



What State is Next for Prize-Linked Savings Programs?

Credit union officials in Rhode Island are having discussions on a potential PLS pilot, while a few states are considering legislation allowing for such programs.

by [Tina Trenkner](#) | April 19, 2011 AT 7:00 PM

Last year, Rhode Island was [one of three states to pass legislation](#) that could allow credit unions to provide savings programs where customers could win prizes when they make deposits. This year, the state could host the latest pilot to show how such programs, known as prize-linked savings (PLS) programs, could work in the U.S.

Joanna Smith-Ramani, Director of Strategy with the Doorways to Dreams Fund (D2D), says that her group is working with Rhode Island's credit union league in hopes of preparing for a small pilot program this summer. Credit Union Association of Rhode Island's Mary Ann Clancy confirms that discussions regarding a PLS pilot are in the initial stages.

D2D has worked with other pilots in the past, including a 2006 program mostly based in Indiana and the oft-cited [Save to Win program in Michigan](#), where savers can win up to \$100,000. Since Save to Win's launch in 2009, the program has expanded from eight to 41 credit unions this year. Last year, the program had about 17,000 savers and over \$28 million saved, according to the [Michigan Credit Union League](#).

Considering the success of Save to Win and the potential for another pilot in Rhode Island, one has to wonder how these prize pools are put together. PLS programs around the world provide a savings product with a lower interest rate, or no interest rate at all. Because the institution isn't paying some or all of that interest out, that interest can instead go toward the prizes. A program like the [UK's Premium Bonds](#) has millions of holders, so the interest from millions of holders can and does provide prizes of up to a million pounds.

In the U.S., PLS programs like Save to Win currently and likely will continue to rely on a different model: using marketing budgets to fund the prize pools. One of the discussions regarding the Rhode Island pilot concerns whether marketing funds would be used for prize pools, says Smith-Ramani. She says that U.S. programs often rely on this model for two reasons: One reason is economy of scale. Smaller programs couldn't provide the economy of scale needed in order to create a prize pool via diverting interest. Perhaps the bigger reason is due to customer expectations. When savers deposit money into an institution, there is an expectation that those

savings will earn interest, even if interest rates aren't so great, says Smith-Ramani. Save to Win customers continue to earn interest while having a chance to win.

While Rhode Island officials are in initial stages of discussing a pilot, there are a handful of other states that could also make progress on providing PLS products in their state. State gambling and banking laws may prevent any development of PLS programs, so legislation often addresses the language in these laws. In New Mexico, a bill was proposed this session to allow for a PLS program, but then withdrawn after legal counsel found that it could already work there, says Smith-Ramani. She hopes to have a pilot there one day.

In Washington state, a bill allowing for PLS programs passed both chambers with overwhelming majorities and is going to the governor's desk. The Nebraska and North Carolina legislatures are currently considering such bills. And recently, a bill in Iowa that passed the Senate [died in the House last week](#). One Iowa representative told [Credit Union Times](#) that he hopes the bill could be included with another piece of legislation later in the session.



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