

HOUSE FINANCE COMMITTEE
May 9, 2025
1:59 p.m.

[1:59:15 PM](#)

CALL TO ORDER

Co-Chair Schrage called the House Finance Committee meeting to order at 1:59 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Jamie Allard

ALSO PRESENT

Senator Forest Dunbar, Sponsor; Brodie Anderson, Staff, Representative Neal Foster; Arielle Wiggin, Staff, Senator Forrest Dunbar.

PRESENT VIA TELECONFERENCE

Andrew Kushner, Senior Policy Counsel, Center for Responsible Lending, Oakland, California; Claire Lubke, Economic Justice Lead, Alaska Public Interest Research Group; Robert Schmidt, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development; Tracy Reno, Chief of Examinations, Division of Banking and Securities, Department of Commerce, Community and Economic Development.

SUMMARY

CSSB 39 (FIN)

LOANS UNDER \$25,000; PAYDAY LOANS

CSSB 39 (FIN) was HEARD and HELD in committee for further consideration.

CSSB 57 (FIN)

APPROP: CAPITAL/FUNDS/REAPPROP

HCS CSSB 57 (FIN) was REPORTED out of committee with six "do pass" recommendations, two "do not pass" recommendations, and two "no recommendation" recommendations.

Co-Chair Schrage reviewed the meeting agenda.

#sb57

CS FOR SENATE BILL NO. 57 (FIN)

"An Act making appropriations, including capital appropriations and other appropriations; making reappropriations; making appropriations to capitalize funds; and providing for an effective date."

[2:00:08 PM](#)

Co-Chair Schrage asked for a motion on the bill.

Co-Chair Foster MOVED to REPORT HCS CSSB 57 (FIN) out of committee with individual recommendations.

Co-Chair Schrage OBJECTED for discussion. He reviewed the work the committee had done on the bill. He elaborated that the primary changes to the bill were to address deferred maintenance. The committee added \$19 million for school major maintenance grants to fund the top nine projects on the Department of Education and Early Development (DEED) major maintenance list, \$1.35 million to fund Mt. Edgecomb's top deferred maintenance project, \$10 million for statewide deferred maintenance, \$5 million for University of Alaska deferred maintenance, and \$750 thousand to Judiciary for building maintenance. In addition, the grant amount for the Alaska Travel Industry Association (ATIA) was increased by \$2.5 million, and \$53 million in receipt authority for the University of Alaska Fairbanks (UAF). He noted that the committee made a \$730 thousand reduction in UGF, bringing the total to \$161 million in UGF; a roughly 45 percent reduction from the

governor's request. There were no additional Capital Project Submission and Information System (CAPSIS) projects added to the budget. Therefore, no legislators' projects were funded in recognition of that state's fiscal challenges. Lastly, the most recent committee substitute (CS) of the bill included fiscal year 25 Capital Budget items and two fiscal notes for bills with capital budget impacts.

Co-Chair Schrage WITHDREW the OBJECTION

Representative Johnson OBJECTED.

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AT EASE

[2:03:30 PM](#)

RECONVENED

Representative Johnson explained that she would be a no vote due to the inclusion of a fiscal note that included the Hilcorp loophole S corporate tax.

Co-Chair Schrage noted that inclusion of the fiscal notes did not imply support or opposition to the bills and were included in coordination with the Legislative Finance Division and were contingent upon passage of the bills.

Representative Johnson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Galvin, Jimmie, Josephson, Foster, Schrage

OPPOSED: Stapp, Johnson, Bynum, Tomaszewski

The MOTION PASSED (6/4).

HCS CSSB 57(FIN) was REPORTED out of committee with six "do pass" recommendations, two "do not pass" recommendations, and two "no recommendation" recommendations.

[2:05:06 PM](#)

AT EASE

[2:09:31 PM](#)

RECONVENED

#sb39

CS FOR SENATE BILL NO. 39 (FIN)

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

[2:09:47 PM](#)

Co-Chair Foster noted the committee heard invited testimony during the morning meeting [May 9, 2025, 9:10am]. He asked to hear an introduction of the bill from the sponsor.

