

Payday Lending in Alaska

It's time for reform.

Many Alaskans living paycheck to paycheck turn to payday loans to fill a gap between their income and basic living expenses. However, the high cost of these short-term loans leaves many families trapped in a cycle of chronic debt and poverty.

The Basics – What is a Payday Loan?

In Alaska, payday loans are loans of \$500 or less (\$750 or less at pawn shops), with a minimum loan term of two weeks. To ensure repayment, borrowers must provide a post-dated check or direct access to their bank account as collateral.

The Facts – Payday Loans Cost Alaskans

Payday lending is a relatively new experiment in our state, and the result is hurting low-income Alaskans more than helping.

In an average year in Alaska:



Nationally, data shows that borrowers take an average of five months to repay payday loans. When a borrower can't pay, the loan can be rolled over, or a new loan can be created, causing interest to compound.

Did You Know?

Over the last five years (2017-2022), payday lenders garnished over **\$3.7 million** from Alaskans' PFDs.

FOR A \$440 LOAN...

It takes \$137 just to keep up
with the first month's interest



It could cost more than **\$1,200** to repay in 5 months

The interest rate on payday
loans in Alaska ranges from

194%
to over
521%
APR

In Context

If credit card companies charged 400% APR, the average credit card debt in Alaska - an \$8,000 balance paid over 14 months - would cost nearly **\$37,000** to pay off.

In total, payday loans, most of which are made online by out-of-state companies, extract an average of **\$29 million** from Alaskans each year.

In 2017, a Texas study revealed that nearly half (45%) of **Veterans** had taken out a payday loan, compared with only 7% of the general population.

The Fix – Remove Special Rules for Payday Loans

There's a simple and proven solution that would help protect the wealth of our Veterans, families, and everyday hardworking Alaskans.

Alaska law already sets a 36% annual percentage rate (APR) limit on most other small dollar loans (up to \$850). Payday loans have a special exception from this limit, resulting in borrowers paying 194.7% to 521.4% APR.

By removing this unnecessary carve-out, Alaska could join 18 other states, including South Dakota, New Mexico, Montana, West Virginia, and Nebraska, that have established a 36% APR rate cap for payday loans.

In effect? This would mean an Alaskan borrowing \$500 would pay the same interest rate as an Alaskan borrowing \$800. Common sense? We think so.

By treating payday loans the same as all other small dollar loans, we could protect all Alaskans with a common-sense 36% APR limit.