



March 17, 2011

Representative Kurt Olson  
Chair, House Labor & Commerce Committee  
Alaska House of Representatives  
State Capitol Building Room 24  
Juneau, Alaska 99801

**RE: HB 188 - "An act relating to the interest that may be charged by one express agreement."**

Dear Representative Olson,

The Alaska Association of REALTORS® with over 1,600 members statewide supports HB 188, which would allow land owners who wish to finance the sale of their property that is valued at \$25,000 or less, be allowed to charge an interest rate that would be the greater of 10% or 5% above the Federal Reserve rate at the time of the loan.

Currently, Alaska Statute 45.45.010(b) sets the maximum interest rate for loans below \$25,000 at 5 percentage points above the rate charged to banks by the 12<sup>th</sup> Federal Reserve District. In 1981, the last time this section was addressed, the Federal Reserve Rate was 14%. Thus the maximum allowed was 19%. Today the 12<sup>th</sup> Federal Reserve Rate is approximately 0.75%. Thus the current maximum interest allowed is 5.75%.

It is doubtful anyone contemplated such a low rate when Alaska's usury laws were adopted. Currently, landowners who wish to finance the sale of their property are limited to an interest rate of 5.75%. Such a low rate is a strong disincentive to individuals offering financing on such transactions and buyers who are willing to pay a more reasonable rate of interest are losing out on the ability to participate in real estate ownership due to the current restrictions.

The Association encourages the passage of House Bill 188.

Sincerely,

A handwritten signature in blue ink that reads 'Dave Somers'.

Dave Somers  
Alaska Association of REALTORS®  
Industry Issues Chairman

