 - Second names on the account may be allowed, and this person may or may not be in the AU. If the second person makes a nonqualifying withdrawal, the AU is responsible for the consequences.
- All persons named on the account must sign the CW 86.

- Name and address of the financial institution,
- Account number, and
- Account balance and activity since the date the agreement was signed.
- Anyone can make a deposit into the restricted account. The EW must determine whether the money deposited into the account was exempt or nonexempt as income to the AU and take appropriate action based upon the income determination.

17.3.2 Purpose of Account [EAS 42-213(d)]

A restricted account can be established for one or more of the following purposes:

- To purchase a home that will be the principle residence for the AU.
- For the education or vocational training of the account holder or any person who is or could be claimed by the account holder as a dependent for federal income tax purposes.
- To start up a new business for an AU member.
- To help pay for costs associated with securing permanent rental housing.
- To pay for rent arrearages in order to avoid becoming homeless.



Note:

Any savings held in a restricted account are considered exempt from being counted toward the \$100 property limit when determining eligibility for HA.

17.3.3 Interest Exemption [EAS 42-213(f)]

Interest earned on the restricted account is exempt for purposes of determining CalWORKs eligibility and grant amount, if the interest is deposited directly into the account by the financial institution.

Interest which is not deposited directly into the restricted account is not counted as income to the AU, but is considered a nonqualifying withdrawal. [Refer to “Nonqualifying Withdrawal [EAS 42-213(i),” page 17-8].]

The entire interest payment is exempt as income and may be spent.

17.3.4 Exception for Restricted Accounts

The RECIPIENT AU may have restricted bank accounts with no maximum amount providing the applicable requirements have been met.



Note:

Restricted account regulations do not apply to applicants.

17.4 Special Circumstances

17.4.1 Child Only AU

When the AU consists of a child or children only, the restricted account(s) must be established in such a manner that:

- The funds are the sole property of the child, and
- The caretaker is the custodian of the account.

An example of this is a trustee account.

17.4.2 Combining AU's

If two AU's must be combined and each AU has a restricted account, regular CalWORKs rules apply to restricted accounts.

If some members of the new AU have a period of ineligibility (POI) due to a nonqualifying withdrawal from the previous AU, the POI may be shortened or a separate AU established. [Refer to “Shortening the POI [EAS 42-213(n)],” page 17-13] or [Refer to “Separate AU for Other Eligibles [EAS 42-213(o)],” page 17-14] at the end of this section.]

17.5 Qualifying Withdrawal [EAS 42-213(g)]

The AU is allowed 30 calendar days from the date of a withdrawal to spend funds for one or more of the following expenses:

- Purchase of a home.

- Education or vocational training for the account holder or any person who is or could be claimed by the account holder as a dependent for federal income tax purposes.
- Start up of a new business.
- Securing permanent rental housing.
- Payment of rent arrearages to avoid homelessness.

It is at the time of the first withdrawal that an AU must declare the intended purpose for their restricted account.

Service charges are considered an allowable withdrawal on a restricted account. There is no penalty when this occurs.

[Refer to “Interest Exemption [EAS 42-213(f)],” page 17-4]] and [Refer to “Exception for Restricted Accounts,” page 17-5].]

17.5.1 Purchase of a Home

Expenses associated with the purchase of a home which will be the principle residence of the AU are considered a qualifying withdrawal.

These expenses include, but are not limited to:

- Deposits, fees.
- Down payment.
- Principle payment.
- Repairs.
- Fixtures.
- Closing costs.

Expenses for furniture and household goods are NOT allowable expenses.

17.5.2 Education or Training

Expenses associated with the education or vocational training for the account holder or any person who is or could be claimed by the account holder as a dependent for federal income tax purposes on or after the date of the written agreement are considered a qualifying withdrawal.

These expenses include, but are not limited to:

- Fees, tuition.
- Books, school supplies.
- Equipment.

- Special clothing needs.
- Student housing.
- Meals.
- Transportation costs to and from school.
- Child care services necessary for school attendance.

17.5.3 Start Up a New Business

Business expenses that are directly related to the start-up costs of a new business, for a member of the AU, are considered a qualifying withdrawal.

These expenses include, but are not limited to:

- Purchase and maintenance of capital equipment.
- Uniforms or other protective or required clothing and shoes.
- Tools, inventory.
- Payments on loan principle (business-related).
- Interest for capital assets or durable goods.
- Rent for office or floor space and associated utilities.
- Shipping and delivery costs.
- Employee salary.
- Fees, business taxes.
- Insurance.
- Bookkeeping or other professional services.

Current CalWORKs regulations do not require that a net profit from self-employment be realized in order to exempt business-related property. If the plan of employment is later disapproved, the equity value of the business-related property is added to the property limit.

There is no limit to the number of self-employment businesses or restrictions to the kind of business venture the AU may start up.

17.5.4 Securing Permanent Rental Housing

Costs associated with securing permanent rental housing are considered a qualifying withdrawal and include but are not limited to:

- Deposits, fees.
- Down payment.
- First months rent.