SENATOR FOREST DUNBAR, SPONSOR, provided a review of the bill. The legislation capped payday loan annual percentage rates at 36 percent aligning with the federal cap that already protected active duty service members and their families. He noted that the House had passed the bill in the previous year with broad bipartisan support with a vote of 37 to 2 and every member that was still in the committee or House in the current session voted for the bill. He informed the committee that SB 39 included two additions from the previous year. He delineated that the bill brought Alaska in line with Alaska's existing Small Loans Act that applied to most other short-term loans. Despite the service Members' Civil Relief Act, a Texas study discovered that 45 percent of veterans had used payday loans compared to 7 percent of the general population. The loans, often marketed as quick solutions, had interest rates with an average of over 421 percent according to the Alaska Public Interest Research Group and trapped borrowers in cycles of debt. The payday loan business model depended on repeat borrowing and nationally 75 percent of payday loan fees were derived from borrowers who took out an average of 10 loans per year. The average Alaskan borrower took out 5 loans per year. The loans did not build credit and often worsened financial instability and increased bankruptcy rates. He reported that from 2017 to 2022 payday lenders garnished over \$3.7 million from Permanent Fund Dividends (PFD). The majority of plaintiffs in small claims court were from out of state. The vast majority of payday lenders were out of state online vendors. He cited a study ["Do Payday Loans Cause Bankruptcy?" October 20, 2010] (copy on

file) in members' bill packets that demonstrated individuals who qualified for the loan went bankrupt at a much higher rate than those that did not qualify. He summarized that the bill closed the loophole allowing operators to operate outside of Alaska's laws and included a non-invasion clause to ensure out-of-state online lenders were held accountable. Nineteen other states, including Nebraska, South Dakota, and Montana passed similar laws. No state that had imposed the cap had elected to repeal the law. He referenced the argument that without the payday lending option individuals would have no other place to go. He shared that traditional lenders and community groups had stepped up to offer relief. The reform yielded positive results in the states that adopted the measure.

Co-Chair Foster asked his staff to review the fiscal note.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the published fiscal note from the Department of Commerce, Community and Economic Development (DCCED) (FN2(CED) dated April 9, 2025, allocated to Banking and Securities. He reported that the fiscal note reflected zero operating costs in FY 26 but showed a change in revenue of \$19.5 thousand in lost revenue, half of the \$39 thousand due bi-annually to the bi-annual licensure. He indicated that the Legislative Finance Division pointed out that the Division of Banking and Securities provided \$18 million in annual revenue.

Co-Chair Foster reviewed individuals available online for questions.

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Representative Galvin thanked the bill sponsor and recognized the importance of the bill. She discerned that \$19 thousand seemed fairly irrelevant when considering the data indicating 47 percent of the loan users were veterans and many ended up in bankruptcy and likely in need of state services like housing vouchers. She described the bill as cost neutral and advantageous by decreasing bankruptcies and consequently, dependence on government services. Senator Dunbar agreed with Representative Galvin's assessment. He clarified that the data showed 45 percent of veterans in a Texas study of loan users were veterans; they did not have the data for Alaska. He suggested that the earlier testifier from the Alaska Public Interest Research

Group, [Claire Lubke, Economic Justice Lead, Alaska Public Interest Research Group] speak to the connection between the need for government services and bankruptcy in connection with payday loans. He mentioned hearing prior Senate public testimony from many pastors supporting the bill because they saw the deleterious impact on their congregation.

