



Testimony in Support HB2893
House Business and Labor Committee
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Submitted by Pam Leavitt, Northwest Credit Union Association

Credit unions are not-for-profit financial cooperatives, organized to meet the needs of their members. They are democratically owned and controlled institutions, based on the “people helping people” principle. Each credit union is governed by its members. Over 41.7 percent of Oregonians are member-owners of their credit unions, and you will find them in every walk of life—from cattle ranchers in Central Oregon, to mill workers in the Willamette Valley, to fishermen on the Oregon Coast, to high-tech workers around the state. With more than 1.63 million members, Oregon credit unions strive to preserve a legislative climate that recognizes their unique structure and mission. As locally-owned, not-for-profit financial institutions, a credit union's social mission is as highly valued as its financial mission. Community service, financial education outreach and philanthropy are in the credit union DNA and are evidenced in virtually every credit union branch and office.

We are here today in support of HB2893. We would like to thank the leadership of Rep. John Davis on this issue and also the strong support of Rep. Read and Rep. Keny-Guyer.

Prized Linked Savings

Prize-linked savings (PLS) is a program that was piloted in 2009 in Michigan, based on research conducted by a Harvard Business School professor who found a distinct correlation between people who enjoy playing the lottery and people who have no long-term savings. Prize-linked savings accounts were created to incentivize those consumers to start saving and build their financial strength. Credit unions in the United States have a long and rich history of setting up these prized linked savings programs.

How it Works

Consumers are offered a one-year certificate of deposit with a low balance threshold for entry (\$25). For each additional \$25 deposit the consumer adds to the account each month (up to 10), the depositor is entered into a drawing for modest monthly, and a large annual cash prize.

In Michigan, the program results were extremely positive and the program showed a significant positive impact on specific types of credit union members. The results showed:

- 55% of Save to Win certificate holders report they had not saved money regularly before opening their Save to Win accounts.
- 64% reported they had never had a share certificate or certificate of deposit (CD) before.

- 39% reported financial assets (excluding home equity) of \$5,000 or less and could be safely categorized as “asset poor”.
- 44% reported a house hold income less than \$40,000; and
- 16% reported a household income under \$20,000.

In short, the program was successful in reaching exactly the demographic it was created to reach—folks with little long-term savings. Prize-linked savings programs are now up and running in six states which include Michigan, Nebraska, North Carolina, Washington, Connecticut and New York. Several other states have passed legislation that allows them to promote PLS products but do not currently have a program in their state.

The Washington Program

The Washington “Save to Win” program launched in April, 2013 and in just one year, 950 accounts were opened in six credit unions. Depositors were entered into monthly drawings of (5) \$50 cash prizes in the first 4 months, (10) \$50 cash prizes in the next 8 months; and (1) quarterly \$5000 cash prize every quarter, with (1) annual \$5000 cash prize. Of the surveyed accountholders, 61% said they had not been regular savers before they opened their Save to Win accounts and 59% responded that they had previously never had a CD. The year-end savings total was a remarkable \$888,225 with an average account balance of \$921, proving that Washington’s first year in Save to Win was successful by many measures. By the end of year 2014, Washington’s Save to Win program totaled 1,344 accounts, in which members collectively saved a total of \$1,389,548.27—averaging \$1,033.89 per account.

Moreover, the Northwest Credit Union Association funds the prize pool, meaning all of the money members deposit into their Save to Win accounts, stays there while members build their financial assets. For example:

- Duane M., a TwinStar Credit Union member, said his recent \$5,000 prize would pay some credit balances off, and a portion of the winnings would be deposited right back into his savings.
- Shawn W., a Fibre Federal Credit Union member, said her savings habits were “hit and miss” before she opened a Save to Win account. After winning a \$5,000 quarterly prize, Shawn said she was going to help her daughter offset college expenses.
- For Janet G, a Brush Prairie, WA mother of three, \$5,000 in winnings meant a new deck, a donation to the Wounded Warrior Project, and a big chunk back into the savings account she opened only two years ago with just \$25.

Additionally, Congress passed the American Savings Promotion Act in late 2014 which removes the limitation in federal statute that prohibited banks from participating in Prize Linked Savings programs. Prize-linked savings accounts have the potential to appeal to the consumers who most need to save, and the cash prize drawings offer incentives to drive better savings habits.