

ALASKA STATE LEGISLATURE
SENATE LABOR & COMMERCE COMMITTEE

October 20, 2001
10:15 a.m.

MEMBERS PRESENT

Senator Randy Phillips, Chair
Senator Loren Leman
Senator Bettye Davis

MEMBERS ABSENT

Senator Alan Austerman
Senator John Torgerson

COMMITTEE CALENDAR

SENATE BILL NO. 189

"An Act relating to motor vehicles; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 132

"An Act relating to minimum wages."

HEARD AND HELD

SENATE BILL NO. 46

"An Act relating to increasing the minimum hourly wage under the Alaska Wage and Hour Act; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

SB 189 - No previous action to record.

SB 132 - See Labor and Commerce minutes dated 4/28/01.

SB 46 - No previous action to record.

WITNESS REGISTER

Representative Andrew Halcro
State Capitol Bldg.

Juneau AK 99811

POSITION STATEMENT: Sponsor of HB 182, companion bill to SB 189.

Ms. Rebecca Nance Gamez, Deputy Commissioner
Department of Labor and Workforce Development
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149

POSITION STATEMENT: Commented on SB 46.

Mr. Darrell Peterson
6937 Lowell Circle
Anchorage AK 99502

POSITION STATEMENT: Commented on SB 46 and SB 132.

Mr. Mano Frey, President
AFL-CIO
2501 Commercial Dr.
Anchorage AK 99501

POSITION STATEMENT: Supported SB 46 and SB 132.

Ms. Karen Ruigino
Alaska Hospitality Alliance
Alaska Restaurant and Beverage Association
Alaska Hotel and Motel Association
Anchorage AK

POSITION STATEMENT: Opposed SB 46 and SB 132.

Mr. Richard Benavides
Staff to Senator Davis
State Capitol Bldg.
Juneau AK 99811

POSITION STATEMENT: Commented on SB 132.

Ms. Jan Jones, Director
Housing Counseling
Consumer Credit Counseling of Alaska
Anchorage AK

POSITION STATEMENT: Commented on predatory lending.

Mr. John Bitney, Legislative Liaison
Alaska Housing Corporation
Anchorage AK

POSITION STATEMENT: Supported Ms. Jones comments on predatory lending.

ACTION NARRATIVE

TAPE 01-29, SIDE A

Number 001
#SB189

SB 189-MOTOR VEHICLE SALES AND DEALERS

CHAIRMAN RANDY PHILLIPS called the Senate Labor & Commerce Committee meeting to order at 10:15 a.m. and announced that SB 189 and its companion bill, HB 182, would be up for consideration.

REPRESENTATIVE ANDREW HALCRO, Chairman of the House Labor and Commerce Subcommittee on HB 182, explained that basically there are two sides to the bill, the Alaska Auto Dealers Association, which is the mover of the bill, and the Alliance of Manufacturers, which represents the other party affected by the bill. Both sides had been very good at working out most of their disagreements. The bill has been changed from the original version by deleting the costly DMV oversight and some other bureaucratic layers. The original fiscal note was \$500 million and that had been substantially reduced with the changes.

The Subcommittee is going to be looking at incorporating consumer protections to the bill and they hope to have that draft in time for next session. He added that Ed Sniffen, Department of Law, had helped them get through some of the issues, but there are five outstanding left. They are: termination of a dealership and who takes over if the owner or managing partner should pass away; subsidiaries and how the bill affects not only the manufacturers, but some of their subsidiaries (Ford Motor Credit); warranty where the dealer feels that warranty should be reimbursed for a different level of service than manufacturers do; possible DMV loopholes; and consumer protection incidents from actual occurrences. He said he was going to have a teleconference on November 8.

SENATOR LEMAN asked if he was confident that they would get those issues resolved by November 8.

REPRESENTATIVE HALCRO said he was optimistic, but there were some substantial concerns.

SENATOR PHILLIPS said he heard there were concerns about RVs and motorcycles.

REPRESENTATIVE HALCRO responded that the bill just relates to automobile dealers. However, because of an incident in Homer with an RV, they were considering adding RVS. "We want to make sure that the state and consumers are protected and we think this bill, if we move it forward, is an appropriate vehicle for it."

CHAIRMAN PHILLIPS asked if he thought this bill was a major priority in the House.

REPRESENTATIVE HALCRO replied that he couldn't count on that because he hadn't spoken to the sponsor. Some reports done by independent consumer groups feel this kind of legislation is anti-consumer, because they will end up paying for any cost for monitoring.

