

Original sponsor: Commerce Committee  
by request

Offered: 3/15/78  
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 668

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Small Loans Act."

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

8 \* Section 1. AS 06.20.010 is amended to read:

9 Sec. 06.20.010. LICENSE REQUIRED. No person may engage in the  
10 business of making loans of money, credit, goods, or things in action in  
11 the amount or of the value of \$5,000 [\$1,500] or less and charge, con-  
12 tract for, or receive on the loan a greater rate of interest, discount,  
13 or consideration than the lender would be permitted by law to charge if  
14 he were not a licensee under this chapter [HEREUNDER], except as autho-  
15 rized by this chapter and without first obtaining a license from the  
16 department [OF COMMERCE AND ECONOMIC DEVELOPMENT, HEREINAFTER CALLED THE  
17 DEPARTMENT].

18 \* Sec. 2. AS 06.20.040 is amended to read:

19 Sec. 06.20.040. LIQUID ASSETS REQUIRED. Every applicant shall  
20 prove, in form satisfactory to the department, that he has available for  
21 the operation of the business at the location specified in the applica-  
22 tion, liquid assets of at least \$20,000 [\$10,000].

23 \* Sec. 3. AS 06.20.050 is amended to read:

24 Sec. 06.20.050. BOND. The applicant shall file with the applica-  
25 tion a bond to be approved by the department in which the applicant  
26 shall be the obligor, in the sum of \$5,000 [\$1,000] with one or more  
27 sureties. The bond shall be for the use of the state and any person who  
28 may have a cause of action against the obligor under this chapter. The  
29 bond shall state that the [SAID] obligor will faithfully conform to and

1 abide by the provisions of this chapter and of all [RULES AND] regula-  
2 tions lawfully made by the department, and will pay to the state and to  
3 any person all money [MONEYS] that may become due or owing to the state  
4 or to the person from the applicant under this chapter.

5 \* Sec. 4. AS 06.20.060 is amended to read:

6 Sec. 06.20.060. ISSUANCE OF LICENSE. Upon the filing of the ap-  
7 plication, the payment of the fees and the approval of the bond, the  
8 department shall issue a license to the applicant if it finds upon in-  
9 vestigation that (1) the financial responsiblity, experience, character,  
10 and general fitness of the applicant and of its [THE] members [THEREOF]  
11 if the applicant is a copartnership or association, and of its [THE]  
12 officers and directors [THEREOF] if the applicant is a corporation, are  
13 such as to command the confidence of the community and to warrant belief  
14 that the business will be operated honestly, fairly, and efficiently  
15 within the purposes of this chapter, and (2) allowing the applicant to  
16 engage in business will promote the convenience and advantage of the  
17 community in which the business is to be conducted, and (3) the appli-  
18 cant has available for the operation of the business at the specific  
19 location liquid assets of at least \$20,000 [\$10,000]. The foregoing  
20 facts are conditions precedent to the issuance of a license under this  
21 chapter. The license permits the applicant to make loans in accordance  
22 with this chapter at the location specified in the application. The  
23 license remains in full force and effect until it is surrendered by the  
24 licensee or revoked or suspended. If the department denies the applica-  
25 tion, it shall notify the applicant of the denial and return the bond  
26 and license fee and retain the \$200 investigation fee. The department  
27 shall approve or deny every application for license within 60 days from  
28 the filing of the application [THEREOF] with the fees and the approved  
29 bond. If the application is denied, the department shall, within 20

1 days thereafter, serve upon the applicant a copy of the written decision  
2 and findings. The decision and findings may be reviewed in the manner  
3 provided in the Administrative Procedure Act (AS 44.62).

4 \* Sec. 5. AS 06.20.090(b) is amended to read:

5 (b) Whenever a licensee changes his place of business to another  
6 location within the same municipality, he shall [IMMEDIATELY] give writ-  
7 ten notice to the department in advance. The department shall attach  
8 the written notice of the change to the license together with the date.  
9 Thereafter the licensee may operate the business under the license at  
10 the new location. A licensee may not change the place of business to a  
11 location outside the municipality in which he is authorized to do busi-  
12 ness.

