

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

May 2, 2024

1:34 p.m.

MEMBERS PRESENT

Senator Forrest Dunbar, Chair
Senator Elvi Gray-Jackson
Senator Jesse Bjorkman

MEMBERS ABSENT

Senator Donald Olson, Vice Chair
Senator Cathy Giessel

COMMITTEE CALENDAR

SENATE BILL NO. 264

"An Act relating to loans in an amount of \$25,000 or less; relating to the Nationwide Multistate Licensing System and Registry; relating to deferred deposit advances; and providing for an effective date."

- MOVED SB 264 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 264

SHORT TITLE: LOANS UNDER \$25,000; PAYDAY LOANS

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

04/26/24	(S)	READ THE FIRST TIME - REFERRALS
04/26/24	(S)	CRA
04/30/24	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)
04/30/24	(S)	Heard & Held
04/30/24	(S)	MINUTE (CRA)
05/02/24	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

ANDY BARTEL, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 264.

LORI PICKETT, Executive Director

Alaska Literacy Program
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 264.

CORT WALKER, Vice President
Product and Risk
Check City
Provo, Utah

POSITION STATEMENT: Testified in opposition to SB 264.

TIM SULLIVAN, President
Alaska Credit Union League
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 264.

SCOTT PEARSON, representing self
Los Angeles, California

POSITION STATEMENT: Testified with concerns about SB 264.

PATRICK BRENNER, President
Southwest Public Policy Institute
Rio Rancho, New Mexico

POSITION STATEMENT: Testified with concerns about SB 264.

MARGE STONEKING, State Advocacy Director
The American Association of Retired Persons (AARP)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 264.

JOSEPH RUBIN, Director
Public Policy and Communications
Opportunity Financial
Chicago, Illinois

POSITION STATEMENT: Testified with recommendations for SB 264.

ACTION NARRATIVE

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CHAIR FORREST DUNBAR called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Gray-Jackson, Bjorkman, and Chair Dunbar.

SB 264-LOANS UNDER \$25,000; PAYDAY LOANS

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CHAIR DUNBAR announced the consideration of SENATE BILL NO. 264 "An Act relating to loans in an amount of \$25,000 or less; relating to the Nationwide Multistate Licensing System and Registry; relating to deferred deposit advances; and providing for an effective date."

This is the second hearing of SB 264 in the Senate Community and Regional Affairs Committee. The intention is to re-open public testimony.

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CHAIR DUNBAR opened public testimony on SB 264.

CHAIR DUNBAR noted that SB 264 picked up a positive fiscal note and would have a positive fiscal effect.

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ANDY BARTEL, representing self, Anchorage, Alaska, testified in support of SB 264. He stated that the Alaska Conference of The United Methodist Church, representing a diverse political spectrum, unanimously supported HB 145, the companion bill to SB 264. He quoted the church's resolution emphasizing the need for banking regulations to prevent predatory lending that traps people in cycles of debt and stated that SB 264 addressed this issue. He argued that payday lending extracted millions from Alaska's most impoverished citizens despite the availability of small-dollar loan alternatives from Credit Union One, Spirit of Alaska Credit Union, and Wells Fargo. He cited South Dakota's enactment of a similar 36 percent cap, which saved residents \$81 million annually in fees, and urged legislators to pass SB 264 and HB 145 to protect Alaska's most vulnerable citizens.

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LORI PICKETT, Executive Director, Alaska Literacy Program, Anchorage, Alaska, testified in support of SB 264. He stated that the Alaska Literacy Program serves individuals who often struggle to access traditional banking, making them vulnerable to high-risk lenders. She noted that rising inflation, high housing costs, and the end of the Affordable Connectivity Program leaves many hardworking families with little to no disposable income, limiting their options in emergencies. She shared a personal experience of loaning her babysitting savings to her single mother to avoid debt from unexpected expenses, emphasizing that many families lack a financial safety net. She said she supports SB 264 to establish clear guidelines and manageable interest rate caps, preventing families from losing their homes due to minor financial crises.

