

# Banks and credit unions to offer cash prizes under new law

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By [Eileen Ambrose](#) and The Baltimore Sun  
May 06, 2012 at 3:00 AM

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The thrill of potentially winning big bucks gets people to spend millions of dollars regularly on lottery tickets. Can this same concept excite Marylanders to become better savers?

We'll find out.

A new law that kicks in next month will allow banks and credit unions here to offer raffles with cash prizes as a way to promote savings. Michigan's credit unions launched a similar campaign a few years ago, and thousands of depositors have managed so far to save tens of millions of dollars.

Far too many consumers live paycheck to paycheck, so efforts to promote savings should be encouraged. But have we really come to the point where banks and credit unions need to hold raffles to get us to save? Can't we save just because it's good for us?

Savings provides a cushion after a job loss or an emergency without having to resort to credit cards. Savings prevents us from being destitute in old age. And savings helps students avoid onerous education loans to go to college.

But proponents of so-called prize-linked savings say some of us do need that extra enticement of a cash prize.

"If you're setting out crudites with no dip, some will go for it. Other people want hummus or spicy ranch dressing," says Robin McKinney, director of the Maryland CASH Campaign, a nonprofit that promotes financial security. "This is the same sort of concept. We're trying to bring that spicy ranch dressing to the concept of savings."

Financial incentives to get us to do the right thing are nothing new, says Joanna Smith-Ramani with the Doorways to Dreams Fund, a nonprofit that worked with credit unions in Michigan and Nebraska to develop their prize programs.

The United Kingdom has offered prizes for decades to encourage consumers to buy savings bonds, says Smith-Ramani. And the United States, she says, has all sorts of tax breaks to encourage homeownership and saving for retirement.

Those tax incentives are geared toward those with means, Smith-Ramani adds. But prize-linked savings programs, which are open to everyone, are effective at reaching vulnerable lower-income households, she says.

A handful of banks and credit unions in Maryland hold brief savings campaigns annually that feature prize drawings, but the new law will take this concept much further.

Maryland actually passed a similar law two years ago that would allow financial institutions to offer savings promotion raffles — with a hitch. Banks feared being left out because federal regulations prohibit them from offering lotteries, which could include games of chance, experts say. An amendment was added that said the law would take effect only if federal rules were revised so banks could participate, too.

Federal regulations haven't changed, but lawmakers made revisions under new legislation to get around the restrictions and clarify the rules. Basically, banks and credit unions will be able to offer these raffles provided no purchase is required. And consumers can get a chance to win by making a deposit or just by filling out an entry form.

The prizes are expected to be funded by money that banks and credit unions budget each year for marketing and financial education.

McKinney says the next step in Maryland is for banks, credit unions and consumer advocates to design a prize-linked savings program.

They will be looking at Michigan, which began offering a raffle called Save to Win in 2009. (Several states have passed legislation to offer such a program, and half of them are still in the planning stages.)

Doorways to Dreams' Smith-Ramani says when designing Save to Win, her group looked at gaming research and talked to lottery officials to learn how to keep people engaged.

"Why not learn from people who know how to do this?" she says.

Save to Win requires customers to invest in a 1-year certificate of deposit at a participating credit union. It takes as little as \$25 to open the CD and consumers can add to it throughout the year.

For every \$25 deposited, they are entered into monthly raffles with prizes worth \$50 each. The maximum number of monthly entries is 10 per person. These customers also are entered into a drawing for an annual grand prize, which until recently was \$100,000.

In its first year, the program attracted more than 11,600 participants who saved \$8.6 million. Last year, 16,500 depositors participated and salted away nearly \$34 million – some of which was money rolled over from the previous year's CD.

The number of credit unions participating has grown from eight to 55.

Smith-Ramani says more than half of participants weren't savers before and more than 40 percent have low to moderate incomes. Also, more than half of participants stuck with the program after the first year, a higher rate of retention than depositors with a regular CD, she says.

Winners are far more likely to stick with the savings program than those who didn't collect a prize.

"It's so powerful to win," Smith-Ramani says.

Program designers are still learning and reshaping the program.

Consumers wanted more prizes and winners, for example, rather than one huge grand prize. This year, Michigan participants will have a chance to win 10 grand prizes worth \$10,000 each, instead of \$100,000 single prize.

Designers also found that people are gung-ho on saving early in the year, but savings and interest in the program taper off, especially as the winter holidays approach.

Smith-Ramani says her nonprofit is looking at ways to structure prizes to maintain depositors' interest. One way, she says, may be to increase monthly prizes over the course of the year, similar to the growing Mega Millions jackpot that recently generated excitement about the lottery.

"It's a great incentive," says Charmain Hanners, 57, who participates in Save to Win. "And not just because I won."

Hanners, a retired school kitchen worker, says she always has been a saver, and opened a Save to Win CD at the encouragement of her credit union. She has won two small raffle prizes and last year took home the \$100,000 grand prize. She saved some of that, of course.

She says consumers have no guarantee of winning a lottery or the credit union raffles. But with a lottery, you're out your money when you lose. With Save to Win, "that \$25 you deposited, you still got that \$25," she says. With interest, too.

It will take some time for banks and credit unions to devise a wide-scale program here. But Marylanders should keep their eyes open for a chance to save and win prizes at local financial institutions.

After all, what do you have to lose?

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