

**PA13-96**

HB5564

Banking	614-627, 667-673, 675-676	23
House	1709-1717	9
Senate	3760-3762, 3856-3857	5
		<b>37</b>

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**BANKS  
PART 2  
339 – 680**

**2013**

REP. LESSER: I believe it references one particular struggle that's maybe familiar to you.

REP. TONG: Keep digging. Go ahead. Thanks guys.

REP. ALBIS: Good afternoon, Representative Tong, Representative Alberts, Senator Linares and distinguished members of the Banking Committee. We are here to testify in support of House Bill 5564, AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS.

This bill would allow credit unions and community banks to create prize-linked savings accounts which would allow folks to deposit money into this account with a chance to win a raffle and it's been shown to increase savings among folks who generally don't save.

So, it really helps a population that has been vulnerable in the past and I think in a state like Connecticut where we rely on the financial institutions, it provides an entryway for those folks that generally use those institutions to learn more about financial literacy and promote savings -- increase savings outcomes in the future.

REP. LESSER: I'll just jump in and add to what Representative Albis said, in addition we're working with Representative Flexer, Senator Cassano and Senator Bye on this issue and a study came out this year that found that 44 percent of Americans lacked savings to keep themselves out of poverty for three months should they lose their job.

One in three Americans has no bank account whatsoever. So, this is a proven program that's worked in other states. North Carolina is doing it; Michigan's doing it, Nebraska and

Maryland. So, those are blue states and red states that found this is a no cost way for state legislature's to improve savings in their communities, help people who are unbanked build savings and it's a way to also promote our community banks and our credit unions as real vehicles to help people get into the middle class.

So, I'm happy to talk to you more about it. But, we're really lucky here today to have an expert on this in the guest with us here today and I wanted to introduce Joanna.

JOANNA SMITH RAMANI: Thank you. Thank you distinguished members of the Connecticut Banking Committee for having me here today. My name is Joanna Smith Ramani. I'm with the Doorways to Dreams Fund. We're a national non-profit based in Boston and we work on financial security issues. We've been working with the folks here in Connecticut as well as with other state legislator colleagues of yours around the country to work on similar bills to allow financial institutions to offer a prize-linked savings product.

In the years that we've worked with Michigan and Nebraska with the credit unions offering the product, over 40,000 unique accounts have been opened, saving \$70 million. Half of those accounts are by folks who have never saved before and by folks who are low income and financially vulnerable. This is a concept that can be offered, processed, funded by the financial services industry, so really what is needed is a state policy to enable it.

But, it is a proven mechanism both in this country and in other countries to help folks save. Just real briefly, more than half of account holders stay in it for multiple years.

So, at this point we see long-term savings happening from account holders in this account. If they have long-term savings, they don't need predatory products, they don't need state aid when there are financial emergencies -- they have their own financial reserve when there's a financial emergency. You know, finally, I would like to say that this actually makes savings fun and this is an important part of it.

Folks generally don't engage with their financial institution, they don't engage with savings products, they just either don't have one or have one that they never use. And, layering in this fun, this raffle, this incentive, this chance to win, provides a sustainable, scalable approach to getting more Connecticut residents to save and be financially secure in the long-run.

I've been working on this for four years, so I am also happy to answer any questions you have about the data analysis, the credit unions and financial institutions we've worked with or just generally about the concept. Thank you so much for your time.

REP. TONG: Thank you. Why does this proposal or include or touch only the credit union community and why doesn't it include other banks and savings institutions?

REP. LESSER: Thank you for the question, Chairman Tong. I think this has to do with the Federal Deposit Insurance Corporation and the rules affecting banks. I think our whole bid is to include as many lending institutions as possible. In fact, the raised language does include community banks as well.

I think there's an open question about

allowing -- I think we would be open to considering allowing larger banks to do that as well, pending FDIC approval.

The FDIC has just not been able to clarify whether or not banks can participate in this and so, I would be interested in working with a Boston FDIC which covers Connecticut to find a way to allow banks to participate. This isn't about -- it shouldn't just be about credit unions, it should be about the lending community overall.

REP. TONG: And, have you reached out to the Connecticut Bankers Association and the advocates here from the banking community to talk to them about this?

REP. LESSER: I've personally spoken to my local bank in Middletown -- I reached out to Liberty Bank and they seemed to express interest. I haven't spoken personally to the Bankers Association. I don't know if that's -- if anybody else has.

REP. TONG: I'd encourage you to do that maybe even before Joanna leaves the General Assembly today so you have a chance just to broach that subject with them. With respect to the mechanics of this program, who pays the prize?

JOANNA SMITH RAMANI: So, the way that this has been working in the other states that have launched the product, is that there are multiple financial institutions cooperatively pulling their funds together and that's how they're able to sort of build a bigger prize pool, and you know, make it bigger, better, more exciting. So, essentially it's come from the financial institutions themselves. They feel like it's a worthwhile investment or from a combination of that and their trade

12  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

... association.

REP. TONG: So, really a -- the prize is a commitment by the financial institutions to the community --

JOANNA SMITH RAMANI: That's exactly right.

REP. TONG: -- as a contribution really.

JOANNA SMITH RAMANI: Yeah, I think generally it's been a marketing expense or some other sort of budget line item. It does not change the interest offered on the product, it doesn't mean someone's getting a less desirable product because of the prizes.

When I speak with the financial institutions that have been involved, they believe they're contributing that as part of their mission and also as part of a way essentially, to build more financially secure members, which means folks that are better positioned to borrow for homes, to borrow for small businesses, you know, to make longer term asset decisions in their life which is business they would like to have.