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Representative Stapp thanked the bill sponsor. He asked what the difference in the percentage of loans was between a veteran and an active duty service member. Senator Dunbar agreed the topic could be a bit confusing. He explained that there was a federal law specifying that predatory types of loans could not be marketed to active duty service members or their families. Once a person was a veteran, the federal law no longer applied therefore, the percentage applied to veterans. He emphasized that veterans utilized the loans at a higher rate than non-veterans. He viewed the bill as extending the protection for active duty military that the federal government deemed was essential to everyone in the state. Representative Stapp noted the bill packets included several opposition letters. He mentioned the Southwest Public Policy Institute (SPPI) letter stating that alternative lending sources were largely unavailable to consumers, specifically low income and unbanked, and passing the law would cut people off from available lending. He read an excerpt from the letter:

Similarly, our research into credit union lending shows that Payday Alternative Loans (PALs) are largely unavailable to the consumers they are supposed to serve. We tested 15 credit unions in New Mexico, and 86% either denied membership..

Senator Dunbar answered that the primary objection was from the payday lenders or organizations they pay, and the same objections were raised in every state that passed the legislation. However, it had not been the case in other states with the law. He mentioned letters of support from financial institutions that indicated there were financial products available and also from non-profits. He voiced that the fiscal evidence showed that the individuals who used payday loans were left in a worse financial position than prior to taking out the payday loan. He referenced research done from AKPIRG that supported his statements. He

deferred to Andrew Kushner, [Senior Policy Counsel] from the Center for Responsible Lending, who testified during the earlier meeting, for more detail.

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Representative Stapp was curious what the rebuttal to the arguments from those in opposition were. He read further from the SPPI letter;

In states like Illinois, where similar legislation has been enacted, the data confirms this outcome. Consumers report increased difficulty in managing financial emergencies, and many have been pushed into higher-cost alternatives that ultimately worsen their financial standing.

ANDREW KUSHNER, SENIOR POLICY COUNSEL, CENTER FOR RESPONSIBLE LENDING, OAKLAND, CALIFORNIA (via teleconference), communicated that in general, he agreed with everything Senator Dunbar had stated. He related that the harm outweighed any benefits from the products and put people in further jeopardy. He informed the committee that since 2020, there were new products on the market that were options for individuals in need that would otherwise turn to payday loans. Many mainstream banks offered small dollar loan products that were repaid in installments over time versus a balloon payment due in two weeks through payday loans. He mentioned the American Fintech Council (a trade group that represented innovative lenders) offered products and had been supportive of the legislation. He referenced the Illinois situation and reported that payday industry backed studies cherry picked data to create a bias in their point of view. He pointed out that no state that adopted the law rescinded it, in part due to the new financial products.

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Representative Stapp relayed that he was not a fan of payday loans or loans from subprime creditors because he believed they set people up for failure. He reiterated a similar argument made in opposition to the bill that "Alaskans had the highest average credit card balance and the second highest credit card utilization rate in the country." The conclusion was if the financial product was outlawed, the individuals would not be able to pay their

bills. Mr. Kushner responded that someone who was heavily indebted with credit card or other debt was exactly the individual at the most risk from payday loans. He felt that the statements indicated that Alaska borrowers were especially vulnerable. He elaborated that credit card debt was a major problem in the United States (U.S.) with interest rates of 30 to 32 percent; payday loans were over 300 percent or higher over the period of a year due to repeat borrowing. He observed that it did not make sense for someone struggling with a significant debt load to add unaffordable debt that compounded the problem. Representative Stapp referenced an opposition letter from Hudson Cook [Hudson Cook, LLP, Attorneys at Law; Catherine Brennan, partner Hudson Cook LLP,] (copy on file) arguing that "Senate Bill 39, Section 10, would impair highly regulated US banks from making legal loans to Alaskans." He offered that he did not extrapolate the conclusion from reading Section 10, but he wondered whether someone could address the concerns.

[2:30:42 PM](#)

Senator Dunbar deferred the question to AKPIRG.

CLAIRE LUBKE, ECONOMIC JUSTICE LEAD, ALASKA PUBLIC INTEREST RESEARCH GROUP (via teleconference), asked for clarification regarding what the letter said about Section 10.