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CORT WALKER, Vice President, Product and Risk, Check City, Representative, Provo, Utah, testified in opposition to SB 264, stating he represents Check City and is testifying on behalf of InFin, a national trade association for the community financial services industry. He argued that while SB 264 is presented as consumer-friendly, it would effectively prohibit licensed short-term lending in Alaska, driving borrowers to unregulated offshore lenders. He stated that similar legislation in other states led to the closure of legitimate lenders, leaving consumers with fewer borrowing options. He emphasized that licensed lenders follow Alaska's existing regulations, evaluate borrowers' ability to repay, and have a strong incentive to ensure successful repayment, citing the Consumer Financial Protection Bureau's 2024 report, which recorded only one complaint against lenders in Alaska in 2023.

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TIM SULLIVAN, President, Alaska Credit Union League, Anchorage, Alaska, testified in support of SB 264. He stated that the Alaska Credit Union League is comprised 10 credit unions operating in Alaska. Nine are headquartered in the state. He expressed the league's support for SB 264 and urged the committee to consider the companion bill, HB 145. He noted one concern about the inclusion of fees in calculating loan costs and the annual percentage rate in Section 9 but otherwise fully supports SB 264.

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SCOTT PEARSON, representing self, Los Angeles, California, testified with concerns about SB 264. He stated that he leads the Consumer Financial Services practice at Manatt, Phelps and Phillips, a national law firm based in Los Angeles, but is testifying in a personal capacity rather than on behalf of his firm or clients. He expressed concern that bills like SB 264, which are spreading nationwide, often have unintended consequences. He said he did not wish to address the aspect of rate cap, but specifically opposes the bill's language restricting fintech and non-bank partnerships with banks, arguing that it would limit access to credit in Alaska. He explained that banks play an active role in such partnerships, ensuring regulatory oversight, and warned that restricting these relationships would make it harder for underbanked and unbanked individuals to obtain credit.

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PATRICK BRENNER, President, Southwest Public Policy Institute, Rio Rancho, New Mexico, testified with concerns about SB 264. He stated that similar legislation to SB 264 was enacted in New Mexico in January 2023 to address alleged predatory lending but had failed to deliver its intended benefits. He explained that traditional banks and credit unions had not filled the void left by short-term small-dollar lenders, limiting credit access for consumers. To test the real-world impact, he applied for small-dollar loans at major banks and 15 credit unions in New Mexico, finding that most banks declined his application, and only two credit unions approved loans after a lengthy and complex process. He emphasized that the process was unfeasible for those in urgent need, harmed his credit score by over 100 points due to multiple inquiries, and ultimately increased his borrowing costs. He urged the committee to recognize these unintended consequences, particularly for those grappling with financial vulnerabilities, before advancing SB 264.

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MARGE STONEKING, Advocacy Director, The American Association of Retired Persons (AARP), Anchorage, Alaska, testified in support of SB 264. She stated that AARP is committed to protecting the financial resilience of older adults and urged support for SB 264 to extend the same 36 percent maximum interest rate protections granted to active-duty military under the Federal Military Lending Act. She explained that high-cost installment loans are particularly harmful to older borrowers, who have fewer options to recover from debt, often relying on fixed incomes from Social Security, pensions, or veteran disability payments. She noted that payday lenders target these individuals, leading to cycles of repeat borrowing with severe financial consequences. She thanked the committee for introducing the bill and expressed AARP Alaska's strong support for SB 264 to protect consumers from predatory lending.

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JOSEPH RUBIN, Director, Public Policy and Communications, Opportunity Financial, Chicago, Illinois, testified with recommendations for SB 264. He stated that he works for a fintech company that partnered with community banks to provide loans to subprime consumers and facilitated a significant number of loans in 2023, receiving strong consumer ratings. He noted that many borrowers expressed gratitude, stating that no other lender was willing to help them. He explained that his company operates Turn Up, a program sending loan applications to banks and lenders who testified in support of SB 264, but only 2 percent of applicants were approved, indicating that alternative

lenders were unlikely to fill the gap. He cautioned that SB 264 would negatively impact not just payday loans but also small business loans, and he urged the legislature to find a way to ensure continued access to credit without predatory practices.

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CHAIR DUNBAR closed public testimony on SB 264.

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CHAIR DUNBAR solicited the will of the committee.

[1:57:07 PM](#)

SENATOR GRAY-JACKSON moved to report SB 264, work order 33-LS1575\A, from committee with individual recommendations and attached fiscal note(s).

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CHAIR DUNBAR found no objection and SB 264 was reported from the Senate Community and Regional Affairs Standing Committee.

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There being no further business to come before the committee, Chair Dunbar adjourned the Senate Community and Regional Affairs Standing Committee meeting at 1:57 p.m.