

1 IN THE HOUSE

BY COMMERCE AND LABOR

2

CS FOR HOUSE BILL NO. 294

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SECOND LEGISLATURE - SECOND SESSION

5

A BILL

6

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

9

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

10

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

11

Section 1. LOANS IN AMOUNTS NOT TO EXCEED \$7,500

12

[\$3,500.00]. Lenders of money, [EITHER] upon the security of
13 personal property [OR OTHERWISE], are hereby authorized to

14

charge or to receive in advance interest therefor; to contract

15

for a charge for a secured or unsecured installment loan,

16

which in principal amount (not inclusive of interest) shall

17

not exceed \$7,500 [THIRTY-FIVE HUNDRED DOLLARS (\$3,500.00)],

18

and which under its terms shall be repayable in substantially

19

equal installments over a period not exceeding five [THREE]

20

years, which charge shall be at a rate not exceeding \$6 per

21

\$100 (true annual interest rate for "add-on method" of

22

computation at a rate not to exceed 11.1%; or true annual

23

interest rate for "discount method" of computation at a rate

24

not to exceed 11.8% [SIX DOLLARS (\$6.00) PER ONE HUNDRED DOLLARS

25

(\$100.00)] per annum upon the original face amount of the

26

instrument or instruments evidencing the loan for the entire

27

period of the loan, and which such charge may be collected in

28

advance: Provided, that if the entire unpaid balance out-

29

standing on a loan is paid by cash, renewal, or otherwise at

1 any time prior to maturity, the lender shall give a refund or
2 credit of the unearned portion of such charge, which refund
3 or credit shall represent at least as great a proportion of
4 the original charge as the sum of the periodical time balances
5 after the date of prepayment bears to the sum of all the
6 periodical time balances under the schedule of payments in the
7 original instrument or instruments evidencing the loan: Pro-
8 vided, however, That the lender shall not be required to refund
9 or credit any portion of such unearned charge which would
10 result in a net charge on a loan less than the minimum charge
11 provided for herein, nor to make a refund or credit where the
12 amount thereof, computed as herein set forth, would be less
13 than five dollars for each loan paid prior to the maturity
14 date. No additional amount shall be charged or contracted for,
15 directly or indirectly, on or in connection with any such
16 installment loan, except 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 on
20 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 install-
2 ment loan. Any advertising concerning such installment loans
3 which contains a statement of an amount, or rate of charge,
4 shall also contain the actual interest [PERCENTAGE] rate,
5 either per month or per year, computed on declining balances
6 of the face amount of the loan instrument to which such charge
7 would be equivalent if the loan were repaid according to
8 contract: Provided, That this requirement may be complied
9 with by stating the equivalent percentage rate which would
10 earn the charge for such a loan repayable in twelve equal
11 consecutive monthly installments, and such stated rate may be
12 closely approximate, rather than exact, if the statement so
13 indicated: And provided further, That this requirement shall
14 not apply to an advertisement in which an amount, or rate of
15 charge, is indicated only by a table which contains and is
16 confined to examples of the face amount of the loan instrument,
17 the proceeds to the borrower exclusive of the charge, and the
18 amount, number, and intervals of the required payments. The
19 aggregate amount of unpaid principal due from any one borrower
20 on one or more loans granted pursuant to the provisions of
21 this paragraph shall not at any time exceed \$7,500 [THIRTY-
22 FIVE HUNDRED DOLLARS (\$3,500.00)].

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

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

1 shall be void as to the interest, and thus shall work a for-
2 feiture of the entire interest on the debt, shall provide a
3 penalty of double the amount of such interest so received or
4 collected, and shall be subject to all other laws pertaining
5 to usurious contracts.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29