

*Alaska State Senate*  
*Senator Forrest Dunbar*

**Session:**

Alaska State Capitol  
Juneau, Alaska 99801  
(907) 465-6944



**Interim:**

1500 W. Benson Blvd.  
Anchorage, Alaska 99503  
(907) 269-0246

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May 12, 2025

The Honorable Neal Foster  
Co-Chairman, House Finance Committee  
Alaska State Capitol, Room 511  
Juneau, AK 99801

The Honorable Andy Josephson  
Co-Chairman, House Finance Committee  
Alaska State Capitol, Room 505  
Juneau, AK 99801

The Honorable Calvin Schrage  
Co-Chairman, House Finance Committee  
Alaska State Capitol, Room 410  
Juneau, AK 99801

Dear Co-Chairs Foster, Josephson, Schrage and Members of the Committee:

Thank you for hearing SB 39, a bill relating to payday lending practices in Alaska, on May 9th in the House Finance Committee. I'm writing to follow up on the questions and comments received during that hearing.

- 1. Representative Stapp wanted to know what the eligibility requirements looked like for some of the other financial tech products with concerns your average payday loan borrower wouldn't be able to qualify. He also wanted to know how big of a factor gross income was when it comes to alternative options.**

It's important to recognize that payday lending doesn't offer a borrower the chance to build their credit over time. Some of these other products, however, provide the dual benefit of short-term, small-dollar loans that can help build credit through the repayment process, helping Alaskan's financial stability in the long term. The eligibility requirements for any given financial product differ, but for the sake of sharing an idea of the market we collected some data to share.

Chime's Instant Loan product is an example of an alternative option for borrowers. This product provides instant access up to \$500 in funds with a fixed interest rate. Unlike payday loans, on-time payments can help members build credit **and there is no credit check needed to qualify.**

Wells Fargo's Flex Loan product is available for existing customers and is available for preapproval

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without a hard credit check. Bank of America's Small-Dollar Loan requires that borrowers be an existing customer, have a positive balance in their checking account and be able to prove regular monthly deposits. This product requires no credit score check.

Additionally, borrowers have the opportunity for a Payday Alternative Loan (PAL) from a federal credit union. Many credit unions don't require good credit to qualify and are more concerned with the borrower's ability to repay than the state of their credit.

**2. In response to concerns over pawn loans, we wanted to provide information about this exemption.**

Payday loans from pawnshops will still be capped at 36% APR under SB 39. Pawnshop activities are already regulated by existing laws, and the exemption language in SB 39 simply clarifies that—it doesn't change current regulations.

Collateral loans, which pawnshops also offer, are not regulated under SB 39. This type of loan is modeled on charging financing fees of either \$5 or an amount capped at 20% of the loan amount, as outlined in AS 08.76.210 and 08.76.220. These loans are smaller on average (\$150 vs. \$443 for payday loans in 2023) and carry less risk. About 85% are repaid, and borrowers don't have to provide bank access or blank checks. If they default, the pawned item is kept, but credit scores aren't affected—making the model far less predatory than payday lending.

Representative Johnson brought up the concern borrowers might be incentivized to turn towards collateral loans in lieu of payday lending opportunities. In the event that payday lenders closed up shop in response to this legislation, there are many other financial tech products available as noted above. Compared to payday loans, a collateral loan wouldn't necessarily be a worse option as the financing fee structure is less overtly predatory.

**3. Representatives Stapp and Johnson brought up concerns about taking away loan options for people who are in desperate need of money who may not be eligible for many other financial tech options.**

Studies from the Center for Responsible Lending have shown that in the absence of payday lending, other financial tech products help fill the gap. Popular banks like Bank of America, Huntington Banks, and many credit unions provide alternative short-term loan products with APR rates under this 36% cap. Further, faith-based and community groups, including the Mutual Aid Network of Anchorage (MANA), have begun to explore the option of providing low-cost loans on a neighbor-to-neighbor basis.

Wells Fargo has announced a \$250 or \$500 loan with a single \$12 or \$20 (respectively) fee. These loans can be repaid in installments over time and these funds can be accessed immediately through the bank's online app.

These are just a few examples of a much larger and quickly growing financial technology product market.

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**4. Representative Bynum asked if PFD eligibility was a factor for lenders evaluating borrowers.**

It's difficult to say with any certainty whether lenders are aware of a borrower's PFD eligibility. It's logical to speculate that Alaskans make an attractive borrower for payday lenders because of the likelihood of PFD eligibility at large. From 2017 to 2022, payday lenders have seized over \$3.7 million from Alaskans' PFD payments

Should any members of the committee have additional questions, please don't hesitate to contact our office. The staff contact is Rachel Levy and you can reach her at [Rachel.levy@akleg.gov](mailto:Rachel.levy@akleg.gov).

Sincerely,

A handwritten signature in dark ink, appearing to read "Forrest Dunbar".

Senator Forrest Dunbar