

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 24, 2025

3:17 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Carolyn Hall, Co-Chair
Representative Ashley Carrick
Representative Robyn Niayuq Burke
Representative Dan Saddler
Representative Julie Coulombe
Representative David Nelson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 116

"An Act exempting from insurance regulation cooperative agreements entered into by two or more persons engaged in commercial fishing for the purpose of paying claims or losses."

- MOVED HB 116 OUT OF COMMITTEE

HOUSE BILL NO. 132

"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."

- HEARD & HELD

SENATE BILL NO. 79

"An Act relating to wage payments."

- HEARD & HELD

HOUSE BILL NO. 146

"An Act prohibiting public employers from disclosing certain public employee personal information; making disclosure of certain public employee personal information an unfair labor practice; and creating an exception to the Public Records Act for certain public employee personal information."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 116

SHORT TITLE: COMMERCIAL FISHING INSURANCE CO-OP

SPONSOR(s): FISHERIES BY REQUEST OF TASK FORCE EVAL ALASKA
SEAFOOD INDUSTRY

02/26/25	(H)	READ THE FIRST TIME - REFERRALS
02/26/25	(H)	FSH, L&C
03/01/25	(H)	FSH AT 11:00 AM GRUENBERG 120
03/01/25	(H)	-- MEETING CANCELED --
03/04/25	(H)	FSH AT 10:30 AM GRUENBERG 120
03/04/25	(H)	Heard & Held
03/04/25	(H)	MINUTE(FSH)
03/06/25	(H)	FSH AT 10:00 AM GRUENBERG 120
03/06/25	(H)	-- MEETING CANCELED --
03/11/25	(H)	FSH RPT 6DP 1NR
03/11/25	(H)	DP: VANCE, KOPP, EDGMON, HIMSCHOOT, ELAM, STUTES
03/11/25	(H)	NR: MCCABE
03/11/25	(H)	FSH AT 10:00 AM GRUENBERG 120
03/11/25	(H)	Moved HB 116 Out of Committee
03/11/25	(H)	MINUTE(FSH)
03/13/25	(H)	FSH AT 10:00 AM GRUENBERG 120
03/13/25	(H)	<Bill Hearing Canceled>
03/21/25	(H)	L&C AT 3:15 PM BARNES 124
03/21/25	(H)	-- MEETING CANCELED --
03/24/25	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 132

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

SPONSOR(s): EISCHEID

03/11/25	(H)	READ THE FIRST TIME - REFERRALS
03/11/25	(H)	L&C, FIN
03/17/25	(H)	L&C AT 3:15 PM BARNES 124
03/17/25	(H)	<Bill Hearing Canceled>
03/19/25	(H)	L&C AT 3:15 PM BARNES 124
03/19/25	(H)	<Bill Hearing Canceled>
03/24/25	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 79

SHORT TITLE: PAYMENT OF WAGES; PAYROLL CARD ACCOUNT

SPONSOR(s): LABOR & COMMERCE

01/31/25	(S)	READ THE FIRST TIME - REFERRALS
01/31/25	(S)	L&C
02/07/25	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/07/25	(S)	Heard & Held
02/07/25	(S)	MINUTE(L&C)
02/12/25	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/12/25	(S)	Moved SB 79 Out of Committee
02/12/25	(S)	MINUTE(L&C)
02/14/25	(S)	L&C RPT 2DP 2NR
02/14/25	(S)	DP: BJORKMAN, GRAY-JACKSON
02/14/25	(S)	NR: MERRICK, YUNDT
02/24/25	(S)	TRANSMITTED TO (H)
02/24/25	(S)	VERSION: SB 79
02/26/25	(H)	READ THE FIRST TIME - REFERRALS
02/26/25	(H)	L&C
03/19/25	(H)	L&C AT 3:15 PM BARNES 124
03/19/25	(H)	Heard & Held
03/19/25	(H)	MINUTE(L&C)
03/24/25	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE LOUISE STUTES
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 116.

MATT GRUENING, Staff
 Representative Louise Stutes
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Stutes, prime sponsor, presented HB 116 to the committee.

