

**County of Orange Social Services Agency
Family Self-Sufficiency**

Program/Area: CalWORKs/Welfare-To-Work
Title: **Restricted Accounts**
Number: 100-C2 **Status:** Final
Effective Date: 1/01/98 **Revision Date:** 10/05/21
Approved: Signature on file

PURPOSE The purpose of this policy is to provide guidance on the treatment of Restricted Accounts.

POLICY CalWORKs (CW) rules allow a recipient to set aside unlimited funds in a Restricted Account for the specified purpose of buying a home, paying for educational expenses, starting a business, or paying for costs associated with securing permanent rental housing or to pay for rent arrearages to avoid becoming homeless.

These rules are in addition to the resource limit. The limit is:

- **\$10,221** (\$10,000 prior to 7/1/2021, \$2,250 prior to 06/01/2020, and \$2,000 prior to 10/1/2014) or
- **\$15,317** (\$15,000 prior to 7/1/2021, \$3,250 prior to 06/1/2020) for all households with a member age 60 or older, or disabled.

Any savings held in a Restricted Account are considered exempt from being counted toward the \$100 limit when determining eligibility for Homeless Assistance.

BOOKMARKS [RESTRICTED ACCOUNTS](#)
[ESTABLISHING A RESTRICTED ACCOUNT](#)
[CW86 COVERSHEET AND AGREEMENT](#)
[QUALIFYING WITHDRAWALS](#)
[QUALIFYING WITHDRAWAL CRITERIA](#)
[VERIFICATION OF WITHDRAWAL EXPENDITURE](#)
[DETERMINING GOOD CAUSE](#)
[GOOD CAUSE CRITERIA](#)
[PERIOD OF INELIGIBILITY \(POI\)](#)
[SHORTENING THE POI](#)
[TERMINATION OF THE WRITTEN AGREEMENT CW86](#)
[TREATMENT OF INTEREST](#)
[FORMS AND ATTACHMENTS](#)

REFERENCES

RESTRICTED ACCOUNTS

Who May Have a Restricted Account:

Only recipients may have Restricted Accounts.

A person is a recipient:

- On the date all eligibility conditions are met and approval actions are authorized in CalWIN
- When benefits are restored during the month following the discontinuance for no SAR 7 (Restoration of Aid)

A person is no longer a recipient when:

- After discontinuance, the beginning date of aid is more than one full calendar month following the month of discontinuance

A client must reestablish recipient status prior to signing the [CW86 Coversheet and Agreement](#) establishing a Restricted Account.

Value: There is no limit to the value of Restricted Accounts.

Purpose: The funds in a Restricted Account must be retained for one or more of these specific purposes only:

- To purchase a home
- To start a business
- For any education or job training expense of an Assistance Unit (AU) member or IRS tax dependent
- To pay for costs associated with securing permanent rental housing or to pay for rent arrearages to avoid becoming homeless.

Note: Restricted Account statements must be provided semi-annually and at annual redetermination for SAR cases and at annual redetermination for Annual Reporting/Child Only (AR/CO) cases to ensure proper monitoring of account activity.

ESTABLISHING A RESTRICTED ACCOUNT

When an AU member requests to establish a Restricted Account, encourage the recipient to retain close to the \$10,221/\$15,317 property limit to pay for any unexpected expenses or emergencies.

The recipient must sign the [CW86](#) in the presence of the worker and provide the following verification:

- Account number
- Name and address of the bank
- Names of persons on the account (must include an AU member)
- The balance and activity of the Restricted Account, effective the date the CW86 was signed

If this information is not provided within 30 days from the signature date, obtain a new CW86 once the AU provides the information.

The AU must establish and maintain a Restricted Account separate from any other accounts.

**CW86
COVERSHEET
AND
AGREEMENT**

Review and provide a copy of the coversheet to the recipient and retain a copy in the case file for documentation. Ensure to inform the recipient the current limits.

