

1 IN THE HOUSE

BY ORBECK AND STEVENS

2 HOUSE BILL NO. 7

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to discount loans."

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

8 * Section 1. AS 45.45.080(b) is amended to read:

9 (b) In the case of a secured or unsecured instrument loan not
10 exceeding the principal amount of \$5,000 [~~\$3,500~~] (not including
11 interest) which is repayable in substantially equal instalments over
12 a period not exceeding five [~~THREE~~] years, a lender of money may con-
13 tract for a charge at a rate not exceeding \$6 a year for each \$100
14 (true annual interest rate for "add-on method" of computation at a
15 rate not to exceed 11.1 per cent; or true annual interest rate for
16 "discount method" of computation at a rate not to exceed 11.8 per cent)
17 upon the original face amount of the instrument evidencing the loan for
18 the entire period of the loan. This charge may be collected in advance
19 However, if the unpaid balance outstanding on a loan is paid before
20 maturity, the lender shall give a refund or credit of the unearned
21 portion of the charge, which refund or credit represents at least as
22 great a proportion of the original charge as the sum of the periodical
23 time balances after the date of prepayment bears to the sum of all the
24 periodical time balances under the schedule of payments in the original
25 instrument. The lender is not required to refund or credit any
26 portion of the unearned charge which would result in a net charge on a
27 loan less than the minimum charge provided for in this section, or to
28 make a refund or credit where the amount of the refund or credit com-
29 puted as set out in this section would be less than \$5 for each loan

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1 paid before the maturity date.

2 * Sec. 2. AS 45.45.080(d) is amended to read:

3 (d) Advertising concerning such installment loans which contains
4 a statement of an amount, or rate of charge, shall also contain the
5 percentage rate, either per month or per year, computed on declining
6 balances of the face amount of the loan instrument to which the charge
7 would be equivalent if the loan were repaid according to contract. This
8 advertising requirement may be complied with by stating the equivalent
9 percentage rate which would earn the charge for a loan repayable in 12
10 equal consecutive monthly installments, and the stated rate may be
11 closely approximate, rather than exact, if the statement so indicates.
12 This requirement does not apply to an advertisement in which an amount,
13 or rate of charge, is indicated only by a table which contains and is
14 confined to examples of the face amount of the loan instrument, the
15 proceeds to the borrower exclusive of the charge, and the amount,
16 number and intervals of the required payments. [THE AGGREGATE AMOUNT
17 OF UNPAID PRINCIPAL DUE FROM ANY ONE BORROWER ON ONE OR MORE LOANS
18 GRANTED UNDER (C)(3) AND (4), AND (D) OF THIS SECTION MAY NOT AT ANY
19 TIME EXCEED \$3,500.]