



CHRIS KAPENGA

WISCONSIN STATE SENATOR

Testimony on the Savings Promotion Act

Committee on Financial Institutions

May 24th, 2017

Thank you Chairman Katsma and Committee members for hearing testimony today on Assembly Bill 283, the Savings Promotion Act. I also want to thank Representative Stafsholt for leading in the Assembly, and Senator Taylor and Representative Fields for their assistance as well.

According to a study done by Bankrate, nearly two-thirds of Americans do not have enough money to cover a \$500 emergency. Pew Charitable Trust reported that one in three American families have no savings at all and research from the Consumer Federation of America (CFA) and the Financial Planning Association show that 38% of low-income Americans believe the lottery to be the most practical way to accumulate \$200,000.00 in their lifetime. This paints a troubling picture of our savings behaviors. Americans greatly overestimate their chance of winning the lottery, while also undervaluing the power of making small regular contributions to their savings.

This bill authorizes banks, credit unions, and other savings institutions to conduct prize-linked savings promotions. These programs are designed to encourage regular contributions to a savings account by offering entries into a drawing for a cash prize with each deposit. Some of the financial institutions testifying after me can offer more specific information regarding these promotions. With this bill, Wisconsin will join 20 other states that allow financial institutions to conduct these programs. Savings promotion contests in other states and countries have produced an increase in the number of savings accounts and funds in those savings accounts.

This tool has been particularly successful for financial institutions that serve low income populations. Prize-linked savings promotions in other states are increasing active savings accounts. Of those surveyed in the Michigan program, 78% met the definition of financially vulnerable, and 68% responded that they do not normally save. Michigan launched their "Save to Win" program in January 2009, and by the end of 2009, the program had successfully attracted more than 11,000 savers to save \$8.6 million. This evidence has shown that customers are developing a long-term savings habit through their Save to Win accounts, with accountholders rolling over their accounts year after year. Of the accounts opened in 2009, 96% renewed their accounts the following year.

This bill would get government out of the way and allow financial institutions to provide services that are proven to improve savings practices. Thank you Chairman Katsma and committee members for listening to my testimony, and I would be happy to answer any questions.



State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor**

Jay Risch, **Secretary**

May 24, 2017

Testimony of Greg Reiman
Department of Financial Institutions
Assembly Committee on Financial Institutions
AB283/SB213

Good morning Chairman Katsma and Honorable members of the Committee on Financial Institutions. Thank you for the opportunity to speak to you today. My name is Greg Reiman and I serve as Assistant Deputy Secretary at the Department of Financial Institutions.

Assembly Bill 283 and its companion bill, SB 213, would allow state-chartered banks and credit unions, which currently are not authorized to conduct savings promotion prize programs, to do so. Currently, federally chartered banks and credit unions are allowed to do so following passage of the federal American Savings Promotion Act in 2014. Since enactment of the federal law, at least 16 states have taken steps to revise their state lottery laws to allow for some type of savings promotions by financial institutions. Among the states that have done so are Illinois, Minnesota, Indiana and Michigan.

DFI is supportive of efforts that encourage people to save money. DFI's Office of Financial Literacy promotes financial literacy as a life skill and provides information to the public on matters of personal finance. One of the basics of personal financial literacy is understanding the importance of having financial reserves accumulated in case of an emergency. Financial institutions may be able to incentivize savings through the use of promotion prize programs, which could be good for consumers. The use of this type of program also may result in consumers developing long-term relationships with financial institutions, which can be beneficial as the financial needs of consumers change over time.

DFI has no concerns with the intent of AB283 and SB213.

Thank you for the opportunity to speak on this important issue. I am available to answer any questions that you may have.



May 18, 2017

Honorable Terry Katsma
Committee on Financial Institutions
17 West Main Street, Room 401
Madison, WI 53703

Re: Wisconsin Assembly Bill 283 – An Act to amend 186.118 (1), 563.03 (12r) and 945.01 (5) (am); and to create 186.114, 214.595, 215.137, 221.0329, 945.01 (1) (g) and 945.01 (5) (b) 2. i. of the statutes; Relating to: authorizing financial institutions to conduct savings promotion prize programs.

Honorable Chair Katsma, Honorable Vice-Chair Jarchow, and members of the Assembly Committee on Financial Institutions:

Hello, my name is George Hofheimer and I am the Chief Knowledge Officer at the Filene Research Institute. Filene is a nonprofit organization headquartered in Wisconsin. Since 1989, Filene has engaged leading scholars and thinkers to dig deep into the managerial problems, public policy questions, and consumer needs affecting the consumer finance industry. From these research insights we work with organizations around the world to design, develop and deliver consumer-friendly products that will positively impact the world of consumer finance.

