

ALASKA STATE LEGISLATURE

House Labor & Commerce Committee



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House Bill 145: LOANS UNDER \$25,000; PAYDAY LOANS Summary and Explanation of Changes – Version S to Version U

The committee substitute for HB145 version U would make the following changes:

- **Amend Section 3**, adding new subsection (d) to AS 06.20.025 to clarify that lenders who issue loans to Alaskan residents where the borrower completes the in-person or electronic transaction while being physically present must register as a small loan licensee.
 - This change would protect Alaskan consumers by regulating lenders who say they do not have to register in Alaska because their server or other infrastructure is located out of state.
 - It would also provide clarity to businesses who may be unclear if they need to register.

Add the following new sections:

- **Section 4**, adding new section AS 06.20.025 “National Registry” allowing the Department of Commerce, Community, and Economic Development to participate in the Nationwide Multistate Licensing System and Registry (NMLS) and utilize the registry to register licensees and have licensees apply, renew an application, submit reports, pay fees, submit reports, upload surety bonds, challenge information input by the department into the registry, and input other information and forms into the registry.
 - This change should reduce the administrative burden on licensees. Currently, licensees must complete a pdf application, email it to the division, and mail a check or fax a credit card authorization to pay application fees. These processes should be streamlined if licensees apply through NMLS, which is used in over 50 U.S. states and territories.
 - Renewal applications would simply note any changes (versus having to fill out a full application each year), surety bonds could be uploaded by the insurance company, fees could be paid by ACH or credit card directly, and no more emails or PDFs to submit the application.
 - Additionally, this change will reduce the work required by the division to process applications.
- **Section 5**, amending AS 06.20.030(a) allowing the department to collect application investigation fees through the NMLS registry.
- **Section 6**, amending AS 06.20.030(b) allowing the department to collect application fees through the NMLS registry as well as bringing the licensing structure for small loan licenses to the modern era.

- The proposed licensing structure is similar to the licensing structure currently found in deferred deposit advance (DDA or “payday”) licensing.
- This change is not expected to increase application fees on current small loan licensees and will keep fees constant for any DDA licensee who migrates to a small loan license.
- **Section 7**, repealing and reenacting AS 06.20.090 “Places of Business” to update the licensing structure of small loan licenses.
- **Section 8**, amending AS 06.20.170 “Periodic Examinations” to change the requirement that the department examine small loan licensees at least once every 18 months to “as often as necessary to carry out the purposes of this chapter.”
 - This change would reduce the regulatory burden and costs on licensees by allowing the division to examine based on risk rather than being calendar driven.
 - This “as needed” examination structure is found in mortgage (AS 06.60), money services (AS 06.55), and DDA lending (AS 06.50); this change would create consistency and fairness among programs.
- **Section 11**, adding new section AS 06.20.325 “Criminal Threats” to prohibit small loan licensees from threatening a borrower with criminal prosecution as a result of the borrower’s default.
 - This change would increase consumer protections by implementing language similar to what is currently found in AS 06.50 (DDA or “payday” lending).
- **Section 12**, adding new paragraph to AS 06.20.900 “Definitions” defining “registry” as the Nationwide Multistate Licensing System (NMLS) and registry.