



To Chair Bjorkman and member of the Senate Labor & Commerce Committee,

On February 19th, 2025, AKPIRG provided invited testimony to the Senate Labor & Commerce Committee. Below is a written copy of our comments:

My name is Claire Lubke and I'm the Economic Justice Lead at Alaska Public Interest Research Group, which we abbreviate as "AK-PIRG". AKPIRG is the only nonprofit public interest and consumer advocacy organization in Alaska.

Economic justice means we have an economy that works for every Alaskan who chooses to participate in it. One important aspect of economic justice is having access to fair financial services and products. Payday lending in Alaska, which was legalized in 2004 by the creation of "deferred deposit advance" licenses, violates reasonable standards for fairness.

I want to share some details about who gets the short end of the stick when it comes to payday lending. Because deferred deposit advance licensees in Alaska are not required to collect any demographic data on their borrowers, we're faced with some gaps in data. However, we have some informative examples, and can also look at national data for broad themes.

First, there's a common misconception that payday lending is an urban—or at least a road system—issue. This just isn't true. In 2022, 62% of all payday lending in Alaska was done online. The next year, AKPIRG partnered with the Mutual Aid Network of Anchorage to pay off payday loans held by Alaskans. The Payday Jubilee project aided individuals living in Fairbanks, Juneau, Eagle River, and Wasilla, but also in Bethel, Dillingham, and Teller.

Another important example of who is impacted by payday lending comes from Texas. A 2018 survey of over 150 Veterans in the Houston area found that 45% of Veterans had used a payday loan, compared to only 7% of the civilian adult population. In this report, Veterans recount haunting experiences of facing eviction or being harassed by debt collectors after taking out a payday loan for essential activities like repairing a car or paying a medical bill. I'd gladly share this report with Committee members to help illustrate how payday lenders target Veterans with their extortive financial products.

Please keep in mind that Congress passed the Military Lending Act in 2007, which required any business that provides a loan to an Active Duty servicemember to comply with a 36% rate cap. This was after a study found payday lenders were actively targeting military bases. The Department of Defense had lost billions of dollars as active duty members were found unfit to serve because of steeply declining credit scores that resulted from predatory loans. While active



duty members are now protected by a 36% rate cap, we're all left to wonder why this protection was not extended to Veterans.

Alaska has the highest percentage of Veterans in our population of all 50 states. 10.1% of Alaskans are Veterans. With SB 39, Alaska has the opportunity to join 18 other states in extending minimum standards of fairness in small dollar lending to the thousands of Veterans that call this state home.

I hope this testimony helps to make the people impacted by payday lending less anonymous and that Committee members will support SB 39 to restore fairness in the financial services available to Alaskans. Thank you.

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I also responded to a question from Senator Yundt regarding the typical term of payday loans.

AS 06.50.470 establishes a minimum term of 14 days for a payday loan and a maximum loan renewal of two consecutive terms.

Alaska Statute does not set a maximum term for payday loans. In practice, the typically short term of a payday loan is a driving factor behind the fact that individual borrowers take out an average of over five payday loans in a single year. Borrowers use payday loans one after the other in order to pay off an original payday loan once the loan term has been surpassed, which triggers pressure from debt collectors and threatens legal proceedings.

We welcome any questions or comments from Committee members. Thank you again for the opportunity to speak with the Senate Labor & Commerce Committee.

Sincerely,

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