



eliminating racism
empowering women
ywca
Alaska



May 1, 2024

We support House Bill 145 / Senate Bill 264. HB145/SB264 would help keep millions of dollars in the pockets of Alaskans each year.

In Alaska, the average payday loan is for \$440. That loan carries a **421%** APR. That high interest rate traps borrowers in a cycle of chronic debt.

Each year on average, 15,337 Alaskans lose \$29 million to payday loans. Most of these loans (68%) are made online and all of the registered payday lenders are owned by out-of-state corporations.

HB145/SB264 would protect Alaskans and keep more money in our state. HB 145 would achieve this with 3 simple reforms to Alaska's small loan laws.

First, HB145/SB264 would repeal the special rules for payday loans. These special rules are what allow payday loans to carry between 194% to 521% interest rates. Alaska's Small Loans Act currently sets a maximum interest rate of 36%, but payday loans are exempted from this limit. By removing that exemption, we would ensure that all small dollar loans are covered by the same set of rules.

Second, HB145/SB264 would add an anti-evasion provision to the Small Loans Act. This anti-evasion clause would help ensure that out-of-state and online lenders follow Alaska's laws when lending to Alaskans. This anti-evasion provision is crafted to ensure that it only scrutinizes lenders who make loans over 36% APR, so it provides a safe harbor for responsible lenders.

Third, HB145/SB264 would simplify the Small Loans Act to establish a flat 36% APR maximum, including fees. This is the current maximum for loans up to \$850 (except, of course, for payday loans), so the change would simply extend that maximum to all loans covered by the Small Loans Act. Although this change would raise the interest rates allowed for loans \$850 to \$10,000, it is a worthwhile compromise. Currently, loans \$10,000 to \$25,000 are not subject to any interest rate limit, and this change would close that loophole. Additionally, by adjusting the calculation to include fees, we'll align more closely with national standards, and ensure that the interest rate calculation actually captures the true cost of the loan. A flat 36% APR limit will be easier to both understand and enforce.

We thank you for supporting HB 145,

Graham Downey, Alaska Public Interest Research Group
Lori Pickett, Alaska Literacy Program
Tory Amorello, Alaska YWCA
Pastor Emily Carroll, First United Methodist Church
Jeff Tickle, Cook Inlet Lending Center