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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Intrastate Commerce
Tuesday, February 12, 2019
9:15 a.m.
State Capitol, Conference Room 430**

**On the following measure:
H.B. 1163, RELATING TO SAVINGS PROMOTION CONTESTS**

Chair Ohno and Members of the Committees:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department appreciates the intent of the bill to incent consumers to save money and offers comments on this bill.

The purpose of this bill is to authorize financial institutions that are depository institutions to conduct savings promotion contests in which its account holders are contestants.

Financial institutions already offer a variety of savings account products to their customers. However, the bill as currently proposed may result in a few unintended consequences:

1. This bill applies only to financial institutions chartered by the DFI. This may result in an unfair playing field for national banks, credit unions, and other

financial institutions that may want to offer this savings promotion contest to their customers.

2. The bill provides a definition for “financial institutions” that conflicts with Hawaii Revised Statutes section 412:1-109. This conflict would create confusion throughout the financial institution community.
3. Savings promotion contests conducted in other states do not provide that each entry has an “equal chance of winning,” since other states allow the contestant to receive an entry for various types of transactions, not just deposits.
4. Some savings promotion contests offered in other states do not pay interest to customers. The incentive to customers is the anticipation of possibly winning a prize that would be worth more than the interest that would have been received if the account was just interest-bearing. Financial institutions pool the interest it would have collected to offer the prize to customers.
5. The financial institutions should consider the regulatory issues that come from offering a savings promotion contest, and these institutions must not conduct a savings promotion contest in a manner that jeopardizes their safety and soundness, misleads their customers, or violates federal law.
6. Some states provide that the contestant must be a certain age to enter the contest. In addition, similar to other prizes offered by financial institutions, the prize received is considered income.
7. Regarding section 4 of the bill, the Legislature should consider the following:
 - a. Where the contestant makes deposits into savings accounts or other savings programs that remain under the ownership of the contestant;
 - b. The interest rate, if any, of the contestant's account is lower than the interest rate associated with comparable accounts; or
 - c. The contestant pays any fee or amount to administer or maintain the contestant's account that the financial institution ordinarily and customarily charges an individual who does not participate in the savings promotion program.

Finally, the Department notes that some of the bill language is not used by the industry and by financial institution regulators and that some of the financial institution categories have been repealed.

Thank you for the opportunity to testify on this bill.



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Testimony to the House Committee on Interstate Commerce
Tuesday, February 12, 2019, 9:15 am
Hawaii State Capitol, Room 430

LATE

In Support of HB 1163, Relating to Savings Promotion Contests

To: The Honorable Takashi Ohno, Chair
The Honorable Dale Kobayashi, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 51 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following testimony in support of HB 1163, relating to Savings Promotion Contests.

This bill would allow financial institutions to offer a savings promotion contest program to their account holders. This program is also known as “prize-linked savings.” The concept is to encourage asset savings through incentives in the form of prizes that can be won. Entry is dependent on depositing funds for the purpose of saving. While the program has been active in many states, it has not been possible in Hawaii because of stringent laws prohibiting gambling.

Asset savings is a financial barrier for many people. Promoting saving money would help people achieve their financial goals, and HB 1163 could be a way to do this.

Thank you for the opportunity to provide testimony.

LATE

HB-1163

Submitted on: 2/12/2019 8:16:48 AM

Testimony for IAC on 2/12/2019 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Rosen	Hawaii State Federal Credit Union	Support	No

Comments:

HB 1163

RELATING TO SAVINGS PROMOTION CONTESTS.

Authorizes financial institutions that are depository institutions to conduct savings promotion contests in which its account holders are contestants.

As the president & CEO of Hawaii State Federal Credit Union, serving more than 106,000 residents of Hawaii, I support HB 1163, which helps promote savings.

In Hawaii nearly 50% of our households live paycheck to paycheck. No one can deny that the price of paradise takes a toll on many of our families. Any unexpected expense, a medical emergency, or even a car repair can push people into debt that is difficult to recover from. We as a community have failed to educate our community on basic principles of financial education. Anything we can do to encourage savings is critical to provide families with a lifeline to keep them out of debt and in their homes.

Many financial institutions on the mainland have used prize savings promotions contests to promote financial education and encourage savings. Online games and gamification is ubiquitous for people of all ages. Why not gamify the concepts of financial education to teach people how to save better to ensure a financially secure life.

I wholeheartedly support HB1163.

Andrew Rosen

LATE

HB-1163

Submitted on: 2/11/2019 11:37:49 AM
Testimony for IAC on 2/12/2019 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Murakami-Akatsuka	Individual	Support	No

Comments:

Dear Committee,

I strongly support the passage of HB 1163 to authorize financial institutions to conduct savings promotion contests for its account holders. As a credit union Board Member, this is another opportunity to have individuals to increase or begin saving for their future needs, e.g., retirement, emergency purchases, medical crises through these types of incentives.

Thank you for the opportunity to testify in strong support of HB 1163.

Lynn Murakami-Akatsuka