

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS 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 AS 45.45.010(b) is repealed and re-enacted to read: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 four percentage points above the federal re-  
13 serve discount rate for the 12th Federal Reserve District that prevailed  
14 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 may be prepaid without penalty. After December 31,  
19 1970 interest at the rate of eight per cent may be charged by express  
20 agreement of the parties in a contract after that date.

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

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

1 and federally chartered savings and loan associations which exceed 10  
2 per cent of surplus, undivided profits and reserves for loan losses,  
3 and to those loans where the mortgagee is not a bank, mutual savings  
4 bank, or savings and loan association, and where the loan exceeds  
5 \$500,000. This provision remains in effect until December 31, 1970.

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

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

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

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

21 \* Sec. 5. AS 06.20.230 is amended to read:

22 Sec. 06.20.230. MAXIMUM INTEREST PERMITTED. A licensee may lend  
23 any sum of money not exceeding \$1,500 [\$1,000] and may charge, contract  
24 for, and receive thereon interest at a rate not exceeding three [FOUR]  
25 per cent a month on that part of the unpaid principal balance of a loan  
26 not in excess of \$400 [\$300]; two [AND ONE-HALF] per cent a month on  
27 the remainder of any unpaid principal balance exceeding \$400 [\$300] but  
28 not exceeding \$800 [\$600], and one [two] per cent a month on the  
29 remainder of any unpaid principal balance exceeding \$800 [\$600] but not

1 exceeding \$1,500 [\$1,000]. On loans, the principal of which is \$50 or  
2 less a licensee may charge, contract and receive interest at a rate not  
3 exceeding five per cent a month.

4 \* Sec. 6. AS 06.10 is amended by adding a new section to read:

5 Sec. 06.10.045. BANKS OR FOREIGN NATIONALS ENGAGING IN A BANKING  
6 BUSINESS IN THE STATE. A bank operating under the laws of a foreign  
7 country may apply to the department for a charter to engage in a banking  
8 business in this state in the same manner and subject to the same laws  
9 and regulations as any other bank under ch. 5 of this title, provided  
10 that:

11 (1) requirements in ch. 5 of this title regarding residency  
12 do not apply; and

13 (2) if the applicant is a bank operating under the laws of  
14 a foreign country, membership in the Federal Deposit Insurance Corpora-  
15 tion or an agency of the United States which insures bank deposits is  
16 not required if the national government of the foreign country has a  
17 comparable deposit insurance corporation acceptable to the commissioner.

18 \* Sec. 7. Sec. 5 of this Act takes effect on July 1, 1969.

19 \* Sec. 8. This Act takes effect on the day after its passage and approval  
20 or on the day it becomes law without approval.