

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 387

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

SB 387 would enact new law to allow a bank, savings bank, savings and loan association, or a credit union to conduct a savings promotion in which a person would deposit money into a savings account or other savings program in order to obtain entries and participate in the promotion. The bill would require the promotions be conducted in a manner that ensures each entry has an equal chance of winning the designated prize.

The bill would further stipulate the bank, savings bank, savings and loan association, or credit union offering the promotion must:

- Fully disclose the terms and conditions of the promotion to each of its account holders;
- Maintain records sufficient to facilitate an audit of the promotion;
- Ensure that only account holders 18 years of age and older are permitted to participate;
- Not require any consideration; and
- Offer an interest rate and charge fees on any promotion-qualifying account that are approximately the same as a comparable account that does not qualify for the promotion.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The State Bank Commissioner and the Credit Union Administrator would be authorized by the bill to promulgate rules and regulations, as necessary, to effectuate the provisions pertaining to their respective financial institutions. Such rules and regulations must be promulgated by July 1, 2017. The bill would further direct the Bank Commissioner and Credit Union Administrator to collaborate in order to promulgate rules and regulations affecting account holders that are consistent, other than the type of institution to which the regulations apply.

Background

The bill was introduced by Senators Bruce, Bowers, and Wilborn. In the Senate Committee on Financial Institutions and Insurance, Senator Bruce and representatives of the Heartland Credit Union Association and the Kansas Bankers Association appeared in support of the bill. Proponents noted federal law had previously prohibited prize-linked savings accounts and with the prohibition lifted in 2014, states may now authorize prize-linked savings accounts [the American Savings Promotion Act, P.L. 113-251, signed into law, December 18, 2014]. Proponents described prize-linked savings accounts as a tool the financial services industry can use to help incentivize customers to establish a savings plan and noted 16 states allow financial institutions to offer savings promotion programs. Written only proponent testimony submitted by the Doorways to Dreams Fund (the D2D Fund) cited research on the savings rate nationwide and Kansas-specific data. The Corporation for Enterprise Development's 2016 Assets and Opportunity Scorecard indicated 35.4 percent of Kansas households do not have a basic savings safety net.

There was no opponent or neutral testimony submitted.

The Senate Committee amended the bill to insert a provision requiring the collaboration by regulatory officials in the promulgation of rules and regulations.

The fiscal note prepared by the Division of the Budget states the Office of the State Bank Commissioner and the Department of Credit Unions indicate the bill, as introduced, would have no fiscal effect on the regulation of banks, savings and loan associations, or credit unions. The bill would require rules and regulations to be written and adopted; however, the fiscal note states, the costs are estimated to be negligible and could be absorbed within the existing budgets of the Office of the State Bank Commissioner and the Department of Credit Unions.