HEATHER CARPENTER, Deputy Director
 Division of Insurance
 Department of Commerce, Community, and Economic Development
 Juneau, Alaska

POSITION STATEMENT: Answered committee questions on HB 116.

REPRESENTATIVE TED EISCHEID
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 132.

MICHAEL BUCY, Staff

Representative Ted Eischeid
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Eischeid, prime sponsor, read the sectional analysis on HB 132.

JEN GRIFFIS, Vice President of Policy & Advocacy
Alaska Children's Trust
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 132.

ANDREW KUSHNER, Senior Policy Counsel
Center for Responsible Lending
Oakland, California

POSITION STATEMENT: Gave invited testimony on HB 132.

REVEREND ANDY BARTEL
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 132.

ROBERT SCHMIDT, Director
Division of Banking & Securities
Department of Commerce, Community & Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 132.

TRACY RENO, Financial Examiner 4
Division of Banking & Securities
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 132.

SARAH OATES HARLOW, President
Alaska CHARR
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 79.

ACTION NARRATIVE

[3:17:19 PM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m.

Representatives Fields, Carrick, Hall, Coulombe, and Burke were present at the call to order. Representatives Saddler and Nelson arrived as the meeting was in progress.

HB 116-COMMERCIAL FISHING INSURANCE CO-OP

[3:17:53 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 116, "An Act exempting from insurance regulation cooperative agreements entered into by two or more persons engaged in commercial fishing for the purpose of paying claims or losses."

[3:17:59 PM](#)

REPRESENTATIVE LOUISE STUTES, Alaska State Legislature, as prime sponsor, introduced HB 116, as follows:

Before you is HB 116, an act exempting insurance regulation cooperative agreements entered into by two or more persons engaged in commercial fishing for the purposes of claims or losses. This legislation was brought forward by the [House Special Committee on] Fisheries ... by request of the Joint Legislative Taskforce on Evaluating Alaska's Seafood Industry, of which I was a member.

The purpose this bill is to allow commercial fishermen to form insurance pools to provide lower cost, easier access to insurance for commercial fishermen. These commercial fishermen-owned insurance pools already exist in Alaska but are housed in an organization based in Washington state, which already has the carve out in their insurance code. This legislation simply allows Alaska-based organizations to form here in Alaska. HB 116 seeks to provide a more attractive, lower-risk alternative for underwriters ... that insure individual vessels, as well as lower costs for our fishermen.

[3:19:37 PM](#)

MATT GRUENING, Staff, Representative Louise Stutes, Alaska State Legislature, on behalf of Representative Stutes, prime sponsor, gave the sponsor statement for HB 116 [included in the committee file], which read as follows [original punctuation provided]:

House Bill 116 would allow for member-owned commercial fishing insurance cooperatives based in Alaska to form without being considered an insurer. Specifically, the bill would allow commercial fishermen to enter into a cooperative insurance agreement to pay claims arising from liability or damage to a vessel without having to comply with Title 21, the State's insurance code.

There are already three such insurance pools operating in Alaska; however, they are based in Washington State, which already has a carve out for commercial fishermen in its insurance code. This legislation would simply allow similar organizations based in Alaska to form, pool their funds, and establish a commercial fishing insurance cooperative.

Rising costs and availability of insurance serve as a barrier to operating for Alaska's aging commercial fishing fleet. Underwriters have been raising premiums on individual vessels and have become increasingly selective of which vessels they insure. Insurance pooling can provide a more attractive, lower risk alternative for underwriters, as well as lower costs for our fishermen.

With operating costs at an all-time high and fishing markets at an all-time low, House Bill 116 seeks to provide lower cost insurance alternatives for Alaska's commercial fishing fleet.

[3:22:54 PM](#)

CO-CHAIR FIELDS opened public testimony on HB 116. After ascertaining that there was no one who wished to testify, he closed public testimony.

[3:23:32 PM](#)

REPRESENTATIVE COULOMBE asked for clarification that HB 116 would provide the opportunity to create cooperatives ("co-ops"), but that it would not actually create the co-ops.

REPRESENTATIVE STUTES confirmed that was correct.