CHAIRMAN PHILLIPS asked if anyone wanted to testify on this bill and no one came forward. He announced that he would hold the bill for further consideration.

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#SB132

#SB46

SB 132-MINIMUM WAGE
SB 46-INCREASE MINIMUM HOURLY WAGE

CHAIRMAN PHILLIPS announced SB 132, Senator Davis' bill, and SB 46, the Governor's bill, to be up for consideration. He said they would take up the Governor's bill first.

MS. REBECCA NANCE GAMEZ, Deputy Commissioner, Department of Labor and Work Force Development, explained that SB 46 would increase the minimum wage to \$7.15 per hour over two years and then would tie the minimum wage to the consumer price index of the Anchorage area. She said the Governor would like to move forward on this bill and there was an initiative petition that's similar to it. She understood that they had gathered the required signatures.

SENATOR LEMAN asked how many Alaskan employees who are making minimum wage this would apply to.

MS. GAMEZ replied that in terms of adult and temporary assistance, there are about 300 and it affects about two or three percent of the adult working population.

SENATOR LEMAN asked if it dealt with employees who are receiving minimum wage and receive other compensation like tips. He is concerned about the distribution of wages within establishments where this bill might be nothing more than window dressing and actually doesn't help the majority of the people they are really trying to help.

MS. GAMEZ answered that there is no tip credit included in the Governor's bill. "Currently there is no tip credit on the books

in Alaska statute - tip credit meaning that you could pay a lower wage to tipped employees if they receive tip compensation..."

SENATOR LEMAN asked what it was they were trying to do, help employees in their total compensation or trying to identify something that's called wages that different from total compensation. He said the legislature is trying to get income into people's pockets so they could spend it.

MS. GAMEZ said they were trying to raise the overall standard of living for Alaskans, particularly for those at the lower end of the economic scale.

SENATOR LEMAN said he was concerned that, "Somebody serving tables makes \$25 per hour and somebody washing dishes makes maybe \$8, which is more than minimum wage. This doesn't affect them."

MS. GAMEZ responded that it wouldn't affect people who make more than the minimum wage.

SENATOR LEMAN said he thought the bill needed work.

SENATOR DAVIS asked why they were hearing this bill now and she thought there were a lot of people who would want to have input.

CHAIRMAN PHILLIPS explained that they are just getting up to speed on these subjects. His opinion was if the initiative secures the 30,000 signatures, that the committee has the choice of not even dealing with it or letting the initiative seek its own course.

SENATOR DAVIS said she believed they would have the signatures if they didn't already have them. It would go on the ballot and it's up to the legislature to decide what they are going to do. She said they had this bill before them twice before and there isn't a subcommittee and no one is doing any work on it.

CHAIRMAN PHILLIPS replied if the 30,000 signatures are certified by the Division of Elections, it's his intent to start working on this bill in session and he was pretty sure they would have the signatures. He thought it was better for the legislature to write something than to have an initiative with unintended consequences. It was not his intention to appoint a subcommittee today, but he would later.

SENATOR LEMAN said they need to help employees and he wasn't convinced that they were. He thought they might be creating disincentives. He didn't want to be shifting money from those at

the lower end to those at the higher end unless there's a reason to it and he hadn't heard a good reason.

SENATOR DAVIS responded:

There really isn't a whole lot to shift in here, because it's really not going to give a person a living wage. It's just going to bring it up; they're still going to be in poverty. I don't know of anybody working in restaurants that's making \$25 and \$30 an hour. If they are, I'd like to meet a few of them.

Some of them, maybe with tips they might make pretty good, but the tips aren't always the same. You can't always depend on the tips. You need to have at least enough to bring home some food, pay your utilities and rent and things like that.

The intention of my bill and the Governor's bill is to bring minimum wages up. We know that ours is too low. We've had it tied in with the federal law and the federal rates have not gone up... Should the bill at the federal level pass, ours will automatically go up.

CHAIRMAN PHILLIPS said he thought the legislature would have to deal with it.

MR. DARRELL PETERSON said he has several concerns. One was that minimum wage is not enough money and is not high enough in this bill. He said:

I am not concerned one whit about how much I pay my waiter at a restaurant in town. That is a relationship between the person at the restaurant who is buying a meal and tipping his waiter or waitress. As far as I am concerned the hotel and restaurant industry is violating a sacred contractual agreement between the person getting the food and the person waiting the tables. It's an interesting philosophy, but that's the relationship. If you don't want to tip them, you don't have to tip them.

