

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 886

(Senators Klausmeier and Middleton)

Finance

Economic Matters

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

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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.

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Fiscal Summary

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

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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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.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 990 (Delegate Olszewski, *et al.*) – Economic Matters.

**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 5, 2010  
ncs/ljm Revised - Senate Third Reader - April 1, 2010  
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