MR. GRUENING, in response to a follow-up from Representative Coulombe on state contribution, replied that there would be no capitalization requirement due to the Title 21 exemption. He added that a critical mass would be required for pool solvency, which would entail collecting enough interest, gathering the capital, hiring a broker, and hiring an actuary to raise the capital through the private market.

REPRESENTATIVE STUTES summarized that the proposed legislation does not seek funds from the State of Alaska.

[3:25:09 PM](#)

REPRESENTATIVE CARRICK asked which specific statute in Title 21 of Alaska Statute (AS) doesn't allow fishermen to create a fishing co-op. She asked if there are any specific examples of insurance code in Washington state that reference fishing co-ops.

MR. GRUENING replied that the decision was made after speaking with the Division of Insurance after discovering the carve-out in the Washington State Code.

[3:26:08 PM](#)

HEATHER CARPENTER, Deputy Director, Division of Insurance, Department of Commerce, Community, and Economic Development (DCCED) explained that the "scope of code" and "application of title" is being amended in order to create pools without following the rest of Title 21. She further explained that the decision was made after feedback from legal counsel.

REPRESENTATIVE CARRICK further asked whether there were other industries in Washington situated similarly to the fishing industry.

MS. CARPENTER responded that she did not know the specifics of the Washington State Code but added that there were other industries that had pooling options.

[3:28:00 PM](#)

REPRESENTATIVE STUTES, in response to Representative Coulombe's question, confirmed that HB 116 was at the recommendation of the seafood task force.

[3:28:43 PM](#)

CO-CHAIR FIELDS asked if the Division of Insurance has any concerns regarding the implications under HB 116.

MS. CARPENTER replied that the Division of Insurance is neutral on the proposed policies of HB 116.

REPRESENTATIVE STUTES added that HB 116 does not guarantee that fishermen would create a fishing cooperative, it would just allow for them to create one.

[3:29:56 PM](#)

REPRESENTATIVE COULOMBE asked what "premium tax revenue" is as it is mentioned in HB 116. She commented that she found it "interesting" that the state would have to pay \$72 million for the insurance costs that would be created under HB 116, particularly given the high cost of healthcare.

MS. CARPENTER answered that the Division of Insurance taxes all insurance policies, bringing approximately \$72 million into the general fund. She explained that policies under Title 21 are taxed. She noted that the Division of Insurance revised the fiscal note to show a zero fiscal impact upon realization that there would be no immediate loss.

[3:31:32 PM](#)

REPRESENTATIVE CARRICK asked whether there were inquiries about "carve-outs" for other industry groups in Alaska, such as the homebuilders.

MS. CARPENTER explained that the Division of Insurance has had conversations about pooling insurance costs together.

[3:32:40 PM](#)

The committee took an at-ease from 3:32 p.m. to 3:33 p.m.

[3:33:47 PM](#)

CO-CHAIR HALL moved to report HB 116 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 116 was reported from the House Labor and Commerce Standing Committee.

[3:34:23 PM](#)

The committee took an at-ease from 3:34 p.m. to 3:36 p.m.

HB 132-LOANS UNDER \$25,000; PAYDAY LOANS

[3:36:23 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 132, "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."

[3:37:14 PM](#)

REPRESENTATIVE TED EISCHEID, Alaska State Legislature, as prime sponsor, presented HB 132 to the committee, beginning with opening remarks, as follows:

HB 132 addresses the issue of payday lending in Alaska, and, among other things, seeks to remove an exception for payday lending that allows for this specific subset lenders to issue high-interest rates, short turnaround loans that can lead to a devastating cycle of debt to Alaskan families. Prior to 2004, payday lenders were subject to the same loan terms as those that currently remain in place for other small-dollar loans, but an exception for payday lenders, added to statute in 2004, catalyzed a transition to ... a more problematic lender-consumer relationship.

HB 132 removes this exception and also implements additional, limited common-sense protections for Alaska financial products consumers.