REP. TONG: Well sounds like an even better reason for you to interface with the Connecticut Bankers Association and talk with them about this as a way that they can make a meaningful impact in the community and then earn some new customers along the way. Just saying out loud, if there's some possible interface between, and I haven't flushed this out in my head -- but some possible interface between this program and the Connecticut Lottery, I mean is there some -- I don't know, is there some synergy there? Have you explored that in the other states?

13  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

JOANNA SMITH RAMANI: We have separately, you know, so there is this pass through financial institution that is, you know, produce really impactful results that's tested and tried that we believe very strongly in. We've separately been doing -- at Doorways to Dreams -- separately been doing research in business modeling on how a state lottery may offer a savings ticket as well.

And, so, we actually have some research that I'm happy to share with you on that, that has yet to be tested in a state, frankly. But, we think it's a promising, exciting idea, but certainly it doesn't replace sort of getting folks into bricks and mortar financial institutions to develop long-term relationships that will benefit them, you know, in the long-term for their families financial security.

REP. LESSER: I would just add on to that, that we have had conversations with the Connecticut Lottery and I think we're happy to continue to do that. Certainly in time this program is not to compete or supplant any of the products that they're currently offering.

REP. TONG: I encourage you to pursue that further. I've had people make that suggestion to me outside of this context that you've heard a lottery -- a state lottery described in a negative way as a tax on people who can least afford to pay it and there have been people who have come to me just anecdotally and said, well if there's a way that they can be incented to save through the lottery system -- again, this is very sketchy -- or, I actually had one person suggest to me that maybe when somebody buys a lottery ticket that, you know, ten cents of that lottery ticket be diverted to a linked savings account as a way to incent

or force savings, even.

And, actually, because it's interesting because this Committee hears testimony about a variety of interesting and new technologies like the prepaid linked account -- prepaid product that we heard the other night in Stamford where if you have a prepaid card and it doesn't get used and you give a gift to somebody and there's a balance on the card, ultimately that card meets a certain expiration date then those funds can be reverted back to the original purchaser of the card.

You know, technology frees us up to do a lot of things and it seems to me that another way to accomplish this goal either instead of or in addition to, is to explore ways in which we can maybe divert money that's used for the lottery into people's personal savings.

So, just put that on your radar screen. I see Representative Flexer, did you want to join the party here or are you good? I know that you're also an active co-sponsor of this bill so I wanted to give you a little bit of time if you wanted to say anything in support of the legislation.

REP. FLEXER: Well, thank you, Mr. Chairman. I sincerely appreciate that. I know that the folks here at this table and my fellow co-sponsors have probably done a really good job explaining this initiative and we thank you for the opportunity to come here in support of it today.

REP. TONG: Thank you. Short and sweet. Any other questions? Representative Alberts.

REP. ALBERTS: Thank you, Mr. Chairman and thank

15  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

you all for your testimony. A couple of questions about the mechanics, what are the typical prizes that you've seen that someone could potentially win?

JOANNA SMITH RAMANI: So, typically the product side is what we've seen in the different states we've been working closely with, is a one-year certificate of deposit with a very low amount to enter, \$25 and it's called a balance filling CD which means you can continue to deposit which is unique in the CD market place.

Think of it like a savings account with a term. For every \$25 deposited, you get chances to win monthly and an annual prize. The monthly prizes have ranged from \$25, \$50, sometimes up to \$100 with the grand prize ranging from \$10,000 to in some years in Michigan, \$100,000 for a winner.

What I will note from the data which is very powerful to this innovative product, is that winning is really important and so, it didn't matter how much the monthly prize was, but if you won, irrespective of prize size, you were more likely to save in subsequent months than non-winners. So, we've been playing a lot with the prize design to try to get lots of winners, lots of people excited about saving, lots of people excited about the success they're having saving and as a result, we're seeing deposit balances rise dramatically.

REP. ALBERTS: And, I take it there was a minimum deposit amount you had to make, maybe \$20 or something on that order?

JOANNA SMITH RAMANI: It was \$25 to open the account but then you can deposit in any increment after. But, once you've achieved an

additional \$25, you get another chance. You could put five \$5 deposits it that's what works out in your financial life. Eventually that becomes \$25 and you get a chance to win a prize.

REP. ALBERTS: So, it has a cumulative effect so if someone could only afford to put \$5 in a week, but the threshold was \$25, once they got the \$25, they get a chance.

JOANNA SMITH RAMANI: They effectively earned a chance. That's exactly right.

REP. ALBERTS: Got it. Well, thank you. You know, I think anything that helps us get us to the point where we're encouraging people to save more money, I think is good. It is a little - - I've had to sort of wrap my head around the concept of a lottery type system in conjunction with this, but I do think as it's described, I think the game outweighs the risks. So, I think we have a principal here that we should be able to support. Thank you.

REP. TONG: That's some bipartisan talk right there. Senator Leone.

SENATOR LEONE: Thank you, Mr. Chairman and I apologize not being here earlier so if you've already answered this, please just indulge me. As mentioned, I like the concept also, I just want to understand the mechanism and how it actually works. So, my understanding is a depositor will put in his or her money and that at some future point in time, you'll have the lottery to give prizes and that's the incentive to continue to do that. But, the money that's funding the prize is coming from who? So, if you have 10 depositors putting in \$100, you get \$1,000 now. Do you then take the money out of that \$1,000 to create the

prize or is it being funded elsewhere? And, if so, how is that being done?