Section A: Sums up the requirement for the Restricted Account and must be completed by the recipient after reviewing the coversheet.

Each item in Section A must be reviewed with and initialed by the recipient. An optional signature section is provided for another adult in the household for joint accounts or when required by the financial institution.

Section B: If Section B is not completed concurrently with Section A, review the instructions in Section B with the recipient; retain one copy of the CW86 for control purposes, and give the recipient the original and one copy of the CW86.

Set a control for the 30-calendar day return of the original copy and proof of the Restricted Account. The due date is 30 days from the date the recipient signed Section A of the CW86. If the AU fails to return the completed original with proof within the required 30-day timeframe, the CW86 is terminated.

**QUALIFYING
WITHDRAWALS**

Qualifying withdrawals must meet certain criteria. When a qualifying withdrawal is made, the recipient is allowed 30 calendar days from the date of a withdrawal to expend the funds. When it is determined that a non-qualifying withdrawal occurred, the County calculates a Period of Ineligibility (POI).

The POI is established at the beginning of the payment period for SAR cases or at the beginning of the next redetermination period for AR/CO cases and continues for the determined number of months.

**QUALIFYING
WITHDRAWAL
CRITERIA**

Purchase of a Home

Allowable expenses associated with the purchase of a home that will be the home of the AU include deposits, fees, down payments, principal payment, repairs, fixtures and closing costs.

- Do not allow expenses for furniture and household goods
- Do not allow personal expenses such as entertainment

Starting a New Business

Allowable expenses related to the start-up costs of a new business include the purchase and maintenance of capital equipment, payment on loan principal and interest for business assets, required clothing, tools, inventory, rent and utilities for office space, taxes, insurance, fees, and employee salary.

Education or Job Training

Allowable expenses for education or job training for a person who is the account holder or his/her dependent include fees, tuition, books, school supplies, equipment, student housing, meals, childcare, and transportation. Apply expenses toward the withdrawals from the Restricted Account before considering any non-exempt educational loans and grants.

Securing Permanent Rental Housing/Rent Arrearages

Allowable expenses related to securing permanent rental housing or to pay for rent arrearages include overdue rent payments, deposits such as cleaning deposits, first and last month's rent deposits, and utility deposits.

- Do not allow expenses for furniture and household goods

Note: Money withdrawn in anticipation of expenses that do not occur must be re-deposited within 30 days from the date of withdrawal. Failure to timely re-deposit the funds shall result in POI unless Good Cause exists. Refer to *Determining Good Cause and POI* sections below.

**VERIFICATION
OF WITHDRAWAL
EXPENDITURE**

The AU must provide verification of expenditures within 30 days of withdrawal. Verifications include:

- Balance prior to the withdrawal
- Date and amount of withdrawal

- Verifications/receipts of expenditures
- Re-deposit of interest not directly deposited into the Restricted Account.

**DETERMINING
GOOD CAUSE**

Good Cause Determination Required

A Good Cause determination must be made when an AU withdraws money and fails to spend the money. Verify the withdrawal, expenditures, or re-deposited money remaining from a qualifying withdrawal within 30 days.

Good Cause Determination Not Required

Good Cause will not be granted when an AU spends money for a purpose not allowed for a Restricted Account. When a non-qualifying withdrawal exists, POI shall be calculated. Refer to POI section below.

**GOOD CAUSE
CRITERIA**

Good Cause for not providing verification of expenditures within the 30- day time limit may exist if the AU has circumstances beyond their control which includes, but not limited to, illness, medical emergency, failed or delayed completion of a home purchase, lack of reasonable transportation or any other extenuating circumstances determined by the county. If Good Cause exists, allow a reasonable time to comply before considering the withdrawal non-qualifying.

**PERIOD
OF INELIGIBILITY
(POI)**

To compute the POI for a non-qualifying withdrawal:

1. Determine the balance of the Restricted Account prior to the non-qualifying withdrawal.
2. Subtract any portion determined 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 special needs. Refer to [WT 21-CalWORKs Payment Standard Chart](#) for MBSAC rates.
4. Round down to the whole number. This is the number of ineligible months.