He said that 98 percent of the people getting minimum wage are people who work at McDonalds and are teenagers and haven't had a raise in nine years. Those are the people he is talking about.

He proposed taking the average of Washington, Oregon and California salaries and add 50 cents to whatever their average minimum wage would be.

I have kids in my classes who are telling me that they earn more in California before they came here to go to work for less money living in this state. It's kind of appalling. It used to be the other way around. The easiest way to take care of the federal questions and all the rest is to average their salaries, put a cap of 50 cents on it more than that and that would take care of that problem.

MR. PETERSON also said he would like to see a provision that no one under 18 years old would be required to join a union or a closed shop and pay initiation fees or monthly dues. They are minors and not adults. Some corporations in town require 14 and 15 year olds to pay \$25 per month in union dues and initiation fee. As an example, he said his daughter's last pay check was \$80 and her take home pay was \$0. "She didn't get a dime."

He said:

It is not right to take the lowest paid people in this sector, charge them the same rates for belonging to the union and initiation fees and they're not even 18, legal adults. These contracts are imposed on them without their consent or anybody else's. It should be the state's obligation to protect them as a class and pass legislation that says no union can impose those fees or dues on them. Then at 18, they can join the union and pay their monthly dues.

SENATOR LEMAN asked what kind of classes he taught.

MR. PETERSON replied that he teaches at East High School.

CHAIRMAN PHILLIPS and SENATOR DAVIS both said they would like his comments in a letter so they could address them in the next session.

SENATOR DAVIS said she would like further information on kids having to pay union dues.

MR. MANO FREY, President, AFLCIO, said they sponsored the initiative petition with regard to minimum wage. He said it has three main points. First, it would raise the minimum wage up to \$7.15 an hour from the current rate of \$5.65; secondly, it would be indexed to the cost of living increases. Through the CPI it would be adjusted annually to reflect that increase so that we won't have to revisit this either through the legislative process nor through the initiative process and it will keep pace with inflation, which it hasn't done in any way shape or form.

The third provision of the petition requires a minimum spread of \$1.00 an hour over the federal minimum instead of the current 50 cents. So, if Congress ever comes to grips with raising the wage for all of the United States and it was a fair amount of an increase that Alaska's spread would be \$1.00 instead of 50 cents. He said that when Alaska was a territory, it was 50 cents an hour over the federal minimum wage and that's not enough considering the expense of living in this state.

MR. FREY said:

We are very satisfied with the signature gathering and we hope to be successful unlike two years ago when we fell short of gaining the required signatures. I'm hopeful that won't happen again even though the threshold is higher because of the voter turnout in the last general election. We feel very confident that we'll be able to have those petitions and have the required number of valid signatures.

SENATOR DAVIS said she was sure that they would get enough signatures. She said she plans to push her bill as a separate bill when the legislature goes back into session because regardless of what's going on.

MR. FREY said he appreciated that and he hoped the legislature would take each of the three issues seriously.

SENATOR LEMAN said when they did the analysis on the escalator clause, the Michael Boskin study of several years ago showed that the CPI actually overstated inflation by 1.1% because of changes in buying habits. He asked why the CPI was used for the escalator rather than something that might be more technically accurate as a measure of the cost of increase.

MR. FREY replied that in his years of negotiations with contracts of every kind, the CPI has been the accepted standard within both labor and management as a tool even though methodology has changed. "It wouldn't matter to me which gage was used as long as it was fairly reflective of the cost of living...CPI is recognized as an industry standard right now, for lack of a better definition."

SENATOR LEMAN said that he thought their efforts at working on economic opportunities on the coastal plain of ANWR would achieve more for workers doing than this bill, which in reality affects very few people.

There are more important things we could be doing with the same amount of effort...The reality is that we need more opportunities in Alaska for more people to be working so that this state can be more than just a place for people to come and look at us.

MR. FREY said he appreciated his remarks and he met with Senator Stevens in Washington D.C. on encouraging the Democratic leadership in the Senate to allow an energy bill to be voted on.

He added regarding Mr. Peterson's remarks, that one major employer in this state hires young people under a union contract and it's Carrs grocery stores, but he didn't think the legislature would want to get into labor management negotiations.

You have so many other things you have to deal with. Comments like Mr. Peterson made are very fair. It's not fair to end up with a \$0 check. I couldn't agree with him more, but I think it's more appropriate that the union and management of whatever company it was hear those same comments...If they recognize it and deal with it, it's more appropriate than the legislature involving itself in labor and management decisions like that.