17.5.5 Rent Arrearages to Prevent Homelessness

Payments for rent arrearages are considered a qualifying withdrawal and include up to two months of back rent to prevent eviction. Each month of the rent arrearage payment must not exceed 80 percent of the total monthly household income (TMHI).

[Refer to CW Section 38.1.1 for details]

17.5.6 Verification

The AU must provide verification of the following items within 30-calendar days from the date of expenditure:

- Balance prior to the withdrawal,
- Date and amount of withdrawal, and
- Receipt, canceled check, or signed statement from the provider of goods or services verifying the type and the amount of expenses paid.

17.5.7 No Expense Incurred

Funds which are withdrawn in anticipation of an expense that does not occur or is less than anticipated must be redeposited into the restricted account within 30-calendar days from the date of the withdrawal.

Failure to timely redeposit the funds results in a determination that a nonqualifying withdrawal has occurred, unless good cause exists.

17.6 Nonqualifying Withdrawal [EAS 42-213(i)]

A nonqualifying withdrawal occurs when any of the following happen:

- Noncooperation — The AU fails to expend funds or to provide verification of a withdrawal or expenditure within the required time limit, unless good cause exists for exceeding the time limit.
- Nonallowable Purpose — The AU withdraws or spends the funds for purposes or expenses other than those allowed.
- Receipt of Interest Income — The interest payment was not deposited directly into the account by the financial institution. [Refer to “Interest Exemption [EAS 42-213(f)],” page 17-4] and “Exception for Restricted Accounts,” page 17-5, for further information.]

If one of the persons listed on the restricted account withdraws funds from the restricted account without the knowledge of the AU, the AU is still subject to a period of ineligibility.

17.7 Good Cause [EAS 42-213(j)]

Good cause exists for exceeding the 30-calendar-day time limit regarding withdrawals, when circumstances are beyond the AU's control. Those circumstances include:

- Illness or medical emergency,
- Failed or delayed completion of a home purchase,
- Lack of transportation, or
- The EW finds other extenuating circumstances.

When good cause is found to exist, the AU is allowed to fulfill the necessary requirement within a reasonable period of time. A reasonable period of time is based on the circumstances for the delay as determined by the EW to avert a determination of a nonqualifying withdrawal.

In this situation, the good cause must be reviewed and approved by the supervisor and thoroughly document the **Maintain Case Comments** window in CalWIN.

17.7.1 Period of Ineligibility [EAS 42-213(k)]

When a nonqualifying withdrawal is made from a restricted account, a period of ineligibility (POI) must be calculated for the AU.

The POI must be determined even if the AU's total countable property including the balance in the restricted account prior to the nonqualifying withdrawal does not exceed the property limit.

17.7.2 Calculation

To calculate the POI, the EW must:

| STEP | ACTION |
|------|---|
| 1. | Determine the total amount in ALL of the restricted accounts immediately prior to the nonqualifying withdrawal or prior to the issuance of an interest payment when it is not directly deposited into the account by the financial institution. |
| 2. | Subtract any portion which the EW determines to be a qualifying withdrawal. |
| 3. | Divide the result by the Minimum Basic Standard of Adequate Care (MBSAC) for the number of persons in the AU, plus any special needs. |
| 4. | Round down the result to the nearest whole number for the number of months of ineligibility. |



Note:

If the balance in the restricted account prior to a nonqualifying withdrawal is less than the AU's MBSAC (plus special needs) there is no POI. However, the above computation must be completed and document the **Maintain Case Comments** window of CalWIN.

17.7.3 Other Circumstances

If the recipient makes a withdrawal from a restricted account but does not provide any verification of the withdrawal or expenditure, the POI must be determined, as it is based on the total balance PRIOR to the nonqualifying withdrawal or interest not directly deposited.

If the EW is determining a POI from an initial withdrawal and the recipient makes a second withdrawal, the EW must determine if the second withdrawal meets the appropriate criteria:

| If the... | Then... |
|---|---|
| Second withdrawal was appropriate, | Determine the POI based on the balance minus the second withdrawal. |
| Second withdrawal was not appropriate, | Determine the POI based on the balance prior to both withdrawals. |
| Amount of the prior balance is unknown and the client fails to provide the balance, | The AU is ineligible until the balance is provided and a POI can be determined. |

17.7.4 Applying the Period of Ineligibility (POI)

When it is determined that a POI must be applied, the period begins on the first day of the month of the next SAR Payment Period following the reported nonqualifying withdrawal on the SAR 7 and continues for the determined number of months.

If a timely notice cannot be given and the POI does not start until the first day of the month of the next SAR Payment Period, an overpayment exists for any aid issued during the POI.



Example:

An AU of three with an April/May/June SAR Payment Period has the following situation:

| | |
|--|---------|
| Restricted account balance prior to the 5/08 withdrawal: | \$6,000 |
| Amount withdrawn from account: | 4,500 |
| Amount used to purchase home: | 3,000 |
| Amount used to buy furniture: | 1,500 |

Since the AU used a portion of the withdrawal on a non-allowable expenditure, the EW must calculate a POI as follows:

| | | |
|--------|----------------|--|
| Step 1 | \$6,000 | Balance prior to withdrawal |
| Step 2 | - 3,000 | Allowable expense for purchase of home |
| | ----- | |
| | \$3,000 | Remainder |
| Step 3 | 2.79 months | Divide the remainder (\$3,000) by MBSAC + Special Needs for an AU of 3 ($\$1,026 + 47$ in 5/08) = 2.79 |
| Step 4 | 2 mos. | Round down the result to the nearest whole number. |

The AU is ineligible for two months beginning July due to a nonqualifying withdrawal. The AU can reapply for aid on September 1.



