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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 at a rate not to exceed 11.1%; or true annual interest rate for "discount method" of computation at a rate not to exceed 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

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 bal-
5 ances after the date of prepayment bears to the sum of all
6 the periodical time balances under the schedule of payments
7 in the original instrument or instruments evidencing the
8 loan: Provided, however, That the lender shall not be re-
9 quired to refund or credit any portion of such unearned charge
10 which would result in a net charge on a loan less than the
11 minimum charge provided for herein, nor to make a refund or
12 credit where the amount thereof, computed as herein set forth,
13 would be less than five dollars for each loan paid prior to
14 the maturity date. No additional amount shall be charged or
15 contracted for, directly or indirectly, on or in connection
16 with any such 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 (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 instru-
17 ment, the proceeds to the borrower exclusive of the charge,
18 and the amount, number, and intervals of the required pay-
19 ments. The aggregate amount of unpaid principal due from any
20 one borrower on one or more loans granted pursuant to the
21 provisions of this paragraph shall not at any time exceed
22 \$7,500 [THIRTY-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

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shall be void as to the interest, and thus shall work a forfeiture of the entire interest on the debt, shall provide a penalty of double the amount of such interest so received or collected, and shall be subject to all other laws pertaining to usurious contracts.