CHAIRMAN PHILLIPS asked how many signatures he needed.

MR. FREY replied a few more than 28,000 signatures were needed and they have at least that many right now. They are trying to get a margin.

CHAIRMAN PHILLIP asked what his feelings would be if the legislature drafted an exemption for under 18 year olds to pay union dues in a minimum wage bill.

MR. FREY replied that they have many members who are under 18 years old, kids who work with their parents for instance, in construction. He didn't think it was appropriate for the legislature to do anything there. He said there would be a lot of resistance to the concept.

CHAIRMAN PHILLIPS asked what the unions would do if they get a request from individual groups of people to exempt their children under 18.

MR. FREY replied that there wouldn't be just a simple exemption. The Laborers Union...

TAPE 01-29, SIDE B

MR. FREY said they provide flexibility with contractors and employers who they deal with with a sense of fairness to those people who may not be making a construction wage and may not be working full time. Every union has a concern about the kind of example Mr. Peterson just brought up. "If they realize it is a problem, they will deal that."

CHAIRMAN PHILLIPS said this would probably come up as a public policy issue if the legislature deals with the minimum wage issue.

MS. KAREN RUIGINO (ph), Alaska Hospitality Alliance, said she represented the Alaska Restaurant and Beverage Association and the Alaska Hotel and Motel Association. She opposed any minimum wage increase, but preferred that the issue go through the legislative process rather than the ballot initiative process because the general public is largely unaware of the negative impacts of minimum wage increases. Their opposition is based on the following reasons:

A minimum wage increase hurts those employees that it's intended to help. Someone earlier said that the main goal is to help the employee. Every time the minimum wage increases, the employers are faced with having to offset the significant increase to their costs. I am speaking specifically on the food and beverage and hotel side of the business.

In the restaurant industry, profit margins average three to five percent, which doesn't leave much room to absorb a minimum wage increase. So, since profit margins are slim, employers will reduce the benefits to their employees such as vacation pay or health insurance or they reduce the number of employees or cut their hours. It's actually disabling the work force.

We just heard earlier that 98 percent of minimum wage earners are teenagers or tipped employees, so there's very few people who are actually earning minimum wage without either gaining valuable work experience, as is the case of teenagers, or they are tipped employees whose average with tips includes \$12 - \$15 per hour when you include tips with their wage.

The other thing about tipped employees is that it already includes a natural cost of living indexing because as the cost of living increases, menu prices are rising at a higher rate than the cost of living. So, this year for example, menu prices are rising at a

rate of 3.1 percent while inflation is rising at a rate of 2.7 percent. So, as restaurateurs increase their prices, tips are based on the menu total check, so the tip goes up. So, you have a natural CPI indexing right now. A very small percent are primary wage earners in a household and that's really a misnomer that the general public thinks that it's a divorced mother with three children trying to earn a living. It really isn't. It's teenagers earning valuable work experience and it is tipped employees who are earning well over the minimum wage.

Federal law recognizes tips as wages. The employees that make tips pay federal income tax on them. We're one of only three states that does not recognize tips as wages. We believe that state law should also recognize tips as wages. We would be interested in perhaps something that allowed for a conditional tip credit where if an employee earned less than \$8 or \$9 with tips, that they would be subject to a minimum wage increase. If they earned with tips over \$8 or \$9, then their tips would be included and the employer would not need to be giving them a minimum wage increase. So that would mean that those employees that are just making a few dollars in tips that they would have the opportunity to get the minimum wage increase.

Finally, we do believe that if the state is going to be putting something forward to help the employees that are making minimum wage, with the labor market that we have today, we believe that money should be dedicated toward training these people so that minimum wage becomes as largely as it is now an entry level wage. So these employees are better equipped to deal and contribute to the labor market and grow into a more challenging position.

SENATOR LEMAN asked if she had done any analysis on what the impacts would be on either the governor's proposal or the initiative, which is comparable in terms of loss of jobs for people at this minimum wage level.

MS. RUIGINO replied that they didn't have any numbers for the state of Alaska, but there were national numbers on the impact to the hospitality industry of minimum wage increases. She said she could get those numbers for the committee.

SENATOR LEMAN said he would appreciate that and asked if she had any idea of what percentage of minimum wage earners worked in

those industries.