REPRESENTATIVE EISCHEID began a PowerPoint [included in the committee file], titled "Payday Loans HB 132," on slide 2, which read as follows [original punctuation provided]:

In Alaska, payday loans are loans of \$500 or less, with a minimum loan term of two weeks. To ensure repayment, borrowers must provide a postdated check or direct access to their bank account as collateral

In an average year in Alaska:

- 15,000 Alaskans take out a payday loan
- \$440 is the average payday loan amount
- 5.4 is the average number of loans each borrower takes

Nationally:

- Borrowers take an average of five months to repay payday loans
- When a borrower can't repay their loan, the loan can be rolled over, or a new loan can be created

REPRESENTATIVE EISCHEID identified various problems with payday loans in Alaska, as shown on slide 3, which read [original punctuation provided]:

Payday loans target the most vulnerable Alaskans - those living paycheck to paycheck

Payday loan interest rates range from 194% to over 512% APR

For a \$440 loan, it costs \$127 just to keep up with the first month's interest; to repay the loan in 5 months could cost more than \$1,200, or almost 3 times as much as the original loan amount

The high cost of these short-term loans can leave families trapped in a cycle of chronic debt and poverty

REPRESENTATIVE EISCHEID identified additional problems with payday loans in Alaska shown on slide 4, which read as follows [original punctuation provided]:

If credit card companies charged 400% APR, the average Alaskan's credit card debt of \$8,000, would end up costing nearly \$37,000 to pay off

Most payday loans are made online, by out of state companies, extracting about \$29 million from Alaskans, and Alaska's economy

From 2017-2022, payday lenders garnished over \$3.7 million from Alaskans' PFDs

2017 Texas study found that 45% of Veterans had taken out payday loans, compared to 7% of the general

population

REPRESENTATIVE EISCHEID moved to slide 5 of the presentation and noted that Alaska law already sets a 36 percent annual percentage rate (APR) limit on other small dollar loans. He further noted that 18 other states, including South Dakota, New Mexico, Montana, West Virginia, and Nebraska have a 36 percent rate cap that includes payday loans. He stated that at least four states have implemented a ban on payday loans altogether. He drew committee members' attention to slide 6 of the presentation, which contained headlines regarding payday loans. He stressed that the impact of Alaska's payday lending exception on Alaska consumers is nonpartisan, affecting communities of all kinds.

REPRESENTATIVE EISCHEID gave a summary of the effects of HB 132, located on slide 7, which read [original punctuation provided]:

Removes an exemption allowing payday lenders to be exempt from federal financing limitations

Treats payday lending like all other small loans in the state

We need to protect all Alaskans and help safeguard the economic well-being of families

REPRESENTATIVE EISCHEID deferred to his staff to read the sectional analysis of the proposed legislation.

[3:44:20 PM](#)

MICHAEL BUCY, Staff, Representative Ted Eischeid, Alaska State Legislature, on behalf of Representative Ted Eischeid, prime sponsor, gave the sectional analysis on HB 132 [included in the committee file], which read as follows [original punctuation provided]:

Section 1. Amends AS 06.01.020(a) to remove payday lenders from the list of financial institutions exempt from federal financing limitations.

Section 2. Amends AS 06.01.050(3) to remove payday lenders from the definition of "financial institution" under state law.

Section 3. Adds new sections to AS 06.20.010:

c) Expands the definition of a lender to close loopholes and prevents businesses from evading small loan regulations.

d) Clarifies that a loan is considered to originate in Alaska if the borrower resides in the state and completes the transaction while physically present.

Section 4. Amends AS 06.20 to allow the Department of Commerce, Community and Economic Development to utilize the Nationwide Multistate Licensing System and Registry, manage the registration process and adopt regulations for implementation.

Section 5. Amends AS.06.20.030(a) to enable applicants to pay investigation expenses through the registry.

Section 6. Amends AS 06.20.030(b) to enable applicants to pay licensing expenses through the registry. Makes a licensing change that requires applicants to pay \$500 per branch, website, or mobile app location, instead of a single office license, and \$2000 for a company license instead of a multiple office license.

Section 7. Repeal and Reenacts AS 06.20.090 to (a) require applicants to submit separate applications for each business location and (b) allow the department to set application requirements, procedures, and licensing periods.

Section 8. Amends AS 06.20.170 to have the department conduct period examinations as needed instead of every 18 months.