Example:

An AU of three with an April/May/June SAR Payment Period has \$6,000 in a restricted account and the AU withdraws \$500 to pay the rent in April.

Since the AU made a nonqualifying withdrawal, the EW must calculate a POI as follows:

| | | |
|--------|---------|---|
| Step 1 | \$6,000 | Balance prior to withdrawal |
| Step 2 | - 0000 | Allowable expense for purchase of home |
| | ----- | |
| | \$6,000 | Remainder |
| Step 3 | 5.79 | Divide the remainder (\$6,000) by MBSAC + Special Needs |
| | months | for an AU of 3 (\$1,026+\$47 in 05/08) = 5.79 |
| Step 4 | 5 mos. | Round down the result to the nearest whole number. |

The AU is ineligible for 5 months beginning July. The AU can reapply for aid on December 1.



Example:

An AU of two with an April/May/June/July/August & September (Cycle 2) SAR Payment Period has the following property:

| | | |
|---|---------|--------------------|
| | \$1,000 | Restricted account |
| + | 500 | checking account |
| + | 400 | Savings account |
| | ----- | |
| | \$1,900 | Total |

The AU wants to buy new furniture and withdraws all of the funds from their accounts, including the restricted account, to pay for the purchases in May. It is determined that the AU made a nonqualifying withdrawal.

Although the AU's total property reserves prior to the nonqualifying withdrawal is under the property limit, a POI is calculated as follows:

| | |
|---|---------|
| Restricted account balance prior to nonqualifying withdrawal in May | \$1,000 |
| Divide by MBSAC for 2 (\$828 in 05/08) | = 1.207 |
| Round down for number of months of ineligibility | 1 |

Aid is discontinued effective September 30th. The AU may reapply on October 1st.

17.7.5 Shortening the POI [EAS 42-213(n)]

The EW must shorten the period of ineligibility (POI) when the AU reapplies for aid and MBSAC has increased.

An increase in MBSAC includes any:

- Increase in AU size,
- General increase in the MBSAC (COLA increases), or
- Determination that the ineligible family would be eligible for a special need item.



Note:

These are the only situations when a POI due to a nonqualifying withdrawal may be shortened.

17.7.6 Shortening the POI Calculation

To shorten the POI due to an increase in MBSAC or increase in special needs, the EW must follow these steps:

| STEP | ACTION |
|------|---|
| 1. | Identify the restricted account balance used to calculate the original POI. |
| 2. | Identify the original MBSAC plus any special needs allocated to the ineligible family unit. |
| 3. | Multiply the amount from Step 2 by the number of ineligible months prior to the increase. |
| 4. | Subtract the amount from Step 3 from the amount in Step 1. |
| 5. | Divide the result from Step 4 by the new MBSAC + special needs. |
| 6. | Round down the result to the nearest whole number. |
| 7. | Add the number of ineligible months prior to the increase to the result of Step 5 to determine the revised POI. |

The revised POI begins in the same month as the original POI.



Example:

An AU of 2 is in a POI due to a nonqualifying withdrawal. The original POI was calculated as follows:

| | |
|--------|--|
| \$2000 | Original balance used to calculate the POI |
| \$798 | Original MBSAC for AU of 2 in 02/07 |
| 2 | Number of months of ineligibility |

The AU size increased to 3 people in March and MBSAC increased to \$989 (as of 02/07):

| | |
|---------|---|
| \$2000 | Original balance |
| - 798 | MBSAC for 2 |
| ----- | |
| \$1202 | Result |
| | |
| \$1202. | Divided by increased MBSAC for 3 (\$989 in 3/07) = 1.21 |
| | Round down to 1 |
| | |
| 1 | Number of ineligible months after the increase |

Therefore:

| | |
|-------|--------------------------------------|
| 1 | Number of months before the increase |
| + 1 | Number of months after the increase |
| ----- | |
| 2 | Revised POI (# of months) |

The prior POI was reduced from three months to two months. January and February are the ineligible months. If the client reapplies, the beginning date of aid could NOT be before March 1st.

17.7.7 Separate AU for Other Eligibles [EAS 42-213(o)]

A separate AU may be established for an otherwise eligible person whose needs were not considered in the calculation of the period of ineligibility.

When a person is added to an AU who has an existing POI, the AU has a choice of either:

- Requesting a recalculation of the POI with the additional person included in the MBSAC, or
- Asking that a separate AU be established for the additional person not included in the POI, using MBSAC and MAP for 1

The EW must explain to the client the effect of each option and allow the client to make the decision as to which option they choose, then document the results in the **Maintain Case Comments** window of CalWIN case record.

