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IN THE HOUSE

BY COMMERCE AND LABOR

CS FOR HOUSE BILL NO. 294

IN THE LEGISLATURE OF THE STATE OF ALASKA

SECOND LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the collection of interest in advance on certain loans; amending Sec. 1, Ch. 48, SLA 1951."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

Section 1. Sec. 1, Ch. 48, SLA 1951, is amended to read:

Section 1. LOANS IN AMOUNTS NOT TO EXCEED \$7,500 [\$3,500.00]. Lenders of money, [EITHER] upon the security of personal property [OR OTHERWISE], are hereby authorized to charge or to receive in advance interest therefor; to contract for a charge for a secured or unsecured installment loan, which in principal amount (not inclusive of interest) shall not exceed \$7,500 [THIRTY-FIVE HUNDRED DOLLARS (\$3,500.00)], and which under its terms shall be repayable in substantially equal installments over a period not exceeding five [THREE] years, which charge shall be at a rate not exceeding \$6 per \$100 (true annual interest rate for "Add-on method" of computation 11.1%; or true annual interest rate for "discount method" of computation 11.8%) [SIX DOLLARS (\$6.00) PER ONE HUNDRED DOLLARS (\$100.00)] per annum upon the original face amount of the instrument or instruments evidencing the loan for the entire period of the loan, and which such charge may be collected in advance: Provided, that if the entire unpaid balance outstanding on a loan is paid by cash, renewal, or otherwise at any time prior to maturity, the lender shall

1 give a refund or credit of the unearned portion of such
2 charge, which refund or credit shall represent at least as
3 great a proportion of the original charge as the sum of the
4 periodical time balances after the date of prepayment bears
5 to the sum of all the periodical time balances under the
6 schedule of payments in the original instrument or instrument
7 evidencing the loan: Provided, however, That the lender
8 shall not be required to refund or credit any portion of such
9 unearned charge which would result in a net charge on a loan
10 less than the minimum charge provided for herein, nor to
11 make a refund or credit where the amount thereof, computed
12 as herein set forth, would be less than five dollars for each
13 loan paid prior to the maturity date. No additional amount
14 shall be charged or contracted for, directly or indirectly,
15 on or in connection with any such installment loan, except
16 the following:

17 (a) Delinquency charges not to exceed five cents for
18 each dollar of each installment more than fifteen days in
19 arrears: Provided, that the total of delinquency charges
20 on any such installment loan shall not exceed fifteen dollars
21 (\$15.00), and only one delinquency charge shall be made on
22 any one installment;

23 [(B) PREMIUMS PAID BY THE LENDER FOR INSURANCE REQUIRED
24 OR OBTAINED AS SECURITY FOR OR BY REASON OF SUCH INSTALLMENT
25 LOAN;]

26 (b) [(C)] Such amounts as are necessary to reimburse the
27 lender for fees paid to a public officer for filing, record-
28 ing, or releasing any instrument or lien; and the actual
29 expenditures, including reasonable attorneys' fees for legal

1 process or proceedings, to secure or collect any such
2 installment loan. Any advertising concerning such installment
3 loans which contains a statement of an amount, or rate of
4 charge, shall also contain the actual interest [PERCENTAGE]
5 rate, either per month or per year, computed on declining
6 balances of the face amount of the loan instrument to which
7 such charge would be equivalent if the loan were repaid
8 according to contract: Provided, That this requirement may
9 be complied with by stating the equivalent percentage rate
10 which would earn the charge for such a loan repayable in
11 twelve equal consecutive monthly installments, and such stated
12 rate may be closely approximate, rather than exact, if the
13 statement so indicated: And provided further, That this
14 requirement shall not apply to an advertisement in which an
15 amount, or rate of charge, is indicated only by a table which
16 contains and is confined to examples of the face amount of
17 the loan instrument, the proceeds to the borrower exclusive
18 of the charge, and the amount, number, and intervals of the
19 required payments. The aggregate amount of unpaid principal
20 due from any one borrower on one or more loans granted
21 pursuant to the provisions of this paragraph shall not at
22 any time exceed \$7,500 [THIRTY-FIVE HUNDRED DOLLARS
23 (\$3,500.00)].

24 Sec. 2. A new section 3 is hereby added to Ch. 48, SLA 1951
25 to read as follows:

26 Sec. 3. Loans made in violation of the prescribed
27 maximum interest rates, maximum duration of loan, maximum
28 amount of principal, or maximum delinquency charges of this
29 Act are hereby declared to be usurious and subject to all of

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the laws pertaining to usury. Contracts found to be usurious shall be void and subject to all other laws pertaining to usurious contracts.