



May 1, 2024

Alaska State Legislature
Alaska State Capitol
120 4th Street
Juneau, AK 99801

RE: Support for Senate Bill 264 – Loans Under \$25,000; Payday Loans

Honorable Members of the Alaska State Legislature,

The Alaska Children's Trust (ACT) offers support for Senate Bill 264, which seeks to establish reasonable consumer protections for payday lending practices in Alaska. As the statewide lead organization focused on the prevention of child abuse and neglect, ACT fully supports enacting legislation to prevent the long-term, negative impacts of high-interest small-dollar loans on Alaskan families, including the increased likelihood of child maltreatment.

The detrimental impact of economic hardships and poverty on family well-being is widely acknowledged, serving as a major risk factor for child abuse and neglect. Financial strain can have far-reaching effects on family dynamics, amplifying stress, anxiety, and frustration within households. Parents may also find it increasingly difficult to provide for their children's basic needs, such as food, a safe place to live, clothes, and medical care. This scarcity of resources and the constant pressure to become financially solvent can result in a spectrum of behaviors, ranging from involuntary neglect to the emotional and psychological exhaustion of parents, increasing the risk of abusive behaviors directed towards their children.

To alleviate economic hardships or meet short-term deficits, Alaskan families often rely on payday loans. However, financial strain resulting from payday loans can both cause and further exacerbate these challenges. The appeal of payday loans lies in their easy accessibility and quick cash disbursement, naturally making them attractive options in times of immediate financial need. However, extremely high interest rates and short repayment periods associated with these loans can easily trap families in a cycle of debt and poverty.

In 2020, neglect and medical neglect made up 75% of all substantiated child maltreatment cases in Alaska, illustrating how distinctly tied economic hardship is to Alaska's incredibly high rates of child abuse and neglect.

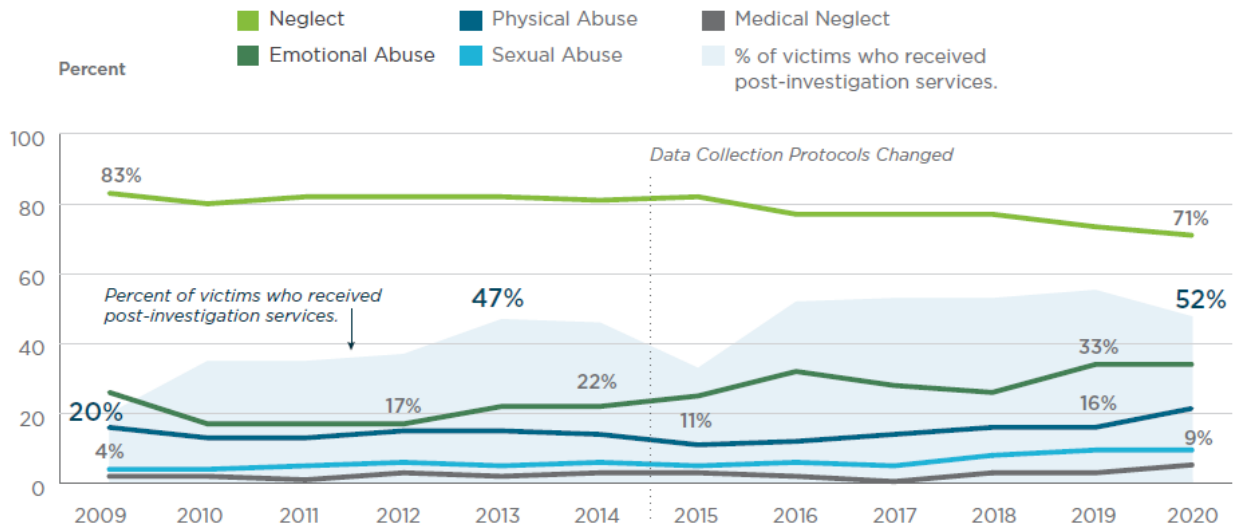


Figure 15. Distribution of Children Who Are Confirmed by Child Protective Services as Victims of Maltreatment by Maltreatment Type, Percent (2009-2014, 2015-2020)
 Source: U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children’s Bureau. Retrieved from: KIDS COUNT Data Center.

Senate Bill 264 addresses the need to standardize rational safeguards for low-income families who face financial instability. By ensuring payday loans are subject to a reasonable maximum interest rate in line with other small-dollar loans, Alaska can mitigate a known contributing factor to cycles of poverty that can lead to adverse outcomes for children.

As Alaska continues to grapple with one of the highest rates of child abuse and neglect in the country, we should be looking at every possible solution to help strengthen our children and families. By strengthening and implementing consistent consumer protections for moments when families are in greatest need, we can foster a state that prioritizes economic stability and the well-being of Alaska’s most valuable resource – our children.

Together, we can prevent child abuse and neglect. Thank you for your consideration and support of Senate Bill 264.

Sincerely,

Trevor J. Storrs
 President & CEO
 Alaska Children’s Trust