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February 20, 2025

Rep Forest Dunbar
Alaska Legislature
Juneau, AK 99801

RE: SB39 Support

Dear Senator Dunbar:

AARP finds that older adults face increasing financial challenges as they age and are poorly served by lending practices that threaten their financial livelihoods at a time when they are least able to rebound from shortfalls. Recent data estimate that nearly 1.8 million households headed by someone age 50 or older took out a payday, auto title, or related loan product in 2017—comprising more than two out of every five high-cost loan borrowers nationwide. 3.5 percent of households headed by someone age 50 to 64 used these products, reflecting similar usage to their younger counterparts, among whom 3.6 percent took out a loan. Of those age 65 and over, about 1.8 percent took out such a loan in 2017.¹

Meanwhile, borrower experiences after payday loan bans went into effect demonstrate that for many, the product was not necessary and without it, better alternatives were found. Ultimately, the preferred alternative may not be a credit product at all. In states that do not authorize storefront payday lending, 95 percent of would-be borrowers found other alternatives not involving credit, while only five percent took out a payday loan online or borrowed another way.²

AARP Alaska supports SB39 to protect the financial security of aging Alaskans. On behalf of the fastest growing senior population in the nation and our 77,000 AARP Alaska members, and for the benefit of all Alaskans, we thank you for your leadership on this important issue for older Alaskans.

Respectfully, Marge Stoneking
Advocacy Director, AARP Alaska

¹ AARP tabulations of Federal Deposit Insurance Corporation 2017 Survey of Unbanked and Underbanked Households. The June 2017 Current Population Survey asked a number of questions about financial services usage. This count includes any household in which someone took out “a payday loan or payday advance from some place other than a bank,” or an auto title loan, or “any other types of loans or lines of credit from a payday lender, auto title lender, pawn shop, or check casher.” (Pawn loans specifically were the subject of another question not included in this estimate.)

² Pew Charitable Trusts, “Payday Lending in America: Who Borrows, Where They Borrow, and Why,” July 2012, available at https://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf



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.

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,

Claire Estelle Lubke
Economic Justice Lead
Alaska Public Interest Research Group
claire@akpirg.org
907-903-8243



May 1, 2024

Alaska State Legislature
Alaska State Capitol
120 4th Street
Juneau, AK 99801

RE: Support for Senate Bill 264 – Loans Under \$25,000; Payday Loans

Honorable Members of the Alaska State Legislature,

The Alaska Children's Trust (ACT) offers support for Senate Bill 264, which seeks to establish reasonable consumer protections for payday lending practices in Alaska. As the statewide lead organization focused on the prevention of child abuse and neglect, ACT fully supports enacting legislation to prevent the long-term, negative impacts of high-interest small-dollar loans on Alaskan families, including the increased likelihood of child maltreatment.

The detrimental impact of economic hardships and poverty on family well-being is widely acknowledged, serving as a major risk factor for child abuse and neglect. Financial strain can have far-reaching effects on family dynamics, amplifying stress, anxiety, and frustration within households. Parents may also find it increasingly difficult to provide for their children's basic needs, such as food, a safe place to live, clothes, and medical care. This scarcity of resources and the constant pressure to become financially solvent can result in a spectrum of behaviors, ranging from involuntary neglect to the emotional and psychological exhaustion of parents, increasing the risk of abusive behaviors directed towards their children.

To alleviate economic hardships or meet short-term deficits, Alaskan families often rely on payday loans. However, financial strain resulting from payday loans can both cause and further exacerbate these challenges. The appeal of payday loans lies in their easy accessibility and quick cash disbursement, naturally making them attractive options in times of immediate financial need. However, extremely high interest rates and short repayment periods associated with these loans can easily trap families in a cycle of debt and poverty.

In 2020, neglect and medical neglect made up 75% of all substantiated child maltreatment cases in Alaska, illustrating how distinctly tied economic hardship is to Alaska's incredibly high rates of child abuse and neglect.