[2:32:03 PM](#)

AT EASE

[2:32:13 PM](#)

RECONVENED

Representative Stapp noted that he was reading some of the objections included in members' packets. He referenced a letter from Hudson Cook [dated March 20, 2025]:

The Small Loans Act ("SLA")ⁱⁱ provides an optional licensing scheme for the purpose of making loans in amounts of \$25,000 or less at "a greater rate of interest, discount, or consideration than the lender would be permitted by law to charge if the person were not a licensee." ⁱⁱⁱ The SLA exempts a person doing business under and as permitted by any law of Alaska or of the United States relating to banks, savings

banks, trust companies, building and loan associations, or credit unions from its licensing requirements. However, an exempt entity must still comply with all other provisions of the SLA if it chooses to contract for interest at a greater rate of interest than permitted under Alaska's usury limit on loans of \$25,000 or less. The SLA does not currently require entities that broker, purchase or service consumer loans to obtain a license. In hearings thus far, discussion around this anti-evasion language has been focused on stopping unregulated, potentially offshore entities from circumventing Alaska law and even federal law. There is likely no argument over that objective. However, the way it is written, Senate Bill 39 would impair highly regulated US banks from making legal loans to Alaskans. Senate Bill 39 would incorporate an anti-evasion provision into the SLA that recharacterizes a bank's partner/service provider as the "true lender" on the credit transaction.

Senator Dunbar believed that the letter was from a law firm representing one of the lenders' associations. He explained that the argument was the provision was a novel anti-evasion provision and thus somehow was afoul of federal law, which was not the case. The language in SB 39 was used in the 19 other states without it being struck down. Alaska had the ability to institute its own statutes and regulations. He deferred to Mr. Kushner.

Mr. Kushner agreed with the statements made by Senator Dunbar. The provision merely stated that for certain online lenders that partner with state banks were subject to Alaska law, to prevent a situation called "rent-a-bank lending." He delineated that an online lender would route a loan through a bank headquartered out-of-state to evade Alaska law. Several states had adopted statutes with similar language without issue. Representative Stapp asked for verification that there was nothing in the bill that would hinder "U.S. banks" from making legal loans in Alaska. Mr. Kushner replied in the negative. He elaborated that there was nothing the legislature could do to regulate national banks who were immune from regulation. He did not understand the objection as it applied to national banks, which he interpreted were U.S. banks.

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Representative Stapp commented that he was reviewing the oppositional letters making numerous claims. He did not know the validity of the claims. He was merely getting them on the record.

Representative Johnson asked what brought the issue to Senator Dunbar's attention. She thought that payday loans could help young people without established credit or small businesses. Senator Dunbar stated that former Representative Stanley Wright brought the issue to his attention. He shared that he was an economic major and had been opposed to the bill thinking it benefitted a segment of the market. He was convinced to introduce the legislation, due to Representative Wright, the prior bill passing the House, and by AKPIRG's research. He reintroduced the bill in the current year feeling it was a "useful reform." He had taken out short-term loans but through more traditional financial institutions. He mentioned businesses like Chime, creating more low dollar loans products subject to the 36 percent interest cap for people without great credit who were in need. He believed that people depending on payday type lending should be protected in the same way almost every other kind of loan was protected by the cap. The bill was not eliminating small loans, and he did not want the market to go away. The bill imposed a 36 percent cap, which he stressed was still a high interest rate and there were profits to be made. Representative Johnson was not entirely certain who the bill would help. She inquired about pawn shops.

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Senator Dunbar discussed the two changes from the bill passed by the House the previous year. He remarked that mutual savings banks and pawnbrokers were exempted from the bill and added to the list of exempted entities. He expounded that Mutual Savings Banks were added at the request of a mutual savings bank in Fairbanks. Some pawnbrokers engaged in payday lending, which would be subject to the 36 percent cap. Pawnbrokers engaged in "pawn loans" that was already exempt in the prior bill, but it was not apparent, so the exemption was clarified in the SB 39. He commented that it was never anyone's intent to get rid of that type of business that engaged in collateralized loans. Representative Johnson did not have any real desire to protect pawn loans and acknowledged that the transaction was based on collateral. She made comments regarding pawn

shops that their terms were more expensive than payday loans. She discerned that the bill might force people to use pawn shops and asked for comment. Senator Dunbar agreed that pawn shops could be more expensive, but since the loan was collateralized that was the cap or end point of the loan. Payday loans were repeatedly taken out, which compounded the loan balance. He noted that Alaskan pawn shops were brick and mortar businesses and the money stayed in the state versus payday loans that were mostly online. He indicated that the statement would be corroborated via public testimony. He acknowledged that pawn shops were not "the greatest option" and including them was a much broader reform with greater impact on small businesses. He deferred to Mr. Kushner regarding pawn shops.

