

CS FOR SENATE BILL NO. 39(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS DUNBAR, Tobin, Gray-Jackson, Kawasaki

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans in an amount of \$25,000 or less; relating to financial
2 institutions; relating to the Nationwide Multistate Licensing System and Registry;
3 relating to pawnbroker licensing exemptions; relating to deferred deposit advances;
4 relating to computing interest; and providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 06.01.020(a) is amended to read:

7 (a) Notwithstanding other provisions of this title, the department may by order
8 authorize state financial institutions, except licensees subject to AS 06.20 or [,]
9 AS 06.40 [, OR AS 06.50], to exercise any of the powers conferred on [UPON], or to
10 be subject to any of the limitations imposed on [UPON], a federally chartered
11 financial institution doing business in this state with deposits insured by an agency of
12 the federal government if the department finds that the exercise of the power or
13 imposition of the limitation both

14 (1) serves the public convenience and advantage; and

1 (2) equalizes and maintains the quality of competition between state
2 financial institutions and federally chartered financial institutions.

3 * **Sec. 2.** AS 06.01.050(3) is amended to read:

4 (3) "financial institution" means an institution subject to the regulation
5 of the department under this title; in this paragraph, "institution" includes a
6 commercial bank, savings bank, mutual savings bank, credit union, premium finance
7 company, small loan company, bank holding company, financial holding company,
8 trust company, savings and loan association, [DEFERRED DEPOSIT ADVANCE
9 LICENSEE UNDER AS 06.50,] and a licensee under AS 06.60;

10 * **Sec. 3.** AS 06.20.010(b) is amended to read:

11 (b) A person who is doing business under and as permitted by any law of the
12 state or of the United States relating to banks, savings banks, mutual savings banks,
13 trust companies, building and loan associations, or credit unions and who is exempt
14 from the licensing requirement in (a) of this section shall comply with all other
15 provisions of this chapter.

16 * **Sec. 4.** AS 06.20.010 is amended by adding new subsections to read:

17 (c) A person, including the agent or service provider of another person, is a
18 lender subject to the requirements of this chapter if the interest rate on a loan exceeds
19 the maximum interest rate permitted under AS 06.20.230 and

20 (1) the person directly or indirectly holds, acquires, or maintains the
21 predominant economic interest in a loan in the amount of \$25,000 or less;

22 (2) the person offers, markets, brokers, arranges, facilitates, or services
23 a loan in the amount of \$25,000 or less and holds the right, requirement, or first right
24 of refusal to purchase the loan, a receivable in the loan, or interest in the loan;

25 (3) the person makes a loan disguised as a personal property sale or
26 leaseback transaction; or

27 (4) the totality of the circumstances indicate that the person is a lender
28 in a loan in the amount of \$25,000 or less and the transaction is structured to evade the
29 requirements of this chapter.

30 (d) For the purposes of this chapter, a loan or transaction takes place in the
31 state if the borrower is a resident of the state and the borrower completes the

1 transaction, either in person or electronically, while physically present in the state.

2 * **Sec. 5.** AS 06.20 is amended by adding a new section to read:

3 **Sec. 06.20.025. National registry.** The department may

4 (1) participate in the registry and pay any fees required for
5 participation in the registry;

6 (2) establish by regulation a process for licensees under this chapter to
7 challenge information entered into the registry by the department;

8 (3) contract with entities designated by the registry to collect and
9 maintain records or process fees;

10 (4) adopt regulations to require a licensee to register with the registry
11 and submit applications, renewal applications, surety bonds, reports, and other
12 information and forms to the registry;

13 (5) adopt other regulations under AS 44.62 (Administrative Procedure
14 Act) to implement this section;

15 (6) request other information the department reasonably requires from
16 an applicant.

17 * **Sec. 6.** AS 06.20.030(a) is amended to read:

18 (a) Investigation expenses incurred by the department in processing an
19 application for licensure shall be charged to and paid by the applicant under
20 AS 06.01.010. At the time of submitting the application to the commissioner, the
21 applicant shall pay to the department **or through the registry** \$1,000 in partial
22 payment of those investigation expenses incurred by the department.

23 * **Sec. 7.** AS 06.20.030(b) is amended to read:

24 (b) An applicant shall pay to the department **or through the registry** at the
25 time of submitting an application a sum, in addition to that specified in (a) of this
26 section, of \$500 for **each location of a branch, Internet website, or mobile**
27 **application** [A SINGLE OFFICE LICENSE,] or \$2,000 for a **company** [MULTIPLE
28 OFFICE] license as an annual license fee for a period terminating on the last day of
29 the current calendar year.

30 * **Sec. 8.** AS 06.20.090 is repealed and reenacted to read:

31 **Sec. 06.20.090. Places of business.** (a) To apply for a license under this

1 chapter, an applicant or person must submit a separate application to the department or
2 through the registry for each location, including a branch, Internet website, or mobile
3 application, through which the applicant or person conducts business.

4 (b) The department may establish by regulation information that must be
5 submitted by an applicant and licensee, the procedures for determining acceptable
6 criteria for approvals and denials, procedures for paying the fees in the registry, and
7 the effective period of a license.

8 * **Sec. 9.** AS 06.20.170 is amended to read:

9 **Sec. 06.20.170. Periodic examination.** The department shall examine the
10 affairs, business, office, and records of each licensee **as often as necessary to carry**
11 **out the purposes of this chapter** [AT LEAST ONCE EVERY 18 MONTHS].
12 Examination fees are to be charged to and paid by the licensee in accordance with
13 AS 06.01.010. The department may maintain an action for the recovery of the costs in
14 any court of competent jurisdiction, with recourse to the bonds referred to in
15 AS 06.20.050 and 06.20.080.