Credit unions have a rich history of promoting economic independence for their members and serving as a positive financial influence in the communities they serve. As not-for-profit, member-owned financial cooperatives, they offer products and services that exist to enhance the financial lives of their member-owners. These services are more necessary than ever. Over a third of Wisconsin households do not have a basic savings safety net¹. Many of those who do have a savings account struggle to contribute. Credit unions, through their commitment to offering products and services that benefit their community, are well-positioned to engage their members in positive financial behavior with innovative products like prize-linked savings. The opportunity before the Legislature removes barriers that have been eliminated in 24 states across the country to allow credit unions and banks to strengthen the financial well-being of their members, customers and community.

Prize-linked savings products have proven to engage financially vulnerable consumers in the act of saving and help them build their financial security. By injecting fun and the excitement of winning into the act of savings, prize-linked savings products have incentivized first time savers, resulted in long-term savings, and acquired new customers for financial service firms who offer

¹ CFED Assets and Opportunity scorecard: <http://scorecard.assetsandopportunity.org/latest/state/wi>



these products. For example, the largest credit union prize-linked savings product, Save to Win, which Filene helped develop and launch, has engaged over 60,000 credit union members who have saved over \$140 Million through the product since 2009. Over 75% of Save to Win accountholders are financially vulnerable and the product's account roll-over rate is impressive. Approximately 90% retain the account year over year. Moreover, many accountholders credit the opportunity to win as the main catalyst for saving the first time.

Through the removal of legislative barriers, Wisconsin banks and credit unions would have the opportunity to continue to serve the interests of their customers and community while on the cutting-edge of innovation. Credit unions members have demonstrated their interest for prize-linked savings in 14 states across the country where products have been introduced. The Legislature can open this path to savings for credit union members and bank customers across the state. A new prize-linked savings product has the potential to improve customers' relationships with their existing financial institution, and attract first-time savers to new institutions. Additionally, these types of savings products have the potential to positively impact the community they serve. Savings generated through prize-linked savings products are frequently used to cover financial emergencies, such as unexpected medical costs, often lessening the use of high-cost debt.

Saving is a critical component of financial security, yet families across income brackets struggle to set money aside. Filene and the organizations we serve seek to create solutions to better the financial wellbeing of consumers and bring widespread economic independence. We believe prize-linked products can help individuals and families save for emergencies and begin to build toward financial stability.

We are hopeful that Wisconsin will join the 24 states that have paved the way for an innovative product to promote personal savings by favorably considering AB283.

Sincerely,

A handwritten signature in black ink that reads "George Hofheimer". The signature is fluid and includes a long horizontal stroke at the end.

George Hofheimer
Chief Knowledge Officer
Filene Research Institute

May 23, 2017

To: Honorable Members of the Assembly Committee on Financial Institutions
From: Kelly McDonough, Incoming President/CEO of Glacier Hills Credit Union
Re: Support for AB 283 – the Savings Promotion Act

On May 30th I will start my role as President/CEO of Glacier Hills Credit Union. The credit union was founded in 1934 with the same mission we have today – people helping people to improve the financial wellbeing of each member.

I am writing today, to express my support for the Savings Promotion Act, SB 213 introduced by Senator Chris Kapenga and Representative Rob Stafsholt. The Savings Promotion Act would permit state-chartered financial institutions, like Glacier Hills Credit Union, to offer or participate in prize-linked savings programs. Prize-linked savings programs encourage individuals to save by providing an incentive, an entry into a drawing for prizes.

Not only does the intent of prize-linked savings programs reflect the mission of Glacier Hills, helping members improve their financial wellbeing by encouraging savings, it's also a program I personally believe in and have seen succeed. My previous credit union, First Alliance Credit Union chartered in the state of Minnesota, participated in a prize-linked savings program called WINcentive.

Minnesota began offering WINcentive accounts in January of 2016. Since then 4,840 accounts have been opened. Collectively these individuals have saved \$3,221,909.¹ Hundreds of savings accounts were opened at my credit union. More importantly, many were opened by individuals that the credit union had never seen before. When they may otherwise have had no savings, by year's end, these members instead had hundreds of dollars saved to help finance unexpected car, home, or health expenses.

As a not-for-profit financial cooperative, Glacier Hills is able to make business decisions that put members' interests before profit and allow us to offer programs like prize-linked savings that can have a substantial impact on the lives of our members. As I begin my tenure at Glacier Hills, I hope prize-linked programs will soon be available as one more tool to help our members toward healthy savings habits.

I ask that you support our ability to offer a proven, innovative and exciting opportunity for our members to improve their financial wellbeing, by voting for the Savings Promotion Act.

Please feel free to contact me with any questions.

¹ Minnesota Credit Union Network, About WINcentive, <https://www.mncun.org/mpage/About> (accessed May 23, 2017).



Kelly McDonough
Incoming President/CEO
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