13 \* Sec. 6. AS 06.20.200(a) is amended to read:

14 (a) No person may advertise, print, display, publish, distribute,  
15 or broadcast or cause or permit to be advertised, printed, displayed,  
16 published, distributed, or broadcast, in any manner any statement or  
17 representation with regard to the rates, terms, or conditions for the  
18 lending of money, credit, goods, or things in action in the amount or of  
19 the value of \$5,000 [\$1,500] or less, which is false, misleading, or  
20 deceptive. The department may order any licensee to desist from any  
21 conduct which it finds to be in violation of this section.

22 \* Sec. 7. AS 06.20.230 is amended to read:

23 Sec. 06.20.230. MAXIMUM INTEREST PERMITTED. A licensee may lend  
24 any sum of money not exceeding \$5,000 [\$1,500] and may charge, contract  
25 for, and receive on the loan [THEREON] interest at a rate not exceeding  
26 three per cent a month on that part of the unpaid principal balance of a  
27 loan not in excess of \$500 [\$400]; two per cent a month on the remainder  
28 of any unpaid principal balance exceeding \$500 [\$400] but not exceeding  
29 \$1,000; [\$800,] and one per cent a month on the remainder of any unpaid

1 principal balance exceeding \$1,000 [\$800] but not exceeding \$5,000  
2 [\$1,500]. On loans[, ] the principal of which is \$50 or less a licensee  
3 may charge, contract and receive interest at a rate not exceeding five  
4 per cent a month.

5 \* Sec. 8. AS 06.20.250 is amended to read:

6 Sec. 06.20.250. COMPUTATION AND PAYMENT OF INTEREST. (a) Inter-  
7 est shall not be paid, deducted, or received in advance. Interest shall  
8 be computed and paid only on unpaid principal balances and shall not be  
9 compounded; however, if part or all of the consideration for a loan con-  
10 tract is the unpaid principal balance of a prior loan, the principal  
11 amount payable under the loan contract may include any unpaid charges on  
12 the prior loan which have accrued within 60 days before the making of  
13 the loan contract. The maximum interest permitted on loans made under  
14 this chapter shall be computed on the basis of the number of days actu-  
15 ally elapsed. For the purpose of these computations a month is any  
16 period of 30 consecutive days.

17 (b) A licensee may compute interest for a loan as provided in this  
18 chapter on an interest-bearing or actuarial basis either at the rates  
19 stated in sec. 230 of this chapter or at the single annual percentage  
20 rate that would earn the same finance charge as the rates stated in sec.  
21 230 when the debt is paid according to the agreed terms and the calcu-  
22 lations made according to the actuarial method.

23 (c) No licensee may enter into any contract for a loan that pro-  
24 vides for a scheduled repayment of principal over more than the maximum  
25 terms set out below opposite the respective size of loans.

<u>Principal amount of loan to</u>	<u>Maximum term</u>
<u>\$1,000.....</u>	<u>24 and 1/2 months</u>
<u>Over \$1,000 to \$2,500.....</u>	<u>48 and 1/2 months</u>
<u>Over \$2,500 to \$5,000.....</u>	<u>60 and 1/2 months</u>

1 \* Sec. 9. AS 06.20.260(a)(2) is amended to read:

2 (2) premiums actually paid out for insurance on any one or  
3 combination of the following: [THE LIFE OR] pledged property of the  
4 borrower, credit life insurance on the life of one or more borrowers, or  
5 credit disability insurance to provide indemnity for payments becoming  
6 due on the indebtedness;

7 \* Sec. 10. AS 06.20.280 is amended to read:

