

ALASKA STATE LEGISLATURE



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Sectional Analysis

House Bill 132

Loans Under \$25,000; Payday Loans

Section 1. Amends AS 06.01.020(a) to remove payday lenders from the list of financial institutions exempt from federal financing limitations.

Section 2. Amends AS 06.01.050(3) to remove payday lenders from the definition of "financial institution" under state law.

Section 3. Adds new sections to AS 06.20.010:

- c) Expands the definition of a lender to close loopholes and prevent businesses from evading small loan regulations.
- d) Clarifies that a loan is considered to originate in Alaska if the borrower resides in the state and completes the transaction while physically present.

Section 4. Amends AS 06.20 to allow the Department of Commerce, Community and Economic Development to utilize the Nationwide Multistate Licensing System and Registry, manage the registration process and adopt regulations for implementation.

Section 5. Amends AS 06.20.030(a) to enable applicants to pay investigation expenses through the registry.

Section 6. Amends AS 06.20.030(b) to enable applicants to pay licensing expenses through the registry. Makes a licensing change that requires applicants to pay \$500 per branch, website, or mobile app location, instead of a single office license, and \$2000 for a company license instead of a multiple office license.

Section 7. Repeal and Reenacts AS 06.20.090 to (a) require applicants to submit separate applications for each business location and (b) allow the department to set application requirements, procedures, and licensing periods.

Section 8. Amends AS 06.20.170 to have the department conduct period examinations as needed instead of every 18 months.

Section 9. Amends AS 06.20.230 to simplify the previous tiered interest rate structure for (a) loans under \$25,000 and (b) open-ended loans, creating a uniform rate of 3% per month. Adds

language that requires interest rate calculations on payday loans to consider only the relevant charged fees, costs, and premiums as detailed in AS 06.20.260(a)(1)-(5).

Section 10. Amends AS 06.20.310 to render payday loans with interest rates greater than 3% per month invalid.

Section 11. Amends AS 06.20 to add section 06.20.325 to prohibit payday lenders from threatening to prosecute borrowers in the event of defaults.

Section 12. Amends AS 06.20.330(b) to exempt financial institutions chartered under the National Bank Act or Federal Credit Union Act. Eliminates the exemption that allows pawnbrokers and loan shops where separate and individual loans do not exceed \$750 and \$500 respectively to charge interest rates exceeding the maximum rate established by AS 06.20.230.

Section 13. Amends AS 06.20.900 to define "registry" as the Nationwide Multistate Licensing System and Registry.

Section 14. Amends AS 08.76.500 to subject payday lenders to the same regulations as small loan companies.

Section 15. Amends AS 45.45.020 to mandate interest calculations include all service charges paid by the borrower to ensure transparency in interest calculations. "Service charge" is defined as fees charged by the lender but doesn't include fees related to delinquency.

Section 16. This section comprises a significant number of repeals related to the elimination of the carveout for payday lenders. Section 17 - provides for an effective date of July 1, 2025.