



February 25, 2025

Re: AK SB39: Relating to Loans of \$25,000 or Less

Chairmen Hoffman, Olson, Stedman and Members of the Senate Finance Committee,

On behalf of OneMain Financial, thank you for the opportunity to comment on Senate Bill 39. OneMain Financial, which has operated for more than 100 years, is a nonbank lender that helps hardworking consumers meet their financial needs through traditional installment loans and other credit products. OneMain operates nearly 1,300 branches in 44 states and has extended nearly \$23B in credit to our more than 2.5 million current customers. Unlike many lenders, OneMain chooses to never exceed 35.99% APR, even in states that permit interest well above 36%.

Our installment loans are fully underwritten with amortized payments that help customers successfully repay their loans in affordable monthly payments. This approach is why more than 90% of our customers successfully repay their loans. Unfortunately, Alaska's current rate structure limits our ability to provide much-needed credit to Alaskans. We support Senate Bill 39's simplification of the rate structure, which could result in increased competition in the marketplace and more options for nonprime consumers.

We are concerned, however, that Senate Bill 39 utilizes a unique "all-in" rate calculation that includes elements unrelated to the cost of credit. This unique calculation will cause much confusion and implementation issues, especially for lenders who operate in other states. However, the Federal Truth In Lending Act (TILA), adopted in 1968, provides for a standard TILA rate calculation, which includes all mandatory charges required to receive a loan. This gives borrowers the true cost of credit. In certain cases, courts and regulators have prohibited lenders from advertising and disclosing APRs inconsistent with this method as it undermines the universality of the term and may confuse consumers. Additionally, the "all-in" APR method limits access to ancillary products for consumers who may desire to protect their loan in the case of unexpected unemployment or other unforeseen events. The vast majority of states, as well as federally and nationally chartered depository institutions, utilize the TILA APR.

If passed, Senate Bill 39 would significantly alter the lending environment in Alaska. Although some lenders may be unable to operate under the new rate structure, amending SB 39 to include a standard TILA rate calculation would attract new lenders like OneMain to enter the state and meet the needs of these nonprime consumers.

We appreciate your consideration. Please contact the undersigned with any questions.

Sincerely,

Ryan Black

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