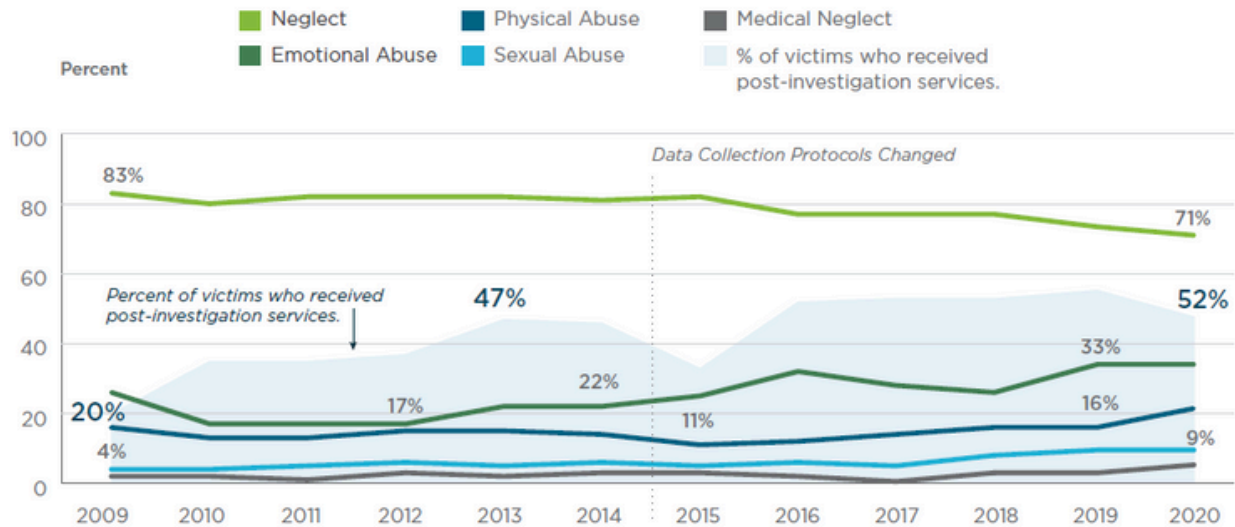


Figure 15. Distribution of Children Who Are Confirmed by Child Protective Services as Victims of Maltreatment by Maltreatment Type, Percent (2009-2014, 2015-2020)
 Source: U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau. Retrieved from: KIDS COUNT Data Center.

Senate Bill 264 addresses the need to standardize rational safeguards for low-income families who face financial instability. By ensuring payday loans are subject to a reasonable maximum interest rate in line with other small-dollar loans, Alaska can mitigate a known contributing factor to cycles of poverty that can lead to adverse outcomes for children.

As Alaska continues to grapple with one of the highest rates of child abuse and neglect in the country, we should be looking at every possible solution to help strengthen our children and families. By strengthening and implementing consistent consumer protections for moments when families are in greatest need, we can foster a state that prioritizes economic stability and the well-being of Alaska's most valuable resource – our children.

Together, we can prevent child abuse and neglect. Thank you for your consideration and support of Senate Bill 264.

Sincerely,

Trevor J. Storrs
 President & CEO
 Alaska Children's Trust

I am writing as your constituent and a members of St. Mary's Episcopal Church. Recently our congregation has been learning about the state of "Pay Day" lending in Alaska, and the ways in which these lenders have been able to charge usurious rates to their borrowers. We've learned that often these borrowers are already in precarious economic situations before they become ensnared by these loans.

For the past two years there has been a legislative effort to reform these small dollar loans. A similar bill, SB 39, has been reintroduced for this session that would better regulate this industry, and cap the interest rates at 36%. I sincerely hope that such a commonsense bill will quickly pass this year.

As a Christian, like people of many faiths, we are taught in our scriptures to be in solidarity with our most vulnerable neighbors including the poor (e.g. Matthew 25:3-46). Furthermore, we are taught in our scriptures to lend with generosity and with compassion (e.g. Proverbs 14:31) and Zechariah 7:10) Our concern as Christians is that current Alaska laws allow these lenders to prey on exactly our neighbors who most need protection from exploitive lending practices.

Please actively support and promote the timely passage of SB39.

