

Original sponsor: Commerce Committee

Offered: 3/5/79
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR 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, and
12 for other charges permitted under this chapter. Interest on open-end
13 loans may be computed daily or monthly on the unpaid principal balance
14 or the average unpaid principal balance if the interest charged as a
15 result of these computations does not exceed the rates stated in
16 AS 06.20.230 when the interest is computed according to the interest-
17 bearing or actuarial method.

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

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

26 (d) The licensee shall deliver a copy of the open-end loan agree-
27 ment to the borrower at the time the open-end loan account is opened.
28 The open-end loan agreement must contain the name and address of the
29 licensee and the borrower and must contain disclosures of finance

1 charges and agreed terms as may be required by regulations adopted by
2 the department and the Board of Governors of the Federal Reserve System.

3 (e) At the end of each billing cycle in which there is an out-
4 standing balance in the account for which a finance charge is imposed,
5 the licensee shall deliver to the borrower a statement in the form
6 required by regulations adopted by the department and the Board of
7 Governors of the Federal Reserve System. This subsection does not apply
8 to accounts which the licensee considers uncollectible or for which an
9 action to collect past due amounts has been filed.

10 Sec. 06.20.287. CREDIT INSURANCE ON OPEN-END LOANS. (a) A licen-
11 see may obtain credit life, credit disability, and property insurance on
12 open-end loans under this chapter. The credit life and credit dis-
13 ability insurance obtained by a licensee shall satisfy the requirements
14 of AS 21.57. The property insurance obtained by a licensee shall
15 satisfy the requirements of AS 21.39 and AS 21.42. The licensee shall
16 comply with AS 21.36.160 and 21.36.165 during all transactions with
17 borrowers involving credit life, credit disability and property
18 insurance.

19 (b) The licensee shall calculate the charge for credit life or
20 disability insurance in each billing cycle by adding to the unpaid
21 balance in the borrower's account the current monthly premium rate for
22 the coverage required at the rate set under AS 21.57, using the method
23 specified in the loan agreement for determining the unpaid balance.

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

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advanced to the insurer.

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

(b) Notwithstanding the provisions of (a) of this section, a licensee who makes open-end loans under this chapter may elect to charge, contract for, and receive interest not to exceed one and one-half per cent a month computed according to the actuarial method on the unpaid principal balance as determined in AS 06.20.285(b).

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

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

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

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

* Sec. 5. AS 06.20.260(a) is amended by adding a new paragraph to read:

1 (5) reasonable fees paid by a licensee for appraisals,
2 surveys, and title insurance or reports if the loan is secured by an
3 interest in real estate.

4 * Sec. 6. AS 06.20.270 is amended to read:

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

8 (1) deliver to the borrower at the time a loan is made a
9 statement containing a printed copy of AS 06.20.230 - 06.20.260 in the
10 English language and showing in clear and distinct terms the amount and
11 date of the loan and its maturity, the nature of the security, if any,
12 for the loan, the name and address of the borrower and the licensee, and
13 the agreed rate of charge;

14 (2) give to the borrower a plain and complete receipt for all
15 payments made on account of the loan at the time payments are made,
16 specifying the amount applied to interest and the amount, if any,
17 applied to principal, and stating the unpaid principal balance, if any,
18 of the loan;

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

23 (4) upon repayment of the loan in full, mark indelibly every
24 obligation and security signed by the borrower with the word "Paid" or
25 "Cancelled," and release any mortgage, restore any pledge, cancel and
26 return any note, and cancel and return any assignment given to the
27 licensee by the borrower;

28 (5) display prominently in each licensed place of business a
29 full and accurate schedule, approved by the department, of the charges

1 to be made and the method of computing them.

2 * Sec. 7. AS 06.20.320 is amended by adding a new subsection to read:

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

8 * Sec. 8. AS 06.20.900 is amended by adding a new paragraph to read:

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

12 (A) the borrower may obtain advances of money from the
13 licensee from time to time or the licensee may advance money on
14 behalf of the borrower from time to time as directed by the
15 borrower;

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

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

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

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

28 * Sec. 9. AS 21.57.020 is amended to read:

29 Sec. 21.57.020. SCOPE OF CHAPTER. All life insurance and all

1 disability insurance in connection with loans or other credit trans-
2 actions shall be subject to the provisions of this chapter except
3 insurance in connection with a loan or other credit transaction of five
4 years or more duration involving a loan or other credit transaction
5 which exceeds \$5,000; insurance may not be subject to the provisions of
6 this chapter if the issuance of the insurance is an isolated transaction
7 on the part of the insurer not related to an agreement or a plan for
8 insuring debtor of the creditor.

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