

You win even if you lose: Put cash in savings, be entered in a lottery

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By [Kyung M. Song](#)

WASHINGTON — Call it preferential banking for people with the least money.

Since 2013, a handful of credit unions in Washington State have taken advantage of a new state regulation written to encourage people with little savings to sock away more money. For every \$25 they put into a certificate of deposit (CD) as part of the [Save to Win](#) program, members are automatically entered into regular lotteries with payouts ranging from \$50 to \$5,000.

Some credit unions even offer higher interest rates on Save to Win deposits than on regular CDs.

The prize-linked accounts — open to anyone — were made possible by [2011 legislation](#) introduced by then-state Sen. Derek Kilmer to lift a ban on state-chartered credit unions from offering a “promotional contest of chance.” The new law was aimed at inducing savings among Americans who have little to none, and to wean them from costly payday loans and pawn shops.

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Kilmer, now a freshman congressman, is trying to replicate the program with federally chartered banks.

The Gig Harbor Democrat rolled out the [American Savings Promotion Act](#) last fall in tandem with a companion bill sponsored by Sen. Jerry Moran, Republican of Kansas. The legislation has picked up 21 Democratic and Republican co-sponsors in the House and two in the Senate.

Among them is Sen. Elizabeth Warren, D-Mass., arguably the Capitol’s leading advocate for consumer-finance reforms.

The prospect for passage is uncertain, not least because the current Congress is [flirting with a record for the least productivity](#) with fewest laws enacted.

But Kilmer, Moran and other lawmakers are trying to build momentum behind the bill. That includes support for the legislation in a documentary, “[Spent: Looking for Change](#),” about “unbanked” Americans, by Oscar-winning filmmaker Davis Guggenheim that premiered on YouTube earlier this month.

Kilmer said he believes a shot at prizes can be a catalyst for low-income people whose precarious finances can come undone by medical bills or a broken water heater.

“If you make it more fun, they’re more likely to save,” Kilmer said. Even if you don’t win, “you still save a bunch of money.”

Washington is one of only four states with Save to Win programs in operation. Michigan, Nebraska and North Carolina also have them.

The need is huge. A quarter of Americans surveyed say [they have zero savings](#); nearly half the population has less than \$1,000 stashed away.

At the same time, some 68 million adults, living in 28.3 percent of all households, are [unbanked or under banked](#), according to a 2012 report by the Federal Deposit Insurance Corp.

Unbanked are people who lack checking or savings accounts; under banked are those who may have bank accounts but also rely on check-cashing stores, or tax-refund or paycheck loans with fees that can [equal annual interest rates of 400 percent](#).

In Washington State, 123,000 households, or 4.5 percent, do without any regular bank accounts and an additional 533,000 households, or 19.4 percent, are under banked.

Most unbanked Americans say they don’t have enough money or prefer the convenience or quick-cash alternatives of non-banks.

So far, just six out of more than 100 credit unions in Washington offer Save to Win accounts. Their locations stretch from Bellingham to Tacoma to Kitsap County, and include Express Credit Union in Seattle, a nonprofit that serves low- to moderate-income members.

As of the end of April, the credit unions collectively had nearly 1,100 Save to Win accounts holding \$714,000 in one-year CDs. That’s an average \$650 per account.

Jim Morrell, president and chief executive of Peninsula Credit Union in Shelton, Mason County, said the savings may seem modest. Peninsula has 217 prize-linked accounts with a balance of \$100,000.

The real value, Morrell said, was reinforcing saving money as a habit.

“That’s the benefit at the end of the day,” he said.

For every \$25 deposited, members’ names are [entered into drawings](#) held monthly, quarterly and yearly.

Deposits are unlimited, but individuals can be entered for a maximum of 10 entries per month.

The drawing for the \$5,000 annual prize held this spring had names of 342 account holders, said Lynn Heider, spokeswoman for the Northwest Credit Union Association.

The association put up the \$25,000 annual prize pool for the first year and will do so for two more years. After that, participating credit unions may sustain the drawings by putting up the prize money themselves.

All Save to Win account holders from all credit unions are entered into a joint lottery.

Morrell said pursuing profits wasn’t the main motive behind Peninsula’s decision to offer Save to Win accounts. Still, he expects the program to attract new members as well as future business in loans and other services.

Peninsula is currently paying a 0.30 percent interest rate on one-year Save to Win CDs. That compares with 0.25 percent for regular CDs, which are not eligible for prize drawings.

Unlike with regular CDs, members can add balances to Save to Win accounts during the term of the CD.

Considering the advantages, why isn’t every one-year CD at Peninsula linked to Save to Win?

“That’s a good question,” Morrell said.

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