



Good morning Chair Holvey and members of the committee. My name is Jim Morrell and I'm the President/CEO of Peninsula Community Federal Credit Union headquartered in Shelton, Washington. Peninsula Credit Union and our 17,500 members are proud to be celebrating our 80<sup>th</sup> Anniversary. We serve the five counties on the Olympic Peninsula (Mason, Kitsap, Jefferson, Clallam, and Grays Harbor).

In 1935, there were 7 Rayonier Pulp and Paper Mill workers with a vision to provide Rayonier workers a credit union to save and borrow money. In 2013, our Board of Directors reiterated this commitment with a Community Development Mission Statement. In part this mission states: "Whether low to moderate income or wealthy, unbanked or underbanked, by...educating to create a personal development plan, we demonstrate our care to enrich their lives and helping to achieve financial stability." Furthermore, as a certified Community Development Financial Institution, Peninsula Credit Union is dedicated to providing high quality services while stimulating community revitalization and investment.

For the Olympic Peninsula, these commitments could never be more important. In four of our five counties, the average household income is more than \$10,000 less than the state average. These low income households create economic distress within families, and prevent people from building assets and moving out of poverty. Across this same region, there are over 36,000 unbanked and underbanked households.

The Pew Foundations Economic Mobility Project found that 71 percent of children born to high saving but low-income parents move up from the bottom income quintile over one generation. In comparison only 50 percent of children from similarly low income households whose parents do not save, see a brighter economic future.

American's personal savings rate has declined about 56 percent over the past 50 years according to the 2013 Economic Report of the President. In 2012, the annual savings rate in the United States was just 4.1 percent. More than 40 percent of American households lack the savings to cover basic expenses for 3 months should an unexpected event lead to a loss of income.

The benefits of Prize-Linked Savings were derived from research conducted by Harvard Business School professor, Peter Tufano. As a participant with a financial service innovation think tank, I had the opportunity to discuss this concept of prize-linked savings with Dr. Tufano. For the same reasons there is a correlation between people who play the lottery and people who have no long-term savings, there is a correlation between prize-linked savings and the positive behavior motivating people to create savings.

As one step to pursue our community development mission, Peninsula Credit Union began offering a "Save-to-Win" account almost one year ago on April 1, 2014. This offering allows members to open a one-year certificate of deposit that currently pays 0.30% which is 5 basis points higher than a normal one-year CD. The opening balance can be made with as little as



\$25. Each additional \$25 deposit (up to 10 deposits per month) is another entry. An individual may only have one account statewide.

Every month, there is at least one Peninsula Credit Union "Save-to-Win" depositor who wins \$25 and statewide 10 winners each receiving a \$50 prize. In addition, there are quarterly \$5,000 prize drawings for those participating in the Save-to-Win program statewide.

Should the need arise for a member to withdraw early; there is a nominal charge of \$25 to close the account. This fee is not intended to be punitive, but instead to give someone pause about changing their intent to save money.

At the end of January 2015, there were 1,371 members across six participating Washington Credit Unions with savings totaling \$1,510,323.91 for an average savings of \$1,101.62. At the end of February, the first 11 months of Peninsula Credit Union's Save-to-Win program, we have opened 291 members with deposits of \$516,048, averaging \$1,773 per account. Peninsula Credit Union has had 24 winners totaling \$950 (both \$25 and \$50 prizes).

The beauty of prize-linked savings accounts is that there is no way to lose your money. Your deposits are your savings. You earn slightly more in interest. And you have the opportunity to win cash prizes. In addition, there is a positive motivation for you to save more money so that you have more entries to win.

Here are some stories about why our members have opened Save-to-Win accounts:

- 1) Margarita started a Save to Win account to save for a family vacation. She wants to take her 4 kids to the Philippines to see her homeland.
- 2) Jane said the reason for her Save to Win account is to help her save a little more with an opportunity to win some money and to earn a higher dividend. Also having the penalty of \$25 will deter her from taking the money out early.
- 3) Jenny opened her Save to Win account because she felt that if the money was in her savings to use, she would end up spending it. So it was a way to force her to save.
- 4) A husband and wife, Fintan and Barbara they are in a sort of competition between their respective Save to Win accounts. When Fintan comes in he always makes sure to grab a receipt to show Barbara how much he has in his Save to Win. They both have different goals with their accounts, and even though Barbara hasn't saved as much as Fintan, she deposits on a monthly basis.
- 5) Tyler began saving using the Save to Win account knowing he was soon going to need new tires for his car.

Thank you for the opportunity to speak to you today, and for your consideration of this bill.

Jim Morrell  
President & CEO  
Peninsula Community  
Federal Credit Union

Attachments:

- Seattle Times article
- WSJ Blog Article

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