JOANNA SMITH RAMANI: So, the prize money -- the models that we have been working with in the United States, the prize money comes from the financial institution itself, separate of what's sitting on deposit, so someone never loses their principal. The accounts have been interest bearing so they're not just sitting there, they also are accruing, I mean, interest is not great right now in the country, but they are earning interest as it is. And, then the prize money is essentially funds that the financial institution has set aside as a commitment towards this product and has made a decision that it is worth the investment for what they're getting out of it.

SENATOR LEONE: Thank you. That answers pretty much the question. And, the prizes can get to be how big?

JOANNA SMITH RAMANI: You know, this is what's exciting about this is that the design is entirely up to kind of the demand of the community that it's in and the financial institutions offering it. So, in Michigan where we've seen the biggest prizes, the grand prize was \$100,000 after a year of saving. In North Carolina right now, I think it's \$40,000 and in Nebraska it's \$25,000. In Michigan now they're doing ten \$10,000 prize winners to try to have more winners. So, essentially the design is left up to the creativity and the demand of the consumers potentially saving in the account.

REP. LESSER: Thank you, Senator Leone. I would just only add to that as well that language that we have is neutral about whether this is a single lender or a you could have a

18  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

... - consortium of multiple lenders coming together to help increase the prize amount or the number of prizes as well.

SENATOR LEONE: Which would expand the number of opportunities for depositors to go to? And, is it only savings account or would it be opened up to checking and other types of accounts that might be available?

JOANNA SMITH RAMANI: I believe the language in the bill says a savings product so that could lead to a savings account, a certificate of deposit, those are basically your standard savings products, currently as written.

SENATOR LEONE: Okay. But, it's not a checking account where they could then draw down on the money, you actually -- the intent is to have them to save the money and keep it there, correct?

JOANNA SMITH RAMANI: That's exactly right. The intent is to have someone make a conscious active decision to open this account in a distinct savings vehicle, either terms like a CD or a savings account with the structure so that it's held and they continue to build it while they have the chance to win prizes.

SENATOR LEONE: Great. Thank you. I appreciate that. Thank you, Mr. Chairman.

REP. TONG: Thank you. Senator Linares.

SENATOR LINARES: Thank you, Representatives and thank you, Joanna for coming to testify today. I just wanted to say I think that this is a creative idea and I think it's a great way to encourage people to save and I look forward to following up with you guys on this.

19  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

REP. TONG: Any other questions? Representative Rovero.

REP. ROVERO: Just a few quick questions. I think it's a great idea. Today if you can get anybody to save money after they pay their bills and mortgages or stay short of the bill collectors, I think it's a great idea. I do have a problem with teaching these people that don't save now, to gamble. I'm not sure I'm too enthused about that, but if they can save and this is how they can save, I'm all in favor of the idea.

I have one question though, is this legal in Connecticut? And, the reason I say this, outside of gambling facilities themselves, where you know you know you're going to buy a lottery ticket win or lose. I know for years consumer protection said that you could not have a prize if someone was forced to buy a product.

In other words, if I was selling donuts and you had to come in to buy a donut in order to get your name put in a box that you could win the dozen donuts at the end of the year, that was illegal. If I could say that anybody that came in could put their name in the box without even buying the donut, that was legal. Have you checked with the consumer protection to see if it's legal?

REP. LESSER: Representative Rovero, I think that's an excellent question. I think the purpose of this legislation is to make this legal. I think that's why we need it otherwise banks and lending institutions would be offering the product already.

REP. ROVERO: So, in other words, it's not legal unless we -- it's not legal to do this -- to

have a prize like that unless we pass some legislation?

REP. LESSER: That's why we introduced this legislation.

JOANNA SMITH RAMANI: I just would briefly like to respond to the gambling concern because I'm very sympathetic and sensitive to why you bring that up. You know, I think what to remember is that these are in regulated FDIC insured financial institutions. No one's ever losing their original principal. Typically in gambling you're giving up something for good for the chance to win something that is probabilistic.

In this case you're giving up nothing, you're depositing your own money, its accruing interest, you have a chance to win, but even if you do not win, you still walk away with your savings plus interest. So, there's a similar kind of entertainment happening there and suspense and fun, but what this does is take out all of the risk.

REP. ROVERO: I agree. I think it's a great idea if we can get someone to say, like I say, most of the people I've spoke with about it thought it was great. But, they said if I had any money left over after I pay my bills now I'd start a savings account but I think this is great if we can get them in a little extra money for doing it and so forth and we make it legal, I think it's a great idea and keep up the good work. Thank you. Thank you, Chairman.

REP. LESSER: Representative Rovero I'd just like to add that I don't believe using the term gambling is applicable in this sense because you're talking about a raffle that you're not

21  
djp/gbr BANKS COMMITTEE

March 7, 2013  
2:00 P.M.

- ... paying into to just piggyback on what Joanna was saying. So, I don't think the term gambling even applies in the scenario.
- REP. ROVERO: Well, in one sense you are because if turn around and I put \$25 in a deposit instead of paying my light bill and my lights get shut off, it is sort of a gamble. So, you say what you want, but it is a gamble. Thank you very much.
- REP. TONG: That is the world according to Representative Rovero. Thank you. Any other questions? Thanks guys. Dan Keune. Did I get that right? Not even close? Keune? Keune, there we go. Good afternoon.
- DAN KEUNE: Good afternoon. Good day, Senator Leone, Representative Tong and members of the committee. My name is Dan Keune and I have the privilege of speaking on behalf of my fellow 15,000 members of the Association in opposition to raised bill 6435, AN ACT CONCERNING THE CONVEYANCE TAX IN FORECLOSURES, which seeks to repeal the conveyance tax exemptions.
- The Association's opposition to the conveyance tax is well-known. That opposition is even sharper when it comes to the conveyance tax which acts to kick a homeowner when they are down. The current limited exemption only exempts homeowners who are attempting to sell for a price insufficient to pay the mortgages and tax liens or to give the bank a deed in lieu of foreclosure.
- It should be noted, the exemption does not apply to second homes, investment properties or commercial properties. It does apply to short falls caused by -- it does not, excuse me, it does not apply to short falls that are