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Mr. Kushner replied that the Alaska Small Loan Act always excluded pawn shops making pawn loans. The current exemption clarified a longstanding exemption. The reason was pawn loans were done very differently because the loan was capped at the value of the item. He agreed that they were not a great product, but the potential harm was not equal to payday loan consequences.

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Representative Johnson expressed further doubt regarding how certain borrowers would access funds if the bill was adopted.

Representative Bynum agreed that pawn loans were problematic and relayed how they work; using an item of value. He calculated that the APR of 36 percent after two days was 20 cents on \$100 and he did not think it was "worth it." He added that at a flat fee of \$5.00 for one week on \$100 loan it amounted to 261 percent APR. He indicated that he was attempting to apply APR language to a loan structure for high risk loans. He believed that it was "obviously problematic." He asked if there had been any consideration of "limiting a fee structure" on payday loans to protect their businesses while lessening the risk on the borrower. Senator Dunbar thought the question cut to the heart of the policy question and dovetailed well with earlier questions from Representative Stapp. The challenge was for repeat borrowers where the payday loans started to rack up. He thought it was a public policy choice. He

acknowledged that the profit margin was low, and the risk seemed high for lenders but there were other types of lenders in the space; Fintech companies like Chime and some credit unions, etc. He added that the experience in the other regulated states was not that the market went away but there was innovation where ways were found to mitigate the risk to lenders and borrowers.

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Representative Bynum reported that he was looking at the Military Lending Act that instituted a 36 percent cap on lending. He discussed the reasons the military did so due to potential consequences affecting military readiness. However, that was not a problem for civilians. He thought that there was still a lot to learn about whether or not the payday loan businesses would survive. He commented that he was not in favor of adopting the bill and subsequently, forcing more people into using pawn shops that were often relinquishing tangible goods that were family heirlooms or other items.

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Senator Dunbar was not suggesting that the only other alternative was to push people to the pawn market. He merely noted that the law already exempted pawn brokers from the bill. He agreed regarding the comments that active military member were more susceptible to the effects of payday loan debt and could be targeted by foreign or other adversaries and become a security threat, which was not the case for civilians in most cases. He believed that the federal statutes prohibiting active military members from participating in the high interest loans were considered a success by the federal government. He reiterated that the 19 states, which included red and blue states, that implemented the law had not repealed it.

Representative Tomaszewski stated that he fortunately had never had to participate in a payday loan. Currently, Alaska law included a maximum limit of a \$500 loan. He asked for comment.

ARIELLE WIGGIN, STAFF, SENATOR FORREST DUNBAR, replied that she believed so but deferred the answer.

ROBERT SCHMIDT, DIRECTOR, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), asked for clarification on the question.

Representative Tomaszewski restated the question and asked about the loan cycles based on 14 or 30 days. Mr. Schmidt answered that payday loans were on a 14-day cycle. He deferred the answer about the mechanics of payday loans.

TRACY RENO, CHIEF OF EXAMINATIONS, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), confirmed that the loan cycle was 14 days with an extension allowed and the limit was \$500.