Sincerely,

Sr. Margaret Pavel



Dear legislators,
The Alaska Conference of the United Methodist Church, comprising all of our churches across the Great Land, includes republicans, democrats, conservatives, liberals and moderates. On both Monday June 5, 2023 and Friday June 28, 2024 they unanimously adopted a resolution in support of Pay Day Lending Reform as is proposed in Senate Bill 39. Similar bills have

been discussed in the last two sessions with broad bipartisan support, only to fail to be scheduled for a vote before the deadline for adjournment. Our hearts break for our neighbors, many of whom come to our churches for food, rent, or financial assistance, who continue to be victimized by these predatory lenders. SB 39 is a sensible reform that will meaningfully prevent more harm.

The Alaska Conference of the United Methodist Church unanimously adopted the following resolution with regards to Pay Day Lending practices in the state of Alaska. We encourage each of our legislators to take action in this session to reform pay day lending in our state by removing the exemption for pay day lenders of the 36% APR cap for loans under \$25,000.

WHEREAS, Scripture teaches that all persons are of sacred worth (Genesis 1:26); and

WHEREAS, Scripture teaches that the people of God are not to take advantage of the weak, the poor, and the vulnerable (Proverbs 14:31; Deuteronomy 24:10–22; Zechariah 7:8–14); and

WHEREAS Payday Lending institutions in Alaska exploit financially struggling households by charging excessive rates of interest upwards of 400% APR on cash advances and payday loans; and

WHEREAS there are multiple alternatives available for short-term, small dollar loans beyond Payday lenders; and

WHEREAS, The 2016 Book of Discipline of the United Methodist Church states in the Social Principles:

“Financial institutions serve a vital role in society. They must guard, however, against abusive and deceptive lending practices that take advantage of the neediest among us for the gain of the richest. Banking regulations must prevent the collection of usurious interest that keeps people in cycles of debt.” (Social Principles, 163J Finance); and

WHEREAS, The Book of Resolutions in R4064 says, "Today's global economy is premised on credit involving individuals, businesses, and institutions that exchange goods and services with the promise of future payment. This credit market has enhanced efficiency and brought many consumer benefits. These markets have also given rise to abusive and predatory practices, however, that challenge the conscience of Christians. Among our most pressing concerns are contemporary financial practices and business models that entrap people in cycles of debt. These practices are exacerbated by lenders employing tactics to exempt themselves from banking regulation and traditional usury laws;" and

WHEREAS, The United Methodist Church directs all general agencies to invest in banks that have “policies and practices that preclude predatory or harmful lending practices” (Resolution 4071);

BE IT THEREFORE RESOLVED that the Alaska Conference of The United Methodist Church Supports the passage of legislation removing the exemption for pay day lenders of the 36% APR cap for loans under \$25,000 in the state of Alaska.

Respectfully,

Rev. Nico Reijns, Conference Secretary

January 2025

Dear Loki

As Alaskan Senator,

I am writing to you as one of your constituents and a member of (St Mary's Episcopal Church). Recently our congregation has been learning about the state of "Pay Day" lending in Alaska, and the ways in which these lenders are able to charge usurious rates to their borrowers. We've learned that often these borrowers are already in precarious economic situations before they become ensnared by these loans.

For the past two years there has been a legislative effort to reform these small dollar loans. A similar bill, SB 39, has been reintroduced for this session that would better regulate this industry and cap interest rates at 36%. I, and my church, sincerely hope that such a commonsense bill will quickly pass this year.

We as Christians, like people of many faiths, are taught in our scriptures to be in solidarity with our most vulnerable neighbors, including with the poor (e.g. Matthew 25:3-46). Furthermore, we are taught in our scriptures to lend with generosity and with compassion (e.g. Deuteronomy 24:10-22 and Zechariah 7:8-14).

Our concern as Christians is that current Alaskan laws allow these lenders to prey on exactly our neighbors who most need protection from exploitative lending practices. Thank you for your commitment to the Anchorage area and all of Alaska. This issue affects ALL Alaskan no matter what party affiliation is.

Sincerely,

Rilene Ann

11500 Conquistador #303

Eagle River Alaska 99577

Email - rilene907@gmail.com

The only thing necessary for the triumph of evil is for good men to do nothing – Edmund Burke

Rilene Ann, MPA, CDC1