Testimony in Support of Raised H.B. 5564, An Act Encouraging Increased Savings Deposits

Matthew M. Santacroce  
Policy Analyst  
Connecticut Voices for Children

Banks Committee  
March 7, 2013

Senator Leone, Representative Tong, and distinguished members of the Committee:

My name is Matt Santacroce. I am a Policy Analyst at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. **I am here to testify in favor of Raised House Bill 5564, An Act Encouraging Increased Savings Deposits.** Connecticut Voices strongly supports this legislation, and this Committee's efforts to increase financial literacy and economic security among Connecticut's low-income families.

This bill, which would allow community banks and credit unions in Connecticut to establish so-called "prize-linked savings" programs, is likely to strengthen savings habits among those currently least likely to regularly put money away in interest-bearing accounts. These prize-linked savings programs would allow savers entry into raffle-type drawings on a monthly and/or annual basis, with odds of winning in these competitions improving with every dollar saved -- \$1,000 saved over the course of a year, for example, might earn the saver 10 raffle tickets at the end of the year. These prize-linked savings programs are currently found in some 22 countries, and in seven other states, including Maine and Rhode Island, and have been found to significantly improve savings outcomes for the most financially vulnerable populations marginally-attached or underemployed workers, single parents, and other populations that are generally more likely to be considered "unbanked."

Michigan's prize-linked savings program, Save to Win, is the oldest such program in the country and, as such, is the best example of its potential effectiveness. Save to Win has had a distinctly positive impact on Michigan's financially vulnerable account-holders (those with household income below \$40,000), who realized an average savings gain of about 34 percent in the first three years of the program's existence. Michigan's Save to Win program increased both the number of accountholders, and the savings balances in these accounts.

So why does this matter? Parental savings habits have been closely linked to improved long-run financial outcomes among children -- low-income kids with parents who save are more likely to be upwardly mobile than their low-income counterparts with parents who don't. By incentivizing savings behavior among financially vulnerable households, prize-linked savings has the potential to play an important role in reinforcing sound financial habits in these families -- which could have a positive impact that transcends generations. Asset building -- now and in the future -- is a critical element of overall family security, and we eagerly support this proposal to make that more of a reality.

Thank you for the opportunity to testify before you today. I look forward to your questions.



State of Connecticut  
 HOUSE OF REPRESENTATIVES  
 STATE CAPITOL  
 HARTFORD, CONNECTICUT 06106-1591

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**VICE CHAIR**  
 ENVIRONMENT COMMITTEE

**MEMBER**  
 FINANCE, REVENUE AND BONDING COM  
 JUDICIARY COMMITTEE

Good afternoon Senator Leone, Representative Tong, and distinguished members of the Banks Committee. My name is James Albis, State Representative from the 99<sup>th</sup> District, East Haven.

I come before you today in full support of House Bill 5564, An Act Encouraging Increased Savings Deposits.

This bill would allow Connecticut credit unions and community banks to set up "prize-linked savings" accounts that allow their customers to enter raffles based on deposits made into the savings account. These types of accounts will encourage financial literacy and educate those in populations who generally don't save. Better savings habits among low-income parents have been shown to improve outcomes for their children, and improve their chances for upward social mobility.

In a state that relies on the financial industry, there is a healthy segment of the population here in Connecticut that isn't exposed to that industry. This bill would provide an entryway for many low-income workers into the world of savings and financial literacy.

Seven other states currently have some form of prize-linked savings programs, and they have proven to be successful. I urge you to consider adding Connecticut to the list of states that have worked to improve savings outcomes from vulnerable populations.

Thank you for your time and I look forward to any questions that you may have.

Sincerely,

James M. Albis  
 State Representative – 99<sup>th</sup> District



March 6, 2013

The Honorable Senator Leone  
The Honorable Representative Tong  
Co-Chairmen, Joint Committee on Banks  
Legislative Office Building, Room 2400  
Capitol Avenue  
Hartford, Connecticut 06106

HB 5564 AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS

**Senator Leone, Representative Tong and Members of the Banks Committee:**

On behalf of Connecticut's 125 not-for-profit credit unions I am testifying in behalf of House Bill 5564, An Act Encouraging Increased Saving Deposits.

As you may know credit unions are not-for-profit financial cooperatives, we exist to serve our members, not to make a profit. Our goal is to serve our members well, including those of modest means. Therefore our members are fiercely loyal; they know their credit union will be there for them in both bad and good times and we are proud to have built relationships with them. We are committed to educating our members, and potential members, as well to become better educated consumers of financial services.

The Credit Union League of Connecticut is currently partnered with the National Credit Union Foundation, which is also a not-for-profit foundation, to expand financial education among high school students thorough Financial Reality Fairs. A national study shows that just ten hours of personal finance education can positively affect students' spending and savings habits for a lifetime. These fairs in Connecticut are on-going; we just recently had out 10,000 student pass though the fair.

The concept of HB 5564 is modeled after the "Save to Win" program that teaches the importance of saving. We support this bill because it embodies the mission of credit unions to help and educate our members.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony L. Emerson". The signature is fluid and cursive.

