



State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE MATTHEW LESSER
ONE HUNDREDTH ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING
ROOM 4014
HARTFORD, CT 06106-1591

HOME: 860-344-1230
CAPITOL: 860-240-8585
TOLL FREE: 800-842-8267
FAX: 860-240-0206
E-MAIL: Matthew.Lesser@cga.ct.gov

VICE CHAIRMAN
GOVERNMENT ADMINISTRATION AND
ELECTIONS COMMITTEE

MEMBER
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ENERGY AND TECHNOLOGY COMMITTEE
PUBLIC HEALTH COMMITTEE

TESTIMONY IN SUPPORT OF HB 5564

March 7, 2012

Dear Rep. Tong and Sen. Leone, Rep. Alberts and Sen. Linares, distinguished Vice Chairs and honorable members of the Banks Committee,

I join colleagues in respectfully urging your support for **HB 5564, AN ACT ENCOURAGING INCREASED SAVINGS DEPOSITS.**

The biggest divide in this state, in this nation, is not of income but of wealth.

- 44% of Americans, nearly half, lack savings to sustain themselves for three months should they lose a job according to a study that came out in January of this year.
- One American in three has no savings account at all that same study found.ⁱ
- Another recent study found a strong racial component, with the wealth gap between white and black Americans rising dramatically over the past quarter century. White households now have a median net worth of \$265,000 compared to just \$28,500 for black households.ⁱⁱ

Without savings you cannot afford a security deposit, a down-payment on a home or a car, a co-payment for medication or health care, and have no way of sustaining yourself should your lose your job or suffer a major medical condition.

The genius of this country is that we provide the opportunity for anybody, for an immigrant with 57 cents in his pocket to work, to save, to invest and wind up as a member of the middle class.

Unfortunately too many people are not taking the opportunity to save. Some are living paycheck to paycheck and do not have the means to do so. But others have the means, and for whatever reason, make the decision not to save.

We have the ability, at no cost to the state, to incentivize savings.

Prize-linked savings is a tool other states have found works well.

First started in Michigan, it has spread to red states like Nebraska and blue states like Maryland.

It gives lending institutions the ability to offer cash prizes to those who regularly set aside money for savings, either on their own or in concert with other lending institutions.

Our hope is to make this available for credit unions and banks in the state. My understanding is that the FDIC has not issued clear guidance on this issue for banks, and I look forward to working with the Boston FDIC to find a way to allow banks to participate. In the meantime, this will be a great marketing tool for our credit unions.

This can be a win-win for the unbanked, it can help lenders fulfill their public mission, and we believe we can include sufficient consumer and regulatory protections to protect lenders and the public from abuses of this program.

I respectfully ask for your support and look forward to any questions.

Sincerely,

Matthew Lesser

ⁱ Corporation for Economic Development, *2013 Assets & Opportunity Scorecard*

ⁱⁱ Brandeis University's Institute on Assets and Social Policy "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide," 2013