Section 9. Amends AS 06.20.230 to simplify the previous tiered interest rate structure for (a) loans under \$25,000 and (b) open-ended loans, creating a uniform rate of 3% per month. Adds language that requires interest rate calculations on payday loans to consider only the relevant charged fees, costs, and premiums as detailed in AS 06.20.260(a)(1)-(5).

Section 10. Amends AS 06.20.310 to render payday loans with interest rates greater than 3% per month invalid.

Section 11. Amends AS 06.20 to add section 06.20.235 to prohibit payday lenders from threatening to prosecute borrowers in the event of defaults.

Section 12. Amends AS 06.20.330(b) to exempt financial institutions chartered under the National Bank Act or Federal Credit Union Act. Eliminates the exemption that allows pawnbrokers and loan shops where separate and individual loans do not exceed \$750 and \$500 respectively to charge interest rates exceeding the maximum rate established by AS 06.20.230.

Section 13. Amends AS 06.20.900 to define "registry" as Nationwide Multistate Licensing System and Registry.

Section 14. Amends AS 08.76.500 to subject payday lenders to the same regulations as small loan companies.

Section 15. Amends AS 45.45.020 to mandate interest calculations include all service charges paid by the borrower to ensure transparency in interest calculations. "Service charge" is defined as fees charged by the lender but doesn't include fees related to delinquency.

Section 16. This section comprises a significant number of repeals related to the elimination of the carveout for payday lenders. Section 17 - provides for an effective date of July 1, 2025.

[3:49:20 PM](#)

CO-CHAIR FIELDS announced the committee would hear invited testimony.

[3:49:28 PM](#)

JEN GRIFFIS, Vice President of Policy & Advocacy, Alaska Children's Trust, gave invited testimony on HB 132, which read as follows:

- The Alaska Children's Trust offers its strong support for House Bill 132, which seeks to establish reasonable consumer protections for payday lending practices in Alaska.

- As the statewide lead organization focused on the prevention of child abuse and neglect, ACT fully supports enacting legislation to prevent the long-term, negative impacts on Alaskan families that can result from high-interest small-dollar loans.
- The detrimental impact of economic hardships and poverty on family well-being is widely acknowledged, serving as a major risk factor for child abuse and neglect. Financial strain can have far-reaching effects on family dynamics, amplifying stress, anxiety, and frustration within households.
- Parents may find it increasingly difficult to provide for their children's basic needs, such as food, a safe place to live, clothes, and medical care. This scarcity of resources and the constant pressure to become financially solvent can lead to increased parental stress, increasing the risk of child abuse and neglect.
- To alleviate short-term economic hardships, Alaskan families often rely on payday loans. However, financial strain resulting from payday loans can both cause and further exacerbate these challenges. The appeal of payday loans lies in their easy accessibility and quick cash disbursement. However, these types of loans are not ways of building credit and instead trap many Alaskans in a cycle of debt and poverty.
- In recent years, banks and credit unions have begun to introduce alternatives to pay day loans with reasonable interest rates, helping families build credit instead of trapping them in poverty.
- In 2020, neglect and medical neglect made up 75% of all substantiated child maltreatment cases in Alaska, illustrating how distinctly [linked] economic hardship is to Alaska's incredibly high rates of child abuse and neglect.
- The predatory lending practices connected to payday loans also impact military and veteran populations. A 2018 study from Texas found that 45% of veterans take out payday loans, compared with only 7% of the general population, highlighting the increased risk to this population.
- While the Military Lending Act of 2007 instituted a 36% cap to protect active duty military members from predatory lending practices, Alaska's veteran population, which is 10% of the state's adult population, does not have the same protection.

- In January 2023, Mutual Aid of Anchorage, or MANA, launched a six month pay day loan project, paying off pay day loans for over 25 families. Through this project they learned first-hand of the negative impacts predatory lending has on Alaska's families. They saw how these loans create not only economic stress, but emotional stress for our most vulnerable families.
- House Bill 132 can help provide protection from predatory lending by standardizing rational safeguards for families who face financial instability and ensuring payday loans are subject to a reasonable maximum interest rate in line with other small-dollar loans.
- Thank you for your consideration and support of House Bill 132.