Dr. Anthony L. Emerson, DBA, CCUE, C.P.M.  
President & CEO  
The Credit Union League of Connecticut

## DOORWAYS TO DREAMS

March 7, 2013

**H.B. 5564— An Act Encouraging Increased Savings Deposits**

**Position: Favorable**

Honorable Members of the Connecticut Joint Banks Committee:

The Doorways to Dreams Fund (D2D Fund) is a national non-profit that strengthens the financial opportunity and security of low- and moderate-income consumers by innovating, incubating and stimulating new financial products and policies. With over ten years of experience in this area, D2D Fund has worked with federal, state, and local governments, large financial institutions, national and local corporations, and a range of non-profit providers to achieve our goals.

Given the current recession, savings are more important to the financial security of American families than ever. Recent research from Dartmouth and Harvard suggests that half of Americans cannot come up with \$2,000 in thirty days and are not well prepared to deal with emergencies. This is particularly true for low- and moderate-income families who have fewer safe and affordable financial options to fall back on when they encounter a drop in income or a large unexpected expense.

- If households have savings, then they no longer are forced to use high-cost, predatory financial products (i.e. payday loans, title loans).
- If households have savings when a financial hiccup occurs, they can protect their family from financial hiccups that destroy stability.
- If households have savings, they are less likely to rely on state aid and other public assistance when they encounter financial stress.

Research and pilot tests conducted by D2D Fund and its colleagues has found that prize-linked savings accounts (PLS) are a safe and powerful incentive to get more families saving. In the United Kingdom over 20 million people hold a similar product, and in Michigan and Nebraska over 42,000 PLS accounts were opened over the past four years with over \$72 million saved in local credit unions.

The accounts engage new savers and small savers in *long-term saving behaviors*, resulting in increased financial security for households who prior to the account had little to no financial reserve.

- On average, well-more than half of accounts (64%) stay open from one year to the next with continued saving from account holders over multiple years.
- Between 40-50% of accountholders were non-savers prior to opening the account.
- 50% had no or little “rainy day” or emergency savings prior to opening the account.

- 30-50% of account holders are low-to-moderate income.
- Saving in a PLS account can lead to more engagement in the financial institution and more use of traditional financial products.

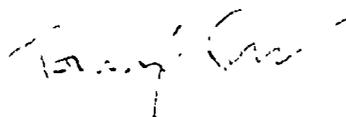
Prize-linked savings accounts are an internationally-tested, successful concept in which consumers earn chances to win by saving in insured and regulated financial institutions. The accounts:

- ✓ Make savings fun.
- ✓ Provide an incentive for people to save more.
- ✓ Help financially vulnerable families become more financially secure.
- ✓ Create a **no-lose proposition for savers**. Everyone who saves maintains their deposits plus whatever interest they accrue, whether or not they win additional prizes.
- ✓ **Additionally, unlike most other policies for promoting savings, allowing prize-linked savings deposits would not require any public subsidies, tax credits or other public expenditures.**

D2D supports allowing Connecticut financial institutions the ability to offer these programs as they could ultimately help more families across the state start saving for their futures and produce a more secure and strong state overall. To date, Nebraska, Washington, North Carolina, Rhode Island, Maryland, and Maine have passed similar laws and have financial institutions offering, or working to offer, a prize-linked savings account. The laws have been structured similar to the proposed in Connecticut, allowing for flexibility in design for the financial institutions with appropriate oversight from regulators. This combination ensures that financial institutions can develop a sustainable product that fits their consumers' needs.

We encourage Connecticut legislators to pass H.B. 5564. D2D Fund is committed to work with Connecticut financial institutions to provide technical assistance and best practices from other states to launch a safe, secure, and impactful product.

Sincerely,



Tim Flacke  
Executive Director, Doorways to Dreams Fund



## Prize-linked Savings from Doorways to Dreams

An opportunity to **save** while having fun!

### Why is Savings Important?

Savings has and will continue to play a critical role in:

- preparing people to weather financial shocks,
- helping them make important purchases and
- providing an alternative to costly credit.

At a time when jobs are disappearing and workers' hours are being cut, families' needs for reserve funds are, if anything, even more pronounced. The time is right for America to return to a saving culture, both to shore up households' finances and to strengthen the nation's economy as a whole.

### What is Prize-linked Savings?

At a time when savings are important, how do we engage consumers in the act of saving and reinstitute a culture of thrift in America? One promising way is to ensure that the act of saving is fun. Prize-linked savings (PLS) models are structured to do exactly that – reward savings behavior to help motivate individuals to save. PLS is an internationally-tested, successful concept that consumers earn chances to win by saving in insured financial institutions or through government offered products.

### PLS Products:

- ✓ Make savings fun!
- ✓ Provide incentive for people to save more.
- ✓ There are no losers.

### Success in the United States:

Several states now have provisions in their state laws that allow credit unions to offer prize-linked savings accounts. Doorways to Dreams (D2D) Fund, has examined data from states offering a PLS program (Michigan and Nebraska) and identified several important findings:

- Over 42,000 people have opened and saved \$72 million in prize-linked savings accounts.
- Prize-linked savings successfully attracted **non-savers, the asset poor, and low-to-moderate income groups** to open accounts and also made a *positive impact on their savings behavior*
- Prize-linked savings has potential to motivate individuals to save consistently.
- Nebraska currently has 12 participating credit unions whose members have saved 1.97 million dollars
- Over 1 million credit union members have access to the product
- PLS products offer consumers a chance to make them better savers

### Different PLS Distribution Channels

There are many potential distribution channels for offering prize-linked savings. There is already an effort under way to expand PLS in credit unions in the U.S. Banks, lotteries, employers and the government (precedent exists in the UK with the government sponsored Premium bond program) all present additional and as-yet-unexplored channels for prize-linked savings in the United States.

