

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 990

(Delegate Olszewski, *et al.*)

Economic Matters

Finance

Financial Institutions - Credit Unions and Depository Institutions - Authority to
Conduct Savings Promotion Raffles

This bill authorizes a credit union and a depository institution to conduct a savings promotion raffle subject to the approval of the Commissioner of Financial Regulation.

This bill is contingent on federal regulatory action to allow specified depository institutions to provide prize-linked savings products and notice of such federal approval being provided by the Commissioner of Financial Regulation to the Department of Legislative Services (DLS) within a specified period of time. If notice from the commissioner is not received by DLS on or before October 1, 2014, the bill is null and void and of no effect.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: Credit unions may not currently offer a prize-linked savings product or a savings promotion raffle to eligible credit union members. Unless specifically exempted, a person may not offer a prize or anything of value to another person if the prize is conditioned on the purchase of goods or services or the participation in a sales promotion

effort. Although generally prohibited, certain groups and organizations may conduct raffles under specified circumstances.

Background: Michigan's *Save to Win* program gives consumers a chance to win cash prizes for every \$25 deposited at a participating credit union. The prize-linked savings program is the first of its kind in the United States to utilize a savings incentive model. During the 11-month pilot program, the *Save to Win* program attracted 11,666 consumers who saved a combined \$8.56 million. The program is open to credit union members older than age 18 with accounts in good standing. Each \$25 deposit in a federally insured certificate of deposit account designed for the program, with a limit of 10 deposits per month, gives savers an entry into an annual \$100,000 cash prize drawing and makes them eligible for monthly drawings ranging from \$15 to \$400 at their individual credit unions.

Established by a finance professor at the Harvard Business School, the *Save to Win* one-year certificate of deposit is federally guaranteed by the National Credit Union Administration and pays between 1% and 1.5% annual interest.

The *Save to Win* program in Michigan was offered on a pilot basis in 2009 with eight participating credit unions. Nineteen credit unions have signed up to participate in 2010.

Additional Information

Prior Introductions: None.

Cross File: SB 886 (Senators Klausmeier and Middleton) - Finance.

Information Source(s): *The Wall Street Journal*; Doorways to Dreams Fund; Filene Research Institute; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2010
mpc/ljm Revised - Enrolled Bill - May 26, 2010

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