[3:52:44 PM](#)

ANDREW KUSHNER, Senior Policy Counsel, Center for Responsible Lending, gave invited testimony [included in the committee file] on HB 132, which read as follows [original punctuation provided]:

My name is Andrew Kushner and I am a senior policy counsel at the Center for Responsible Lending. CRL is a non-profit, non-partisan policy and research organization dedicated to building family wealth through curbing abusive financial practices. CRL is affiliated with the Self-Help family of credit unions, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

I would like to make three points today and then I am happy to answer any questions.

First, as the sponsor outlined so well, the harm from payday and other high-cost loans is powerful and undeniable. The industry's very business model is trapping consumers in a cycle of debt. Nationally, 75% of payday loan fees are generated by people stuck in more than 10 loans a year. According to one study from Vanderbilt University, borrowers who obtain a payday loan are twice as likely to file for bankruptcy as those who seek a payday loan but are denied. In short, unaffordable credit is a feature, not a bug, of the predatory lender business model.

Second, I want to provide a bit of the national perspective on state policy responses to this problem. 36% interest rate caps are rapidly becoming the norm across the country. We heard about the Military Lending Act. Voters subsequently overwhelmingly passed 36% rate caps in South Dakota, Colorado, and Nebraska in 2016, 2018, and 2020, respectively. State legislatures in Illinois, New Mexico, and Minnesota then passed interest rate cap bills in recent years. SB 39 would put Alaska in line with laws applicable to active-duty military and in place in over a third of the states.

No state that has outlawed payday lending has ever gone back to reauthorized it. That speaks volumes.

Finally, I want to speak for a minute on section 4 of the bill, the anti-evasion provision. You may hear industry trade associations describe section 3 as a novel, outlier provision. It is not. It says simply that, if an online lender routes its loans through a bank but otherwise controls the lending program, the online lender is subject to Alaska law. This is a commonsense approach to the problem of online lenders partnering with out-of-state banks to try to evade Alaska law. The language in that provision is identical to that passed in Maine, New Mexico, Washington, Illinois, and Connecticut in recent years and is supported by lender trade associations that commit to lending at or below 36%.

Thank you for your time and consideration and I'm happy to answer any questions.

[3:56:57 PM](#)

REVEREND ANDY BARTEL gave invited testimony in support of HB 132. He stated that the Alaska Conference of the United Methodist church had unanimously adopted resolutions in the past two years in support of HB 132. He asserted that HB 132 does not favor any one political perspective. He stated that his church believes: "Financial institutions serve a vital role in society. They must guard, however, against abusive and deceptive lending practices that take advantage of the neediest among us for the gain of the richest. Banking regulations must prevent the collection of usurious interest that keeps people in cycles of debt." He asserted that payday lending is predatory lending that takes millions of dollars from both the people of Alaska and the local economies in Alaska. He reported that

Credit Union One, Spirit of Alaska Credit Union, and Wells Fargo all offer short-term small loans with interest rates below the proposed 36 percent cap under the proposed legislation. He stated that he was previously a pastor in South Dakota, a conservative state that had enacted legislation similar to HB 132. He stated that subsequent studies have shown that South Dakota has only benefited from the implementation of a 36 percent payday cap. He reported that South Dakota saves \$81 million a year on fees that can be spent on "housing, food, transportation, medicine, and school supplies." He asserted that HB 132 would make a real, positive change for the most impoverished individuals in Alaska. He thanked the committee members for their time.

[4:00:04 PM](#)

REPRESENTATIVE CARRICK asked what the average interest rate of payday loans in Alaska is and asked what the total annualized interest amount is. She asked if Alaska would see a number of payday lenders go out of business as a result of HB 132.

[4:00:48 PM](#)

ROBERT SCHMIDT, Director, Division of Banking & Securities, Department of Commerce, Community & Economic Development (DCCED), replied that the total annualized interest amount is approximately 400 percent a year.