#### Need for Expansion

The vision for the future is that Prize-linked Savings is ubiquitous, that all Americans have access to some type of prize-linked savings product. Our basic belief, that saving can be fun for all Americans, especially those of low and moderate income, has been borne out by the results in Michigan and Nebraska.

The public policy that allowed savings promotional raffles in Michigan and Nebraska works. Consumers receive the opportunity to save money, earn interest, and win prizes. The product can also help attract lower-income savers, who have less access to savings products that meet their needs and preferences. While some states will choose to amend laws to allow for a raffle-based product, there are legal frameworks available in most states to allow for a PLS-type product to be offered.

- States have opportunity to change legislation to immediately allow credit unions to offer PLS products.
- Some States will not need to make legislative change.
- PLS in *action*: As of December 2011, Rhode Island, Maine, Maryland, Nebraska, North Carolina, and Washington have new laws to enable credit unions and other financial institutions to offer PLS-raffle-based products.

#### About D2D

Doorways to Dreams (D2D) Fund strengthens the financial opportunity and security of low and moderate income consumers by innovating, incubating and stimulating new financial products and policies. D2D Fund envisions a world where the financial system promotes lasting social and economic prosperity for every family.

DOORWAYS TO DREAMS



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 HOUSE OF REPRESENTATIVES  
 STATE CAPITOL  
 HARTFORD, CONNECTICUT 06106-1591

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 ONE HUNDREDTH ASSEMBLY DISTRICT

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 GOVERNMENT ADMINISTRATIVE  
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MEMBER  
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 ENERGY AND TECHNOLOGY CO  
 PUBLIC HEALTH COMMITTEE

TESTIMONY IN SUPPORT OF HB 5564

March 7, 2012

Dear Rep. Tong and Sen. Leone, Rep. Alberts and Sen. Linares, distinguished Vice Chairs and honorable members of the Banks Committee,

I join colleagues in respectfully urging your support for **HB 5564, AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS.**

The biggest divide in this state, in this nation, is not of income but of wealth.

- 44% of Americans, nearly half, lack savings to sustain themselves for three months should they lose a job according to a study that came out in January of this year.
- One American in three has no savings account at all that same study found.<sup>1</sup>
- Another recent study found a strong racial component, with the wealth gap between white and black Americans rising dramatically over the past quarter century. White households now have a median net worth of \$265,000 compared to just \$28,500 for black households."

Without savings you cannot afford a security deposit, a down-payment on a home or a car, a co-payment for medication or health care, and have no way of sustaining yourself should you lose your job or suffer a major medical condition.

The genius of this country is that we provide the opportunity for anybody, for an immigrant with 57 cents in his pocket to work, to save, to invest and wind up as a member of the middle class.

Unfortunately too many people are not taking the opportunity to save. Some are living paycheck to paycheck and do not have the means to do so. But others have the means, and for whatever reason, make the decision not to save.

We have the ability, at no cost to the state, to incentivize savings.

Prize-linked savings is a tool other states have found works well.

First started in Michigan, it has spread to red states like Nebraska and blue states like Maryland.

It gives lending institutions the ability to offer cash prizes to those who regularly set aside money for savings, either on their own or in concert with other lending institutions.

Our hope is to make this available for credit unions and banks in the state. My understanding is that the FDIC has not issued clear guidance on this issue for banks, and I look forward to working with the Boston FDIC to find a way to allow banks to participate. In the meantime, this will be a great marketing tool for our credit unions.

This can be a win-win for the unbanked, it can help lenders fulfill their public mission, and we believe we can include sufficient consumer and regulatory protections to protect lenders and the public from abuses of this program.

I respectfully ask for your support and look forward to any questions.

Sincerely,

Matthew Lesser

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<sup>1</sup> Corporation for Economic Development, *2013 Assets & Opportunity Scorecard*

<sup>2</sup> Brandeis University's Institute on Assets and Social Policy "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide," 2013

**H – 1155**

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2013**

**VOL.56  
PART 6  
1695 – 2023**

pat/gbr  
HOUSE OF REPRESENTATIVES

35  
April 24, 2013

He's being appointed to represent the interests of bargaining representatives and certified employees and I urge a favorable vote on his reappointment to the Education Arbitration Board. Thank you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you very much, madam. Would you care to remark further? Would you care to remark further on the nomination before us, on the Resolution before us?

If not, I will try your minds. All those in favor signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER RYAN:

Opposed, Nay. The Ayes have it. The Resolution is adopted.

Will the Clerk please call Calendar Number 189.

THE CLERK:

Yes, Mr. Speaker. On Page 12 of the Calendar, Calendar 189, Substitute for House Bill 5564 AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS. Committee on Banking.

DEPUTY SPEAKER RYAN:

pat/gbr  
HOUSE OF REPRESENTATIVES

36  
April 24, 2013

Representative Luxemberg of the 12th. You have the floor, sir.

REP. LUXEMBERG (12th):

Thank you, Mr. Speaker. I move for acceptance of the Joint Committee's Favorable Report and passage of the bill.

DEPUTY SPEAKER RYAN:

The question is acceptance of the Joint Committee's Favorable Report and passage of the bill. Representative Luxemberg, you have the floor.

REP. LUXEMBERG (12th):

Thank you, Mr. Speaker. This bill allows Connecticut credit unions and community banks to offer savings promotion raffles under specified conditions. The bill defines a savings promotion raffle as a raffle in which a person deposits a minimum specified amount of money in a savings account or a savings program for a chance to win a designated prize.