The POI starts at the beginning of the **upcoming** SAR Payment Period and continues for the determined number of months.

Example:

(SAR) An AU of three is in a January through June SAR Period.
 Bank balance prior to May withdrawal: \$5,000
 Amount withdrawn from account: \$4,500
 Amount used to purchase home: \$3,000 (Allowable expense)

Amount used to buy furniture: \$1,500 (Non-allowable expense)

Since the AU used a portion of the withdrawal on a nonallowable expenditure, the County shall calculate a period of ineligibility as follows:

Step 1:

\$5,000 balance prior to withdrawal
-3,000 allowable expense for purchase of home
\$2,000 remainder

Step 2:

Divide the remainder (\$2,000) by MBSAC + special needs for an AU of three (\$2,000 divided by \$1,539 = 1.29 months)

Step 3:

Round down the result to the nearest whole number (one month).

Step 4:

The AU is ineligible for one month. The AU shall be discontinued at the end of June. The AU can reapply for aid on August 1.

**SHORTENING
THE POI**

The POI is shortened **only** when the AU reapplies for aid and the MBSAC has increased as the result of:

- A Cost-of-Living Adjustment (COLA), or
- Increase in AU size (a newborn or other additional person), or
- A new special need.

To calculate the shortened POI:

1. Identify the Restricted Account balance used to calculate the original POI.
2. Identify the original MBSAC plus any special needs and multiply it by the number of ineligible months prior to the increase and subtract the total from the Restricted Account balance used to calculate the original POI.
3. Divide the remainder by the new MBSAC.
4. Round down to the nearest whole number.
5. Add this number to the number of ineligible months prior to the new MBSAC to determine the revised POI.

Example:

An AU of two is in a period of ineligibility due to a nonqualifying withdrawal. The pertinent facts of the period of ineligibility are as follows:

- \$4,000 original balance used to calculate the period of ineligibility
- \$1,242 original MBSAC
- 3 months of ineligibility ($\$4,000 / \$1,242 = 3.22$ round down to 3)

***January first month of ineligibility

The AU size increased to three people in February and the need standard increased to \$1,507. To calculate the shortened POI, follow the below steps:

- \$4,000 original balance
- -\$1,242 MBSAC for one month of ineligibility
- \$2,758 result; divide by increased MBSAC for 3 ($\$1,539$) = 1.79 result (round down to 1)
- 1 month of ineligibility

1 month of ineligibility (January) before increase
+1 number of months after increase (February)
2 revised period of ineligibility

The prior period of ineligibility has been reduced from three months to two months; January and February are the ineligible months.

**TERMINATION OF
THE WRITTEN
AGREEMENT
CW86**

The written agreement for the restricted account terminates when the:

- AU is discontinued from CW; or
- Restricted Account is closed; or
- AU does not provide timely verification of the account information or
- State or federal law changes the conditions or no longer permits these Restricted Accounts.

**TREATMENT OF
INTEREST**

Interest payments shall be exempt as income when the interest is deposited directly into the Restricted Account by the financial institution. Interest not deposited directly into the Restricted Account is a non-qualifying withdrawal unless re-deposited into the Restricted Account within 30 days. If the funds are not re-deposited, a Good Cause determination must be made and POI could be imposed.

**FORMS AND
ATTACHMENTS**

[CW86 Agreement and Coversheet](#)
[CalWORKs Policy 100-C1 Property](#)
[CalWORKs Policy 100-E5 Semi Annual Reporting \(SAR\) and
Budgeting Process](#)
[CalWORKs Policy 100 E-13 Annual Reporting/Child-Only
Cases AR/CO](#)

REFERENCES

ACL 01-76, 13-16, 08-11, 14-107, 19-67
ACIN 1-59-11
EAS Manual Section 42-213.231
Food Stamp Manual Section 63-501

OCCSSA