



January 25, 2012

Lela F. Klingert  
*President*

Finance Committee  
Alaska House of Representatives  
Juneau, AK 99801

At first glance the intent of HB261 seems commendable; provide resident Alaskans with below market interest rate loans in an effort to boost their prospects of entering the Alaska commercial fishing industry, while simultaneously addressing the looming issue of the "graying fleet" and all this without competing with the private commercial lenders. Unfortunately when interest rates and credit standards are relaxed for the purpose of promoting access, the opposite generally occurs.

These types of programs generally result in driving up demand which then drives up price. While this may be good for the seller of the permit, it is generally not good for the buyer. Interest rates rise and fall, **but** the price one pays for the permit is fixed at the time of sale. An unfortunate but excellent example can be seen with the current state of the national housing market; liberalized lending practices drove up home values--the unintended consequences of well-intentioned efforts. Unlike limited entry permits, however, the housing market had the potential for infinite supply. The effect of liberalized lending for Limited Entry Permits tends to be exaggerated and consequently more damaging because it is within a "limited" market.

We wholeheartedly support assisting resident Alaskans purchase Limited Entry Permits, and that in fact is part of our mission. We would even take it one step further and encourage you to work toward preparing borrowers to be able operate on a level playing field so that they not only get into the fishery, but have the wherewithal and commitment to be competitive in it. Regretfully we do not believe this change will do that.

In closing, the statement that this "avoids putting the state in competition with other private-sector lenders" sounds good, but when you review the language used to impart this requirement - *"must not be eligible for financing from a commercial bank or through the Commercial Fishing and Agriculture Bank (CFAB)"* – the language is ambiguous with regard to how this determination will be made. Historically, this determination has been made by the staff of the loan program based on their limited knowledge of other lenders requirements. If the intent is truly not to compete with other commercial lenders, it should firmly state that the applicant(s) must be declined by two other lenders, one of which must be CFAB.

Thank you for the opportunity to testify on HB 261.

Respectfully,  
  
Lela F. Klingert  
President

*Alaska Commercial Fishing and Agriculture Bank*

---

(907) 276-2007 • Fax (907) 279-7913 • 3040 Lakeshore Drive • Anchorage, Alaska 99517