

Introduced: 2/8/79
Referred: Commerce and
Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 118

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

8 * Section 1. AS 06.20 is amended by adding new sections to read:

9 Sec. 06.20.285. OPEN-END LOANS. (a) A licensee may make open-end
10 loans not exceeding an aggregate total of \$5,000 and may contract for
11 and receive interest on open-end loans as provided in AS 06.20.230.
12 Interest on open-end loans may be computed daily or monthly on the
13 unpaid principal balance or the average unpaid principal balance if the
14 interest charged as a result of these computations does not exceed the
15 rates stated in AS 06.20.230 when the interest is computed according to
16 the interest-bearing or actuarial method.

17 (b) The billing cycle for open-end loans is monthly, and the
18 unpaid principal balance on a certain day is computed by adding to the
19 balance unpaid on the beginning of that day, or the average unpaid daily
20 balance for that billing cycle, all advances and other permissible
21 amounts charged to the borrower and deducting all payments and other
22 credits made or received that day.

23 (c) A licensee may secure the payment of an open-end loan in the
24 same manner as other loans under this chapter may be secured.

25 (d) The licensee shall deliver a copy of the open-end loan agree-
26 ment to the borrower at the time the open-end loan account is opened.
27 The open-end loan agreement must contain the name and address of the
28 licensee and the borrower and must contain disclosures of finance
29 charges and agreed terms as may be required by regulations adopted by

1 the department and the Board of Governors of the Federal Reserve System.

2 (e) At the end of each billing cycle in which there is an out-
3 standing balance in the account for which a finance charge is imposed,
4 the licensee shall deliver to the borrower a statement in the form
5 required by regulations adopted by the department and the Board of
6 Governors of the Federal Reserve System.

7 Sec. 06.20.287. CREDIT INSURANCE ON OPEN-END LOANS. (a) A licen-
8 see may obtain credit life, disability, and property insurance on open-
9 end loans under this chapter. The insurance obtained by a licensee
10 shall satisfy the requirements of AS 21.57.

11 (d) The licensee shall calculate the charge for credit life or
12 disability insurance in each billing cycle by adding to the unpaid
13 balance in the borrower's account the current monthly premium rate for
14 the coverage required at the rate set under AS 21.57, using the method
15 specified in the loan agreement for determining the unpaid balance.

16 (c) A licensee may not cancel credit life or disability insurance
17 obtained for an open-end loan if the borrower is delinquent in paying
18 his monthly installments unless an installment is delinquent for 90 days
19 or longer. The licensee shall advance to the insurer amounts necessary
20 to keep the policy in force until the 90-day delinquency period has
21 elapsed, and the borrower's account may be charged for the amounts
22 advanced to the insurer.

23 * Sec. 2. AS 06.20.230 is amended by adding a new subsection to read:

24 (b) Notwithstanding the provisions of (a) of this section, a
25 licensee who makes open-end loans under this chapter may elect to
26 charge, contract for, and receive interest not to exceed one and one-
27 half per cent a month on the unpaid principal balance of an open-end
28 loan account computed according to the actuarial method.

29 * Sec. 3. AS 06.20.250(a) is amended to read:

1 (a) Interest shall not be paid, deducted, or received in advance.
2 Except for open-end loans made under AS 06.20.285, interest [INTEREST]
3 shall be computed and paid only on unpaid principal balances and shall
4 not be compounded; however, if part or all of the consideration for a
5 loan contract is the unpaid principal balance of a prior loan, the
6 principal amount payable under the loan contract may include any unpaid
7 charges on the prior loan which have accrued within 60 days before the
8 making of the loan contract. The maximum interest permitted on loans
9 made under this chapter shall be computed on the basis of the number of
10 days actually elapsed. For the purpose of these computations a month is
11 any period of 30 consecutive days.

12 * Sec. 4. AS 06.20.250(c) is amended to read:

13 (c) Except for open-end loans under AS 06.20.285, no [NO] licensee
14 may enter into any contract for a loan that provides for a scheduled
15 repayment of principal over more than the maximum terms set out below
16 opposite the respective size of loans.

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

21 * Sec. 5. AS 06.20.270 is amended to read:

22 Sec. 06.20.270. REQUIREMENTS FOR MAKING AND PAYMENT OF LOANS.
23 Except as provided in AS 06.20.285 for open-end loans, every [EVERY]
24 licensee shall

25 (1) deliver to the borrower at the time a loan is made a
26 statement containing a printed copy of AS 06.20.230 - 06.20.260 in the
27 English language and showing in clear and distinct terms the amount and
28 date of the loan and its maturity, the nature of the security, if any,
29 for the loan, the name and address of the borrower and the licensee, and

1 the agreed rate of charge;

2 (2) give to the borrower a plain and complete receipt for all
3 payments made on account of the loan at the time payments are made,
4 specifying the amount applied to interest and the amount, if any,
5 applied to principal, and stating the unpaid principal balance, if any,
6 of the loan;

7 (3) permit payment to be made in advance in any amount on a
8 contract of loan at any time, but the licensee may apply the advance
9 payment first to all interest in full at the agreed rate up to the date
10 of payment;

11 (4) upon repayment of the loan in full, mark indelibly every
12 obligation and security signed by the borrower with the word "Paid" or
13 "Cancelled," and release any mortgage, restore any pledge, cancel and
14 return any note, and cancel and return any assignment given to the
15 licensee by the borrower;

16 (5) display prominently in each licensed place of business a
17 full and accurate schedule, approved by the department, of the charges
18 to be made and the method of computing them.

19 * Sec. 6. AS 06.20.320 is amended by adding a new subsection to read:

20 (c) If a penalty for failure to comply with financing disclosure
21 requirements under regulations adopted by the Board of Governors of the
22 Federal Reserve System is imposed by the federal authorities, the de-
23 partment may not impose a civil penalty under this section for the same
24 act or omission.

25 * Sec. 7. AS 06.20.900 is amended by adding a new paragraph to read:

26 (3) "open-end loan" means a loan made by a licensee under
27 this chapter under an agreement between the licensee and a borrower
28 which provides that

29 (A) the borrower may obtain advances of money from the

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licensee from time to time or the licensee may advance money on behalf of the borrower from time to time as directed by the borrower;

(B) the amount of each advance and interest and charges will be added to the borrower's open-end loan account and payments and other credits are deducted from that account;

(C) interest will be computed on the unpaid principal balance or the average unpaid principal balance of the open-end loan account;

(D) the borrower may pay all or any part of the unpaid principal balance of his open-end loan account or, if the account is not in default, in monthly installments of fixed amounts as provided in the loan agreement; and

(E) the agreement covers open-end loans under this chapter.