MS. RUIGINO replied that they hadn't been able to get those numbers from the Department of Labor. She heard earlier that 98 percent of people getting minimum wage are teenagers. "From what we can gather, the other percent are a very high percent of minimum wage earners are tipped employees. The Department of Labor has been unable to furnish us with information on who or how many or what percent of the workforce is actually earning a bare minimum wage. Even dishwashers and bus people, because of the labor shortage, are being hired either at minimum wage and escalated within weeks or they are hired above minimum wage well over the 50 cents above minimum wage today.

CHAIRMAN PHILLIPS said he assumed that the proponents of this legislation would secure their signatures and the legislature would be faced with one or two decisions as public policy. He asked them to take a good look at this initiative and let the committee know what their bottom lines are.

MS. RUIGINO said she could provide that. She also said that the hospitality industry is looking at a bigger picture or impacts to the bottom line of business owners:

With minimum wage increases proposed on the state level and the federal level, unemployment tax increases, a proposed 300 percent liquor excise tax increase; there's proposed bed taxes and every year we're looking at in the hotel industry, there's a proposed head tax on the cruise ship industry that decreases the occupancy statewide, decreasing funding from the State of Alaska for tourism marketing and terrorism impacts. That is the impact on the hospitality industry of the events of the last several weeks. Next to the airline industry, the hospitality industry has been impacted the most with recent acts of terrorism...

She said that the minimum wage increase is one small item in a large picture that is threatening to cripple the industry.

SENATOR DAVIS asked her to elaborate on the training for employees that she mentioned earlier. From her standpoint, she thought her industry should do on the spot training, but she didn't know what incentives the legislature could provide to them for incentives to help them increase that. She thought employers should be doing that ongoing.

MS. RUIGINO said she understood in the past that the unemployment insurance fund is very large and it has been suggested that money from that could go toward a work opportunity credit. Employers

certainly understand that they need to be providing on the job training and also that less experienced teenage workers require more on the job training. Some kind of work opportunity credit would provide employers with resources to invest more training in workers.

MR. RICHARD BENAVIDES, Staff to Senator Davis, said he wanted to bring up some new information. He explained that in SB 132, the minimum wage would remain at 50 cents an hour above any changes to the federal minimum wage, at least for the remainder of 2001 and then it would increase to \$6.40 an hour on January 1, 2002. It would increase to \$6.90 on January 3, 2003.

He said if you make \$5.65 per hour for a 52 week year, you would make \$10,848 or approximately \$7,000 under the federal poverty level if you are a single parent with two kids. This makes things much more difficult along with the cuts to the food stamp and other assistance programs.

He said that people who deliver car parts, for instance, for different kinds of warehouses, get minimum wage and don't get tipped. Also, if you're working at a smaller restaurant, you don't get the same kind of tips you get working at the Captain Cook or some other place where meals are more. He said that living on tips is a hit and miss kind of thing.

In 1999 in the State of Alaska, approximately 47,000 men, women and children were earning minimum wage incomes. "The bulk of those people making minimum wage were above the age of 20."

MR. BENAVIDES said there was the argument that any increase would hurt entry level workers, but there was a study in 1998 at Princeton University that found that higher wages actually resulted in better motivated more stable workers with higher productivity levels and lower turnover rates. Another study looked at how many people lost their jobs due to having higher costs for employees, but they found that was a very minimum impact. He said:

It depends on the industry. Obviously, if things are going well, it doesn't matter if you're paying \$5.65 or \$7.75, if your restaurant is doing well, you're going to need more people to work there and you'll pay them, because you're making more money anyway. If your restaurant is not making money, you're going to cut back. It doesn't matter what the wages are that you're giving those people..

SENATOR LEMAN said the numbers he is reporting are different than what Ms. Gamez and others reported. He said there is an exemption

in the minimum wage law for certain people involved in agriculture. He asked if he was including everyone in the exempt category as well.

MR. BENAVIDES deferred to Ms. Gamez, but his study said specifically minimum wage and it was from the Department of Labor.

MS. GAMEZ said she would follow up on that for the committee. She also needed to get with Ms. Ruigino to find out who she was dealing with and get her the information she requested.

SENATOR LEMAN asked her to separate her numbers into minimum wage earners to which the law applies and those who may be minimum wage earners that the law doesn't apply to, like a baby sitter or whatever the exemptions allow for.

MS. GAMEZ said she would work on getting everyone the same information. She wanted also to talk with Ms. Ruigino about worker opportunity tax credits that exist primarily for welfare recipients and unemployment insurance training that she may be able to take advantage of.

CHAIRMAN PHILLIPS asked if there was anyone else who wanted to testify about the minimum wage issue. There was no response and he held the bill.