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Representative Tomaszewski indicated that in Alaska law the loans could be extended two consecutive times. He expounded that there was a \$5.00 origination fee and a 15 percent flat rate. He attempted to calculate the cost of a payday loan that was rolled over two times at current law. He asked what recourse a payday lender had when a borrower defaulted on payment. Ms. Reno answered that an individual notified their lender if they were not able to make their payment prior to the due date. She elaborated that under current law the borrower could renew the loan twice and at some point, if payments could not be made, the state allowed the parties to work out a payment plan so that the loan did not keep accruing interest subsequent to the agreement. Representative Tomaszewski surmised that the loan did not actually accrue interest except for the fees involved. He added that currently, in Alaska law, a lender may only recover a maximum amount of \$700 over the amount owed and if a borrower could not pay back the loan in full the borrower could pay back their loan in equal installments over a 6 month period without additional fees or interest. He asked whether he was correct. Ms. Reno responded in the affirmative. Representative Tomaszewski thought going to a 36 percent APR would accrue \$15 at the end of one month. He deduced that if the intent of the legislation was to shut the payday loans down completely it would likely do so based on earning \$15 interest on a \$500 loan especially if many borrowers defaulted.

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Representative Jimmie asked if payday lenders garnished the PFD. Senator Dunbar responded affirmatively. He reiterated that payday lenders garnished \$3.7 million from 2017 to 2022. Representative Jimmie asked if that fact made it a guaranteed loan. Senator Dunbar answered that the reason why the bill had drummed up so much out-of-state opposition was because he believed Alaska was a uniquely popular place to do payday lending due to the PFD and the ability to garnish it. Representative Jimmie shared that people took out the loans when they had an emergency or needed an essential item. Someone under those circumstances may be signing up for something they did not understand. She asked when someone obtained a payday loan what was done to ensure they understood the terms of the loan. Senator Dunbar strongly agreed that it was an important question and noted that some people do not understand the terms of the loan. He deferred to Ms. Lubke at AKPIRG who had research regarding the question and regarding Representative Tomaszewski's question regarding the laws that established caps and guardrails. He recalled that the actual situation that happened was the lenders found a work around for the laws and loans were often repeated 5 times with a much higher payback than what the borrower expected.

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Ms. Lubke answered that the deferred deposit advance licensing statute required a disclosure prior to making a loan found in AS.06.50.510. She commented that if people understood the cost of the loan they were engaging in, they would not make 5 consecutive loans per year. She addressed comments by Representative Tomaszewski. She pointed out that the deferred deposit advance licensing statute placed a minimum loan term of 14 days but not a maximum. Therefore some payday loans were offered at longer terms. The statute required the lender to offer a payment plan, but there was an "extensive communication threshold" in order to obtain information about the payment plan. She did not have the data to know whether the plans were offered or if the lender understood they had a right to those plans. She deduced that if there was an increased use of the payment plans, borrowers would likely not take out consecutive loans. She reminded the committee that payday loans did not require a credit check or financial information to obtain a payday loan, which supported the cycle of consecutive loans with compounding interest rates. She referred to the fees associated with the payday loans that were set at a 15

percent interest rate. She expounded that if the lenders charged that amount, they would be in compliance with the state's Small Loan Act that limited interest to a maximum of 36 percent APR. She noted that the interest rate was not included in a deferred deposit advance loan.

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Representative Stapp reiterated Ms. Lubke's statements regarding consecutive loans and asked for confirmation. Ms. Lubke responded affirmatively. She emphasized that the maximum fees were established in statute, but the maximum interest rates were not, therefore, the fees were not the only charges associated with the loans. She added that there was a continuance assumption on an originating loan that maxed out after two continuances. But a person could merely take out a new loan accruing charges beyond the continuing maximum. Representative Stapp provided an example of a person who was about to be evicted and needed money for their rent due in two weeks. He asked if he could not get a payday loan what options were available. Ms. Lubke referenced the company called "Chime." She reiterated that it was an online financial tech company with the scale to offer loans to high risk borrowers. The company was relatively new and there had been more innovations within the prior 5 years. The company recently started offering loans through an app ranging from \$100 to \$500 for a \$5 fee, allowing installment payments at a minimum of \$35 and were offering a 30 percent APR. The Chime product was available to people who could not pay their rent.

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Representative Stapp asked what happened if a person did not have access to an online option. He reiterated that he was not a fan of payday loans, but he wanted to know what other options existed.