The bill requires Connecticut credit unions or community banks offering such raffles to disclose the terms and conditions of the raffle. The institutions must maintain sufficient records to facilitate an audit of any such raffle.

pat/gbr  
HOUSE OF REPRESENTATIVES

37  
April 24, 2013

The purpose of this bill is to provide an incentive for folks who have been traditionally defined as unbanked, low-income, middle-income families who have had trouble establishing, maintaining, and adding to their savings accounts.

And with that, Mr. Speaker, the Clerk has an amendment, LCO 5673. I would ask that the Clerk please call the amendment and I be granted leave of the Chamber to summarize.

DEPUTY SPEAKER RYAN:

Will the Clerk please call LCO 5673, which will be designated House Amendment Schedule "A".

THE CLERK:

LCO 5673 offered by Flexer, Tong et al AN ACT  
CONCERNING INCREASED SAVINGS DEPOSITS.

DEPUTY SPEAKER RYAN:

The Representative seeks leave of the Chamber to summarize the Amendment. Is there objection to summarization? Is there objection? Hearing none, Representative Luxemberg, you may proceed with summarization.

REP. LUXEMBERG (12th):

Thank you, Mr. Speaker. This is a simple common-sense Amendment. It simply limits these accounts to

pat/gbr  
HOUSE OF REPRESENTATIVES

38  
April 24, 2013

people who are 18 years of age or older. I move  
adoption.

DEPUTY SPEAKER RYAN:

The question before the Chamber is adoption of  
House Amendment Schedule "A". Will you remark on the  
Amendment? Representative Alberts of the 50th.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I am fully in support of  
the Amendment that is before us. I encourage the  
membership of the Chamber to support it. Thank you.

DEPUTY SPEAKER RYAN:

Will you remark further? Will you remark  
further on the Amendment before us? Representative  
Luxemberg?

If not, I will try your minds. All those in  
favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER RYAN:

Opposed, Nay. The Ayes have it. The Amendment  
is adopted. Representative Luxemberg, further  
comments?

pat/gbr  
HOUSE OF REPRESENTATIVES

39  
April 24, 2013

Will you remark further on the bill as amended?

Will you remark further on the bill as amended?

Representative Alberts of the 50th.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. If I may, a couple of questions to the proponent of the bill now amended?

DEPUTY SPEAKER RYAN:

Please proceed, sir.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I noticed as I was going through the fiscal note that there is a modest fiscal note to the bill that we've just amended. Perhaps the proponent could address the nature of that and I believe he may have had some discussions with the Banking Commissioner as well.

Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Luxemberg.

REP. LUXEMBERG (12th):

Yes, thank you, Mr. Speaker. To the good Representative, the fiscal note deals with, as it's written, deals with a minor cost in software and printing some materials as part of the Department of

pat/gbr  
HOUSE OF REPRESENTATIVES

40  
April 24, 2013

Banking's regulatory function as it relates to this bill.

However, in talking with the State Department of Banking, the note is diminimous and they would be able to absorb that very minor cost under current appropriations.

Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Thank you, sir. Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And that's my understanding as well.

And again, through you, Mr. Speaker, as I understand the bill now amended, this would be permissive language. It wouldn't require any credit unions to participate in this program, but would be one, again, designed to expand the opportunity for folks to make contributions to their accounts and any costs would be borne by the credit union that would be participating in the program.

Is that not right? Through you, Mr. Speaker.

DEPUTY SPEAKER RYAN:

Representative Luxemburg.

REP. LUXEMBERG (12th):

pat/gbr  
HOUSE OF REPRESENTATIVES

41  
April 24, 2013

That is correct.

DEPUTY SPEAKER RYAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I support this bill and encourage my colleagues to do the same.

DEPUTY SPEAKER RYAN:

Thank you, sir. Representative Albis of the 99th. You have the floor, sir.

REP. ALBIS (99th):

Thank you, Mr. Speaker. I rise in full support of this bill, which would encourage savings among vulnerable populations in our society. Families need reserve funds to shield them from unexpected events and with savings rates falling over the past several decades, this bill will go a long way in improving the financial literacy of those vulnerable populations.

So, Mr. Speaker, I stand in full support and I urge my colleagues to pass this bill. Thank you.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Representative Lesser of the 100th District.

REP. LESSER (100th):

pat/gbr  
HOUSE OF REPRESENTATIVES

42  
April 24, 2013

Thank you, Mr. Speaker. Mr. Speaker, I also echo the comments of my colleague Representative Albis. I think it's (inaudible) to see a bill that is supported by both the business community and financial advocates as a way of helping increase savings, so I stand in strong support and urge my colleagues to do the same.

DEPUTY SPEAKER RYAN:

Thank you, Representative. Will you care to remark further on the bill as amended? Would you care to remark further on the bill as amended?

If not, will staff and guests please come to the Well of the House. Will the Members please take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by Roll.

The House of Representatives is voting by Roll.

Will Members please return to the Chamber immediately.

DEPUTY SPEAKER RYAN:

Have all Members voted? Have all Members voted? Will the Members please check the board to determine if your vote is properly cast. If all Members have voted, the machine will be locked and the Clerk will take the tally.

pat/gbr  
HOUSE OF REPRESENTATIVES

43  
April 24, 2013

Will the Clerk please announce the tally.

THE CLERK:

Bill Number 55, as amended by Amendment "A".

HB 5564

Total Number Voting 142

Necessary for Adoption 72

Those voting Yea 142

Those voting Nay 0

Those absent and not voting 8

DEPUTY SPEAKER RYAN:

The bill as amended is passed.

Representative Wright of the 77th. For what purpose do you rise, sir?

REP. WRIGHT (77th):

For a point of introduction.

DEPUTY SPEAKER RYAN:

Please proceed, sir.