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#SB 189

SB 189-MOTOR VEHICLE SALES AND DEALERS

CHAIRMAN PHILLIPS announced SB 189 to be back before the committee. He asked if there was anyone who wanted to testify on it and there was no response. He set the bill aside.

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CHAIRMAN PHILLIPS said that the mortgage bankers were working on draft legislation. He declared a perceived conflict of interest because he works for a major mortgage company, although they have nothing to do with this.

MS. JAN JONES, Director, Housing Counseling, Consumer Credit Counseling Service of Alaska, said she had seen a distinct increase over the past couple of years in predatory lending or taking advantage of underserved populations - senior citizens, people that are not as sophisticated a home buyer as they might be and putting them into loans that are designed to take their equity and make them fail. She said:

There is a market in Alaska for sub prime lending, which is loans offered to borrowers that may not have

the best credit rating. There is a very fine line when it becomes sub prime lending and when it becomes predatory lending. I think we need to look at the fees they are allowed to put into the loan up front, the addition of prepayment penalties which are added into these loans and the requirement or strong suggestion that these loans be refinanced again in two years or the interest rate is going to go up, because it's now an adjustable rate mortgage with a minimum interest rate of 13. something.

I did a scenario on one yesterday and when I mapped it out as an A paper loan versus a predatory lending loan, the person would have come out of a \$135,000 mortgage with \$7,000 of money on this home equity loan. It would have cost them over \$19,000 to get that. And that is what I'm seeing and I think there is a definite need for two things to happen, education to the consumer and some kind of beefing up of the laws and statutes that we already have in place to allow our government agencies to enforce the rules that we have.

We have a law that says prepayment penalties are against the law in Alaska, but try to enforce it. There's no teeth. The other thing I think would be a very good idea is to license our loan originators. There are people out there and I was approached by one yesterday and asked to lie, flat out lie, that this client had been paying us for two years, when in fact they had been paying us on a debt management plan for 18 months. To me, that's unethical behavior and licensing would curb it.

Licensing the individual rather than the mortgage company themselves would allow us better tracking of the person's behavior, because I don't believe that in all instances it is the company. It is the loan originator.

CHAIRMAN PHILLIPS asked her to explain what a loan originator does.

MS. JONES replied that she was not aware of all of the aspects of that and hadn't been one herself.

SENATOR DAVIS asked if they have to have a license to do that.

MS. JONES answered that they don't.

CHAIRMAN PHILLIPS said he was aware of the problems she was talking about.

MS. JONES said:

It is a very heart breaking industry when that happens. I am looking at one senior citizen right now that had her home on the market to sell it, was approached by a mortgage broker in this town, put into a home loan that was more than her monthly income, period, and then was charged a \$7,000 commission on top to the commission that the loan originator paid to the mortgage broker. Now, if she wasn't set up to fail, I don't know who was.

She said they could read about predatory lending in the August issue of Alaska Journal of Commerce.

SENATOR DAVIS said she had read about this problem in the Lower 48, but she didn't realize it was a problem up here. She thought they should definitely look into this issue.

CHAIRMAN PHILLIPS said he needed to get something from the Alaska Mortgage Bankers Association so they could get going.

MS. JONES said that they were approached last week to add the FBI. She said the next meeting of her committee was on November 8 and they will be having reports on education and legislation.

CHAIRMAN PHILLIPS said he wanted to close the loophole of the prepayment penalty as he is seeing a lot of that creeping in now.

MS. JONES agreed saying she had seen six months of interest as a prepayment penalty minimum and it's set up to be the first two to three years of that loan. "So, you have to pay that in addition to the exorbitant closing costs that go along with it and the higher interest rate."

She said they were investigating model legislation from Ohio, South Carolina and California.

MR. JOHN BITNEY, Legislative Liaison, Alaska Housing Corporation, supported Ms. Jones comments on predatory lending. He said they ran into these issues a lot. He emphasized that the committee should look at disclosure requirements and that sort of thing. In other words, when folks go into sign a loan, that there be some understanding exactly what all has gone into that loan, what all the fees are and why. He said they are not involved in any predatory lending and are heavily involved in homebuyer education classes.

MS. JONES also said that the predatory lenders refuse to pay taxes and insurance. So, as soon as the borrower gets a delinquent notice, they foreclose.

CHAIRMAN PHILLIPS asked if there was any further testimony on any of the issues and there was no response. He adjourned the meeting at 11:45 p.m.