[4:01:14 PM](#)

TRACY RENO, Financial Examiner 4, Division of Banking & Securities, Department of Commerce, Community & Economic Development, cited annual reports from licensees during 2023, reporting that the average payday loan was \$443.14, the average customer took out 5.56 payday loans, and the interest for the average loan could be up to \$66.47 in addition to the \$5 origination charge.

MS. RENO, in response to a follow-up question from Representative Carrick, answered that payday loans are a maximum of \$500 with a minimum payment as early as 14 days. She additionally stated that the average interest rate was typically between 400 and 425 percent. She explained that HB 132 would effectively remove payday lending in Alaska and the existing payday lenders in Alaska could apply as a small loan company, which currently has an interest rate of 36 percent with a tiered calculation of interest rate. She further stated that HB 132

would allow 3 percent flat monthly and 36 percent flat annually. She surmised that interest rates would decrease from the average of between 400 and 425 percent to 36 percent.

REPRESENTATIVE CARRICK asked whether states with similar legislation enacted have had payday lending companies cease business.

MR. SCHMIDT replied that payday lending is illegal in North Carolina, Pennsylvania, Washington D.C., Arizona, Arkansas, Connecticut, Maryland, Massachusetts, Vermont, New York, Georgia, New Jersey, and West Virginia. He further stated that 11 states have payday loans with interest rate caps. He stated that he was unaware of data showing payday lenders going out of business when payday lending is exempted from the cap. He stated that the fiscal note does assume that a percentage of payday lenders would stop conducting that line of business and noted that many payday lenders also conduct other kinds of businesses, such as pawnshop loans.

[4:05:43 PM](#)

CO-CHAIR HALL asked if there is any way to know how many people in Alaska are participating in payday loans and asked if there is any way to determine how much of the annual cost of payday loans is from interest.

MR. SCHMIDT answered that 7,085 people in 2023 received payday loans that totaled \$17.45 million, which is reported by licensees.

[4:07:22 PM](#)

REPRESENTATIVE SADDLER asked what constitutes mobile application ("app") location, as is mentioned in the sectional analysis for HB 132. He asked what "as needed" means, as is mentioned in Section 8 of the sectional analysis, and if the proposed legislation would expose people that borrow from payday lenders to "risks."

MR. SCHMIDT explained that a mobile app is a single license. He noted that there could be several different apps, or "brands," owned by one company. He further noted that two different apps owned by one company would each have its own license, but the company under which the apps fall would apply for a single application fee. He further stated that a "business location" refers to distinctive branches in one location.

MR. SCHMIDT, in response to Representative Saddler's question on risks, stated that examinations conducted by calendar and not by risk would not allow [DCCED] to focus its attention on areas believed to pose the greatest risk to consumers. He described that there was a large scope of entities that he and his staff examined, reporting that he had four staff members that currently examine approximately 500 businesses. He stated that DCCED examines 2 percent of all mortgage lenders per year.

[4:12:54 PM](#)

CO-CHAIR FIELDS asked Mr. Schmidt to elaborate on what a "pawn shop loan" is and asked if there are other options for consumers within the rates confined under HB 132.

MR. SCHMIDT answered that pawn shop loans are regulated by the Division of Corporations, Business, and Professional Licensing and explained that the loans are essentially loans on which a pawn shop has a right to claim collateral. He stated that he was not in a position to comment on consumer risks or benefits. He explained that there are a number of local banks where a person could apply for and utilize a small loan akin to a payday loan.

[4:15:15 PM](#)

REPRESENTATIVE COULOMBE asked whether individuals would be required to have a bank account to access loans at Wells Fargo or a credit union, for example. She further asked the justification for the exemption described in the presentation that allowed payday lenders to be exempt from federal financing limitations.

MR. SCHMIDT replied that an individual must have a bank account to apply for a payday loan, as a postdated check or instructions for direct deposit are required. He stated that he did not have an answer to her second question.

[4:16:24 PM](#)

REPRESENTATIVE CARRICK asked what the average debt is of a person that is participating in payday lending.

REPRESENTATIVE EISCHEID answered that he doesn't have any specific information regarding the average debt of a person that utilizes payday loans and noted that, with the limitations and

high interest rates of payday loans, it is very easy for an individual to fall off of a "fiscal cliff."