REP. WRIGHT (77th):

Thank you, Mr. Speaker. Joining us today down in the Well are a group of children from the Armenian Day. They're going to be doing a dance routine downstairs later, but I just wanted to bring them up to be able to say hi. If we could give them all a Legislative Welcome. Thank you, Mr. Speaker.

(APPLAUSE.)

**S - 663**

**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2013**

**VOL. 56  
PART 12  
3488 – 3812**

THE CHAIR:

Thank you, Senator.

Will you remark further on the bill? Will you remark further on the bill?

Senator Leone.

SENATOR LEONE:

Thank you, Mr. President.

If there are no objections, I would move to place this item on the Consent Calendar.

THE CHAIR:

Seeing and hearing no objections, so ordered.

Mr. Clerk.

THE CLERK:

On Calendar Page 11, Calendar Number 457, Substitute for House Bill Number 5564, AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS, Favorable Report from the Committee on BANKS.

THE CHAIR:

Senator Leone.

SENATOR LEONE:

Thank you, Mr. President.

I move acceptance of the Joint Committee's Favorable Report and passage of the bill, in -- in concurrence with the House of Representatives.

THE CHAIR:

On acceptance and passage, in concurrence with the House.

Will you remark, sir?

SENATOR LEONE:

Thank you, Mr. President.

Mr. President, this is an -- an act encouraging increased savings deposit and this was an innovative idea brought forth by several Representatives and Senators. And what this bill would do is it would allow another ability for Connecticut's residents to establish savings accounts and they -- this would be sort of funded and promoted as a savings promotion raffle.

The bill allows the Connecticut Credit Unions and Community Banks to offer these savings promotion raffles under specified conditions. And the -- the bill defines a savings promotion raffle as a raffle in which a person deposits a minimum specified amount of money in their savings account or savings program for a chance to win designated prizes. Each entry in the raffle must have an equal chance of winning.

The bill requires the Credit Unions and Banks of -- to offer such raffles, to disclose the terms and conditions of these raffles to each share account holder or account holder and to those who must be at least 18. These institutions must maintain their records sufficient to facilitate any audit of the -- of such raffles. And the bill also limits participation to Connecticut Credit Unions and Community Banks that have secure financial integrity, as determined by the Banking Commissioner. And therefore, it authorizes the Commissioner to adopt implementing these regulations.

And in general, our Community Banks generally fake -- focus on the needs of businesses and families in the area where the bank has branches and offices. So this is another way for them to establish their rapport with local customers. And again, the intent is to have people spur to increase their savings so that if they ever do fall upon any hardships they have a financial windfall to look back onto.

So with that, I would urge passage and support.

And I want to thank all the members of the banking community and my Ranking Member, as well as everyone else on the committee for helping to push this bill forward.

Thank you. And I would urge support.

THE CHAIR:

Senator Linares.

SENATOR LINARES:

Thank you, Mr. President.

I think that this is a creative idea to encourage people to save and encourage people to open savings accounts, whether it be with a Credit Union or a Community Bank.

And I -- I do support this bill and I would ask my colleagues to support the bill as well. It's been -- been great to work with Senator Leone and the House Members who have proposed this piece of legislation. It's a good new idea and I support it.

Thank you.

THE CHAIR:

Will you remark further on the bill? Will you remark further on the bill?

Senator Leone.

SENATOR LEONE:

Thank you, Mr. President.

I would -- if there are no objections, I would move to place this item on the Consent Calendar.

THE CHAIR:

Seeing and hearing no objections, so ordered.

Mr. Clerk.

**S - 664**

**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2013**

**VOL. 56  
PART 13  
3813 - 4129**

Would move to place that item also on the Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered sir.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, now would ask the Clerk to call the items on the first Consent Calendar, so that we might proceed to a vote on that Consent Calendar.

Thank you, Madam President.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On Page 5, Calendar 278, Senate Bill 709; Calendar 333, House Bill 5759; Calendar 334, House Bill 6396; Calendar 340, House Bill 6211.

On Page 8, Calendar 357, House Bill 6349 and Calendar 398, Senate Bill 1065.

On Page 11, Calendar 457, House Bill 5564 and Calendar 462, House Bill 5908.

On Page 15, Calendar 516, House Bill 5500; Calendar 521, House Bill 6407.

On Page 19, Calendar 558, House Bill 6340.

Page 21, Calendar 574, House Bill 6534; Calendar 575, House Bill 6562; and Calendar 577, House Bill 6652.

Page 23, Calendar 587, House Bill 6465; Calendar 589, House Bill 6447.

On Page 24, Calendar 599, House Bill 6458.

Page 25, Calendar 602, House Bill 5614.

And on Page 29, Calendar 622, House Bill 5278;  
Calendar 625, House Bill 6624.

Page 39, Calendar 223, Senate Bill 954 and Calendar  
227, Senate Bill 819.

And on Page 46, Calendar 100, Senate Bill 273 and  
Calendar 137, Senate Bill 837.

THE CHAIR:

Mr. Clerk, please call for a roll call vote and the  
machine will be open on the first Consent Calendar.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Members to the Chamber. Immediate roll call has been  
ordered in the Senate on today's first Consent  
Calendar.

THE CHAIR:

All members have voted, all members have voted.

The machine will be closed.

Mr. Clerk will you please call the tally.

THE CLERK:

On today's first Consent Calendar:

Total Number Voting	34
Necessary for Adoption	18
Those voting Yea	34
Those voting Nay	0
Those absent and not voting	2

THE CHAIR:

Consent Calendar passes.

The Senate will stand at ease.

(Chamber at ease.)