8 Sec. 06.20.280. MAXIMUM CHARGE BY LICENSEE. No licensee may di-  
9 rectly or indirectly charge, contract for, or receive any interest, dis-  
10 count, or consideration greater than that which he would be permitted by  
11 law to charge if he were not a licensee under this chapter [HEREUNDER],  
12 upon the loan, use or forbearance of money, goods, or things in action,  
13 or upon the loan, use, or sale of credit, of the amount or value of more  
14 than \$5,000 [\$1,500]. This section applies to any licensee who permits  
15 any person, as borrower or endorser, guarantor, or surety for any bor-  
16 rower, or otherwise, to owe directly or contingently or both to the li-  
17 censee at any time a sum of more than \$5,000 [\$1,500] on principal.

18 \* Sec. 11. AS 06.20.290 is amended to read:

19 Sec. 06.20.290. PURCHASE OF WAGES FOR \$5,000 [\$1,500] OR LESS.  
20 For purposes of this chapter, the payment of \$5,000 [\$1,500] or less in  
21 money, credit, goods, or things in action, as consideration for the sale  
22 or assignment of, or order for, the payment of wages, salary, commis-  
23 sions, or other compensation for services whether earned or to be earned  
24 is considered interest or a charge upon the loan from the date of pay-  
25 ment to the date the compensation is payable. Such transaction is  
26 governed by this chapter.

27 \* Sec. 12. AS 06.20.300(a) is amended to read:

28 (a) Except as authorized in this chapter, no person may directly  
29 or indirectly charge, contract for, or receive any interest, discount,

1 or consideration greater than that which he would be permitted by law to  
2 charge if he were not a licensee, upon the loan, use, or forbearance of  
3 money, goods, or things in action, or upon the loan, use, or sale of  
4 credit of the amount or value of \$5,000 [\$1,500] or less.

5 \* Sec. 13. AS 06.20.310 is amended to read:

6 Sec. 06.20.310. ILLEGAL INTEREST RATE. No loan of the amount or  
7 value of \$5,000 [\$1,500] or less for which a greater rate of interest,  
8 consideration or charge than is permitted by this chapter has been  
9 charged, contracted for or received, wherever made, may be enforced in  
10 the state, and every person participating in such a loan [THEREIN] in  
11 the state is subject to this chapter. This section does not apply to  
12 loans legally made in any state or territory of the United States which  
13 has in effect a regulatory small loan law similar in principle to this  
14 chapter.

15 \* Sec. 14. AS 06.20.320 is amended to read:

16 Sec. 06.20.320. CIVIL AND CRIMINAL PENALTIES. (a) A licensee or  
17 lender who, in the making or collection of a loan contract, does any act  
18 which violates secs. 230 - 260 or 280 - 310 of this chapter shall at the  
19 option of the commissioner reimburse the portion of the interest and  
20 charges in excess of that provided in those sections, or, in the case of  
21 repeated violations of those sections by the licensee, the commissioner  
22 may, upon a hearing, require the licensee to adjust the loan contract  
23 interest or other charges down to the contract interest limitation  
24 specified in AS 45.45.010(a).

25 (b) Any person, copartnership, association, or corporation, and  
26 its [THE SEVERAL] members, officers, directors, agents, and employees  
27 [THEREOF], who violates [VIOLATE] or participates [PARTICIPATE] in a  
28 violation of the provisions of secs. 10, 180 - 200, 230 - 290[270], 300  
29 or 310 of this chapter is [ARE] guilty of a misdemeanor.

1 \* Sec. 15. AS 06.20 is amended by adding a new section to read:

2       Sec. 06.20.900. DEFINITIONS. As used in this chapter, unless the  
3 context otherwise requires,

4               (1) "commissioner" means the commissioner of commerce and  
5 economic development or his designee;

6               (2) "department" means the Department of Commerce and Eco-  
7 nomic Development.

8 \* Sec. 16. AS 06.20.260(a)(4) is repealed.

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