Senator Dunbar answered that according to his staff's research, Global Credit Union (7 percent to 15 percent APR) and Wells Fargo (20 percent to 25 percent APR) both offered small loan options. Representative Stapp wondered how someone obtained the loan. He observed that the reason payday loans were popular because people only had to show they had a paycheck. He asked what a person had to show if they wanted one of the loans mentioned by Senator Dunbar. Senator Dunbar replied with the information Global Credit

Union required to obtain the loan that included similar information as payday lenders; name, address, social security number, employment information, gross monthly income, and date of birth. Representative Stapp spoke to the gross monthly income and deduced that if it was inadequate a bank would deny the loan. He asked how big a factor gross income was. Senator Dunbar answered that he would follow up in writing.

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Representative Bynum thought there had been some confusing messaging. He understood that a person could get a payday loan at \$500. He relayed the requirements in statute. He deduced that someone could take out 2 consecutive loans. And there was no limit on the number of payday loans they could get in a year. He wondered whether a loan could be rolled over more than twice. Senator Dunbar responded that a loan could only roll over twice and there was not a restriction on taking out a new loan to pay off the original loan. He noted that it was the lived experience of people who use payday loans. Representative Bynum heard the PFD being mentioned. He asked if there was any mechanism allowing lenders to determine eligibility for the loan via the PFD. Senator Dunbar offered to follow up. He did not believe payday lenders asked individuals whether they received the PFD, but it was able to be garnished by the lenders.

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Co-Chair Foster turned the gavel over to Co-Chair Josephson. He reviewed the schedule for the following Monday.

Co-Chair Josephson mentioned that the Senate had funded Alaska Housing Finance Corporation (AHFC) grants to end homelessness in the Capital Budget. He asked if Senator Dunbar wanted to speak to the grants. Senator Dunbar replied that there were programs offered by the state and also non-profits to help alleviate homelessness.

Representative Hannan supported the bill. She noted that much of the bill dealt with \$25 thousand loans beginning in Section 4. She requested additional information. Senator Dunbar answered that the \$25 thousand limit currently existed in the Small Loan Act. He expounded that the vast

majority of loans were subject to the 36 percent cap. There was a carve out for other types of loans and instead of imposing a cap the bill removed exceptions. He thought that she was referring to the section of the bill that included specific anti-evasion language. He deferred to Mr. Kushner.

Mr. Kushner replied that with respect to longer term installment loans, the bill did two things. Currently, the Small Loan Act covered loans up to \$25 thousand with a tiered interest rate system depending on the amount of the loan. He delineated that the bill got rid of the tiered system for loans and put a maximum interest amount of 36 percent. The provision on anti-evasion was controversial. There was a small subset of online lenders that tried to take advantage of the fact that most states' interest rate limits did not apply to banks headquartered in other states. Some lenders used the situation to take advantage of borrowers and charged significantly higher rates like 160 percent APR. Section 4 specified that if the lender routed or issued the loan through a bank headquartered out of state, the loan had to comply with states interest rates. He characterized the provision as a commonsense solution to out of state lenders evading Alaska's or other states' laws.

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Representative Hannan asked to hear from Mr. Schmidt on the same question. Mr. Schmidt responded on the commentary related to the Small Loan Act. He delineated that much of the Small Loan Act was implemented in 1955 and much of the law was territorial law. The division asked the sponsor to include modernizations to the Small Loan Act in the legislation. He commented that the act was one of the last program areas where applications were sent "written on clay tablets." The bill included a significant amount of language to utilize the nationwide multi-state licensing system and otherwise update "antiquated" statutes to make it easier for the regulators and the regulated to do business in Alaska. He offered to provide further information. Representative Hannan did not need more information on the anti-evasion act. She understood the reason it was included was to modernize antiquated statutes dealing with the Small Loan Act.

CSSB 39(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the schedule for the following Monday.

ADJOURNMENT

[3:34:13 PM](#)

The meeting was adjourned at 3:34 p.m.