4:18:33 PM

MR. KUSHNER responded that he did not have a statistic for Representative Carrick's question. He asserted that the problem with payday loans is that they "effectively create their own future demand," describing the cycle of reborrowing in debt where an individual who borrows a payday loan is much more likely to borrow again in the future. He emphasized Representative Eischeid's point, noting that the decision to "take out a \$500 loan can quite quickly, by the end of the year, balloon into \$3,000 to \$4,000 debt that lead[s] to getting your car repossessed."

REPRESENTATIVE CARRICK asked whether it was a fair statement to say that the "average debt of someone who is regularly taking out payday loans is probably much higher than that average \$8,000 of credit card debt that Alaskans have on a regular basis."

MR. KUSHNER responded that he did not know.

4:19:58 PM

REPRESENTATIVE SADDLER asked if payroll cards might be used as payday loans and if one could theoretically go into debt with a payroll card.

MR. KUSHNER explained that a payroll card is not a lending product, like a payday loan. He also noted that some payroll cards have high fees that could eat into someone's finances. He suggested that they could be a good option for unbanked individuals, on the condition that the fees are limited.

MR. SCHMIDT, in response to Representative Saddler's question on Nationwide Multistate Licensing [System] (NMLS), replied that Congress, after the 2008 housing crisis, passed the [Secure] and Fair Enforcement for Mortgage [Licensing] Act (SAFE Act), which required states to enact their own mortgage licensing statutes and required a centralized repository for mortgage data. He stated that the system was so efficient that it was expanded to include many other financial service industries. He stated that institutions apply to their office via NMLS. He explained that it was a streamlined and centralized platform for handling

applications, various licensing issues, and regulatory functions. He offered his belief that all states utilize NMLS.

MR. SCHMIDT clarified that the administration was neutral on payday loans but noted that the Division of Banking & Securities would like to see modernizing language for the Small Loan Act, which dates back to territorial law in 1955 Alaska. He emphasized that the provisions of the Small Loan Act were difficult to understand and utilization of the NMLS would benefit everybody.

REPRESENTATIVE SADDLER asked for confirmation that NMLS is a registry for lenders, not borrowers.

MR. SCHMIDT confirmed that is correct.

[4:25:22 PM](#)

CO-CHAIR FIELDS thanked the invited testifiers

[HB 132 was held over.]

SB 79-PAYMENT OF WAGES; PAYROLL CARD ACCOUNT

[4:25:39 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be SENATE BILL NO. 79, "An Act relating to wage payments."

[4:26:07 PM](#)

CO-CHAIR FIELDS opened public testimony on SB 79.

[4:26:24 PM](#)

SARAH OATES HARLOW, President, Alaska Cabaret, Hotel, Restaurant and Retailer's Association, Inc. (Alaska CHARR), briefly spoke about CHARR and reminded the committee she had previously testified that the hospitality industry continues to face significant ongoing challenges to business operations and cost of labor, one of which is interchange fees, also known as "swipe fees," required of business owners by credit card networks on the taxes collected. She said restaurants alone in Alaska are paying over \$6.2 million in credit card swipe fees annually. She highlighted that one CHARR member spent over \$50,000 on interchange fees solely on alcohol tax collected on behalf of the Municipality of Anchorage (MOA). She recommended an

amendment to SB 79 that would restrict interchange fees on taxes and tips thus helping thousands of Alaska-owned establishments and keep millions of dollars in the state.

[4:30:26 PM](#)

CO-CHAIR FIELDS asked Ms. Oates Harlow if she had any information regarding other CHARR members and the amount they have paid in interchange fees.

MS. OATES HARLOW replied that there were many members of CHARR that planned to submit written testimony regarding the amount that they spend on interchange fees for taxes and tips.

[4:31:44 PM](#)

CO-CHAIR FIELDS, after ascertaining that there was no one else who wished to testify, closed public testimony on SB 79.

[4:32:10 PM](#)

CO-CHAIR FIELDS thanked the testifiers and delivered committee announcements.

[SB 79 was held over.]

[4:32:16 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:32 p.m.