

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 23, 2011

3:27 p.m.

MEMBERS PRESENT

Representative Craig Johnson, Vice Chair
Representative Mike Chenault
Representative Dan Saddler
Representative Steve Thompson
Representative Lindsey Holmes
Representative Bob Miller

MEMBERS ABSENT

Representative Kurt Olson, Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 188

"An Act relating to the interest that may be charged by express agreement."

- MOVED OUT OF COMMITTEE

HOUSE BILL NO. 122

"An Act relating to naturopaths and to the practice of naturopathy; establishing an Alaska Naturopathic Medical Board; authorizing medical assistance program coverage of naturopathic services; amending the definition of 'practice of medicine'; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 188

SHORT TITLE: INTEREST RATES

SPONSOR(s): LABOR & COMMERCE

03/10/11	(H)	READ THE FIRST TIME - REFERRALS
03/10/11	(H)	L&C
03/23/11	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KONRAD JACKSON, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 188 on behalf of the sponsor, the House Labor & Commerce Standing Committee, Representative Kurt Olson, Chair.

LORIE HOVANEC, Director
Anchorage Office
Division of Banking and Securities
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 188.

DAVE SOMERS, Legislative Chair
Alaska Association of Realtors
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 188.

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General
Commercial/Fair Business Section
Civil Division (Anchorage)
Department of Law (DOL)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 188.

ACTION NARRATIVE

[3:27:49 PM](#)

VICE CHAIR CRAIG JOHNSON called the House Labor and Commerce Standing Committee meeting to order at 3:27 p.m. Representatives Johnson, Saddler, Thompson, Chenault, Miller, and Holmes were present at the call to order.

HB 188-INTEREST RATES

[3:28:04 PM](#)

VICE CHAIR JOHNSON announced that the only order of business would be HOUSE BILL NO. 188, "An Act relating to the interest that may be charged by express agreement."

[3:28:29 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the House Labor & Commerce Standing Committee, chaired by Representative Kurt Olson, stated HB 188 would increase the maximum interest rate on a small loan of \$25,000 or less. The rate would change from the current rate of 5.75 percent to an amount equal to the greater of 10 percent, or five percent above the 12th Federal Reserve District interest rate. He referred to a handout in members' packets titled "Federal Reserve Bank of San Francisco" that lists a history of interest rates. In 1981, the last time this provision was addressed, the Federal Reserve rate was 15 percent. He explained that the current interest rate is 0.75 percent and the maximum interest allowed is 5.75 percent. He further explained that individuals are somewhat limited to carry a note due to the low interest rate. This bill would raise that rate to a more reasonable number, which in turn may spur sales. He advised that the sponsor was not aware of any opposition to the bill.

[3:30:52 PM](#)

VICE CHAIR JOHNSON related his understanding that this bill would not affect the interest rate on a bank loan or credit card. He offered his belief that HB 188 relates to individual person-to-person loans and non-institutional loans.

MR. JACKSON answered yes. He stated this question was raised earlier. However, this bill does not relate to credit cards, which are addressed in another chapter of Alaska statutes. He explained that this bill is limited to individual loans of \$25,000 or under. This bill would not apply to larger loans, he said.

[3:31:58 PM](#)

VICE CHAIR JOHNSON asked whether this bill would apply to "advance pay" loans, just to be clear for the record.

MR. JACKSON agreed it does not apply to credit unions or other types of loans such as "advance pay" loans.

[3:32:10 PM](#)

REPRESENTATIVE SADDLER asked for the definition of the meaning of the term "express" agreement.

LORIE HOVANEC, Director, Anchorage Office, Division of Banking and Securities, Department of Commerce, Community & Economic

Development (DCCED) clarified she is not speaking as an attorney. She answered that the definition of express agreement is defined as something that is written.

[3:33:23 PM](#)

REPRESENTATIVE CHENAULT asked whether anything in HB 188 would set a time limit on the length of loan terms.

MR. JACKSON answered that the terms would be determined between the borrower and the individual. This bill would make a minor change in statute. This specific provision in statute does not pertain to time lines on loans.

[3:33:55 PM](#)

REPRESENTATIVE SADDLER asked who would track the loans.

MR. JACKSON related his understanding that the loans are between individuals so he was unsure of who would track the loans.

MS. HOVANEC answered that the Division of Banking and Securities does not track or regulate individual loans between individuals.

[3:35:12 PM](#)

REPRESENTATIVE SADDLER asked how the state would regulate and track these loans.

MR. JACKSON related that the only change is in the interest rate so the same question would pertain to existing law. He explained that he was not aware of anyone who would track loans between individuals.

VICE CHAIR JOHNSON pointed out that individuals would have civil recourse options.

MR. JACKSON agreed.

[3:36:37 PM](#)

DAVE SOMERS, Legislative Chair, Alaska Association of Realtors, stated he has over 25 years experience as a broker. He explained that a number of transactions occur in which a buyer and seller are does not aware of this provision in statute. He did not have specific numbers of these types of loans for the committee. However, he related that abundant land parcels are

available in Fairbanks and North Pole areas with lots ranging in price from \$10,000 to \$25,000. He was uncertain how many transactions exceed the 5.75 percent interest rate, but he believed the current average interest rate for owner financing buyers have mentioned ranges from 6.5 to 8 percent. He stated that figure tends to float with the general rates of the market. He offered his belief that some of these sales do not happen since title companies will not close on the low interest transactions, such as land sales in Homer. He said that the statutory interest rate limit of 5.75 percent does not serve to protect people but inhibits their ability to sell real estate. He related that the sellers often do not want to enter into long-term contracts with the rate that low. In response to Vice Chair Johnson, Mr. Somers answered that the Alaska Association of Realtors fully supports HB 188.

[3:38:46 PM](#)

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Anchorage), Department of Law (DOL), said the Department of Law does not have any concerns with HB 188.

[3:39:03 PM](#)

VICE CHAIR JOHNSON, after first determining no one else wished to testify, closed public testimony on HB 188.

[3:39:16 PM](#)

REPRESENTATIVE THOMPSON moved to report HB 188 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 188 was reported from the House Labor and Commerce Standing Committee.

[3:40:10 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:40 p.m.