16 * **Sec. 10.** AS 06.20.230 is amended to read:

17 **Sec. 06.20.230. Maximum interest permitted.** (a) A licensee may lend any
18 sum of money not exceeding \$25,000 and may charge, contract for, and receive on the
19 loan interest at a rate not exceeding three percent a month [ON THAT PART OF THE
20 UNPAID PRINCIPAL BALANCE OF A LOAN NOT IN EXCESS OF \$850; TWO
21 PERCENT A MONTH ON THE UNPAID PRINCIPAL BALANCE EXCEEDING
22 \$850 BUT NOT EXCEEDING \$10,000; AND AT A RATE AGREED BY
23 CONTRACT ON THE REMAINDER OF ANY UNPAID PRINCIPAL BALANCE
24 EXCEEDING \$10,000 BUT NOT EXCEEDING \$25,000].

25 (b) Notwithstanding the provisions of (a) of this section, a licensee who makes
26 open-end loans under this chapter may charge, contract for, and receive interest at a
27 rate not exceeding three percent a month on that part of the unpaid principal balance of
28 a loan not in excess of [\$850; TWO PERCENT A MONTH ON THE UNPAID
29 PRINCIPAL BALANCE EXCEEDING \$850 BUT NOT EXCEEDING \$10,000;
30 AND AT A RATE AGREED BY CONTRACT ON THE REMAINDER OF ANY
31 UNPAID PRINCIPAL BALANCE EXCEEDING \$10,000 BUT NOT EXCEEDING]

1 \$25,000.

2 (c) Interest on loans under (b) of this section shall be computed according to
3 the actuarial method on the entire unpaid principal balance as determined under
4 AS 06.20.285(b). **The interest rate on loans under (a) or (b) of this section shall be**
5 **computed by including all fees, costs, and premiums charged under**
6 **AS 06.20.260(a)(1) and (3) - (5).**

7 * **Sec. 11.** AS 06.20.310 is amended to read:

8 **Sec. 06.20.310. Effect of illegal interest rate.** A loan of the amount or value
9 of \$25,000 or less for which a greater rate of interest, consideration, or charge than is
10 permitted by this chapter has been charged, contracted for, or received, wherever
11 made, may not be enforced in the state, and every person participating in such a loan
12 in the state is subject to this chapter. This section does not apply to loans legally made
13 in a state or territory of the United States that has in effect a regulatory small loan law
14 similar in principle to this chapter **but does apply to loans made by a person subject**
15 **to this chapter under AS 06.20.010(c).**

16 * **Sec. 12.** AS 06.20 is amended by adding a new section to read:

17 **Sec. 06.20.325. Criminal threats.** A licensee under this chapter may not
18 threaten a borrower with criminal prosecution as a result of the borrower's default.

19 * **Sec. 13.** AS 06.20.330(b) is amended to read:

20 (b) This chapter does not apply to [INDIVIDUAL LOANS BY]

21 (1) **pawnbroker transactions by a pawnbroker licensed under**
22 **AS 08.76** [PAWNBROKERS WHERE SEPARATE AND INDIVIDUAL LOANS
23 DO NOT EXCEED \$750; IN THIS PARAGRAPH, "PAWNBROKER" MEANS A
24 PERSON WHO IS REGULATED UNDER AS 08.76.100 - 08.76.590]; or

25 (2) **a financial institution chartered under 12 U.S.C. 38 (National**
26 **Bank Act) or 12 U.S.C. 1751 - 1795k (Federal Credit Union Act)** [LOAN SHOPS
27 WHERE SEPARATE AND INDIVIDUAL LOANS DO NOT EXCEED \$500].

28 * **Sec. 14.** AS 06.20.900 is amended by adding a new paragraph to read:

29 (4) "registry" means the Nationwide Multistate Licensing System and
30 Registry.

31 * **Sec. 15.** AS 08.76.500 is amended to read:

Sec. 08.76.500. Exemptions. This chapter does not apply to

(1) a financial institution that is subject to the regulation of the department under AS 06, including a commercial bank, savings bank, mutual savings bank, credit union, premium finance company, small loan company, bank holding company, financial holding company, trust company, or savings and loan association [, AND DEFERRED DEPOSIT ADVANCE LICENSEE UNDER AS 06.50]; or

(2) a financial institution organized under federal law.

* **Sec. 16.** AS 45.45.020 is amended by adding a new subsection to read:

(b) Interest under AS 45.45.010 - 45.45.070 shall be computed by including all service charges paid by the borrower, debtor, or mortgagor. In this subsection, "service charge" means a fee charged by the lender, creditor, or mortgagee for opening, renewing, or continuing an account but does not include a late payment fee, a fee for a dishonored check, reasonable attorney fees or other actual expenses and costs incurred in connection with the collection of a delinquent debt or a foreclosure, or actual expenses and costs incurred in connection with a repossession.

* **Sec. 17.** AS 06.01.035(j); AS 06.20.030(c); AS 06.50.010, 06.50.020, 06.50.030, 06.50.040, 06.50.050, 06.50.060, 06.50.070, 06.50.080, 06.50.090, 06.50.200, 06.50.210, 06.50.220, 06.50.230, 06.50.300, 06.50.310, 06.50.320, 06.50.330, 06.50.400, 06.50.410, 06.50.420, 06.50.430, 06.50.440, 06.50.450, 06.50.460, 06.50.470, 06.50.480, 06.50.490, 06.50.500, 06.50.510, 06.50.520, 06.50.530, 06.50.540, 06.50.550, 06.50.560, 06.50.600, 06.50.610, 06.50.900; AS 44.62.330(a)(40); and AS 47.24.900(10)(K) are repealed.

* **Sec. 18.** This Act takes effect July 1, 2025.