

*Part heard in  
Jobs Bank*

Original sponsors: Josephson,  
Haggland, Lewis and Ziegler

Offered: 3/26/69  
Referred: Finance

*FCCS*

1 IN THE SENATE BY THE COMMERCE COMMITTEE

2 *FCCS for* HOUSE CS FOR CS FOR SENATE BILL NO. 212

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the legal rate of interest; and  
7 providing for an effective date."

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

9 \* Section 1. AS 45.45.010(b) is repealed and re-enacted to read:

10 (b) Until December 31, 1970 during any calendar quarter no  
11 interest may be charged by express agreement of the parties in a con-  
12 tract which is more than <sup>3.5</sup> four percentage points above the federal re-  
13 serve discount rate for the 12th Federal Reserve District that pre-  
14 vailed on the first day of the month preceding the commencement of that  
15 calendar quarter. Notice of the prevailing quarterly rate shall be  
16 provided by the Department of Commerce. Conventional mortgage loans  
17 covering one- to four-family dwellings entered into under provisions  
18 of this paragraph shall not include a prepayment penalty provision.  
19 After December 31, 1970 interest at the rate of eight per cent may be  
20 charged by express agreement of the parties in a contract after that  
21 date.

22 \* Sec. 2. AS 45.45.010 is amended by adding a new subsection to read:

23 (c) The maximum rate of interest specified in this section does  
24 not apply to transactions involving loans processed through Alaska  
25 financial institutions when there is participation by corresponding  
26 banks or institutional lenders in other states or countries because  
27 the amount of the transaction exceeds the loan limitations on state  
28 banks under AS 06.05.205(b) and on national banks under 12 U.S.C. 84  
29 and the regulations and rulings under that section and to those loans

1 made by mutual savings banks, state chartered savings and loan associ-  
2 ations, and federally chartered savings and loan associations which  
3 exceed 10 per cent of surplus, undivided profits and reserves for loan  
4 losses. *and to those loans which are* This provision remains in effect until December 31, 1970.

5 \* Sec. 3. AS 45.45.060 is amended to read:

6 Sec. 45.45.060. CONTRACT NOT DEEMED USURIOUS BECAUSE OF AGREEMENT  
7 TO PAY TAXES. A contract made in the state between borrower and lender,  
8 debtor [,] and creditor, or mortgagor and mortgagee, on which the rate  
9 of interest is the legal rate of interest specified in sec. 10 of this  
10 chapter or less [EIGHT PER CENT OR UNDER], by which one party agrees to  
11 pay the taxes on the debt, credit, or mortgage existing or entered into  
12 between the parties, is legal and valid and is not usurious.

13 \* Sec. 4. AS 44.33.020 is amended by adding a new paragraph to read:

14 (11) before the commencement of each calendar quarter, fur-  
15 nish lending institutions, title insurance companies, mortgage companies  
16 and clerks of the respective superior courts with the 12th Federal  
17 Reserve District discount rate which is to be used during that calendar  
18 quarter for computing the maximum rate of interest under AS 45.45.010(b)

19 \* Sec. 5. AS 45.10.120 is amended to read:

20 *and* → Sec. 45.10.120. EXTENT OF SERVICE CHARGE. (a) The service  
21 charge shall include all charges incident to investigating and making  
22 the retail installment contract or charge agreement and for the privi-  
23 lege of making the installment payments under the contract or agreement.  
24 No other fee, interest, expense, or charge may be taken, received,  
25 reserved, or contracted for investigating and making the contract or  
26 agreement, or for the privilege of making the payments.

27 (b) A seller or holder of a retail installment contract may  
28 charge, receive and collect a service charge which shall not exceed  
29 the following rates multiplied by the number of months, including a

1 fraction of a month in excess of 15 days as one month, elapsing between  
2 the date of the contract and the due date of the last installment,

3 (1) if [ON SO MUCH OF] the unpaid balance as does not  
4 exceed \$10,000, seven-twelfths [\$1,000, FIVE-SIXTHS] of one per cent;

5 (2) if the unpaid balance exceeds \$10,000, one-half  
6 [\$1,000, ON SO MUCH OF THE UNPAID BALANCE AS EXCEEDS \$1,000, TWO-THIRDS  
7 of one per cent;

8 (3) on contracts with an original balance under \$300, a  
9 contract fee of \$10 may be added. This fee shall not be considered as  
10 part of the service fee for purposes of sec. 70 of this chapter or (d)  
11 of this section [IF THE TOTAL SERVICE CHARGE SO COMPUTED IS LESS THAN  
12 \$12, 12. BUT IF THE DUE DATE OF THE LAST INSTALLMENT OF THE CONTRACT  
13 IS EIGHT MONTHS OR LESS AFTER ITS EFFECTIVE DATE, \$10]

14 (c) A seller or holder of a retail charge agreement, revolving  
15 charge agreement or other retail charge agreement may charge, receive  
16 and collect a service charge not to exceed the following rates computed  
17 on the outstanding balances from month to month,

18 (1) on so much of the outstanding balance as does not exceed  
19 \$300 [\$1,000], one and one-fourth [ONE-HALF] per cent per month;

20 (2) if the outstanding balance is more than \$300 [\$1,000],  
21 one per cent per month [ON THE EXCESS OVER \$1,000 OF THE OUTSTANDING  
22 BALANCE];

23 (3) if the service charge so computed is less than \$1 for  
24 any month, \$1;

25 (4) the service charge may be computed on a schedule of  
26 fixed amounts if as so computed it is applied to all amounts of out-  
27 standing balances equal to the fixed amount minus a differential of not  
28 more than \$5 provided that it is also applied to all amounts of out-  
29 standing balances equal to the fixed amount plus at least the same

1 ~~differential.~~

2 \* Sec. <sup>5</sup>6. AS 06.20.230 is amended to read:

3 Sec. 06.20.230. MAXIMUM INTEREST PERMITTED. A licensee may lend  
4 any sum of money not exceeding \$1,000<sup>500</sup> and may charge, contract for, and  
5 receive thereon interest at a rate not exceeding three<sup>3.5</sup> [FOUR] per cent  
6 a month on that part of the unpaid principal balance of a loan not in  
7 excess of \$300; two<sup>2.5</sup> [AND ONE-HALF] per cent a month on the remainder of  
8 any unpaid principal balance exceeding \$300 but not exceeding \$600,  
9 and one<sup>1.5</sup> [TWO] per cent a month on the remainder of any unpaid principal  
10 balance exceeding \$600 but not exceeding \$1,000<sup>500</sup>. On loans, the princi-  
11 pal of which is \$50 or less a licensee may charge, contract and re-  
12 ceive interest at a rate not exceeding five per cent a month.

13 \* Sec. 7. This Act takes effect on the day after its passage and approval  
14 or on the day it becomes law without approval.