

Introduced: 4/3/80
Referred: Commerce and Finance

BY THE COMMERCE COMMITTEE
BY REQUEST

1 IN THE SENATE

2 SENATE BILL NO. 543

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Alaska Small Loans Act; and pro-
7 viding for an effective date."

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

9 * Section 1. AS 06.20.010 is amended to read:

10 Sec. 06.20.010. LICENSE REQUIRED. A [NO] person may not engage in
11 the business of making loans of money, credit, goods, or things in
12 action in the amount or of the value of \$25,000 [\$5,000] or less and
13 charge, contract for, or receive on the loan a greater rate of interest,
14 discount, or consideration than the lender would be permitted by law to
15 charge if he were not a licensee under this chapter, except as autho-
16 rized by this chapter and without first obtaining a license from the
17 department.

18 * Sec. 2. AS 06.20.200(a) is amended to read:

19 (a) A [NO] person may not advertise, print, display, publish,
20 distribute, or broadcast or cause or permit to be advertised, printed,
21 displayed, published, distributed, or broadcast, in any manner any
22 statement or representation with regard to the rates, terms, or con-
23 ditions for the lending of money, credit, goods, or things in action in
24 the amount or of the value of \$25,000 [\$5,000] or less, which is false,
25 misleading, or deceptive. The department may order any licensee to
26 desist from any conduct which it finds to be in violation of this sec-
27 tion.

28 * Sec. 3. AS 06.20.230 is amended to read:

29 Sec. 06.20.230. MAXIMUM INTEREST PERMITTED. (a) A licensee may

1 lend any sum of money not exceeding \$25,000 [\$5,000] and may charge,
 2 contract for, and receive on the loan interest at a rate not exceeding
 3 (1) three percent a month on that part of the unpaid principal balance
 4 of a loan not in excess of \$500; two percent a month on the remainder of
 5 any unpaid principal balance exceeding \$500 but not exceeding \$1,000;
 6 and one percent a month on the remainder of any unpaid principal balance
 7 exceeding \$1,000 but not exceeding \$25,000; or (2) if the principal of
 8 the loan is more than \$4,000, one and seven-tenths percent a month on
 9 the entire unpaid principal balance [\$5,000]. On loans the principal of
 10 which is \$50 or less a licensee may charge, contract and receive in-
 11 terest at a rate not exceeding five percent a month.

12 (b) Notwithstanding the provisions of (a) of this section, a
 13 licensee who makes open-end loans under this chapter may elect to charge,
 14 contract for, and receive interest not to exceed one and seven-tenths
 15 [ONE-HALF] percent a month computed according to the actuarial method on
 16 the unpaid principal balance as determined in AS 06.20.285(b).

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

18 (c) Except for open-end loans under AS 06.20.285, a a [NO] licensee
 19 may not enter into any contract for a loan that provides for a scheduled
 20 repayment of principal over more than the maximum terms set out below
 21 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
<u>Over \$5,000 to \$25,000.....</u>	<u>as agreed to by</u>
	<u>the parties</u>

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

29 (6) loan origination fees not to exceed five percent of the

1 principal amount on a loan for more than \$4,000 which is secured by real
2 property or a mobile home.

3 * Sec. 6. AS 06.20.280 is amended to read:

4 Sec. 06.20.280. MAXIMUM CHARGE BY LICENSEE. A [NO] licensee may
5 not directly or indirectly charge, contract for, or receive any in-
6 terest, discount, or consideration greater than that which he would be
7 permitted by law to charge if he were not a licensee under this chapter,
8 upon the loan, use or forbearance of money, goods, or things in action,
9 or upon the loan, use, or sale of credit, of the amount or value of more
10 than \$25,000 [\$5,000]. This section applies to any licensee who permits
11 any person, as borrower or endorser, guarantor, or surety for any bor-
12 rower, or otherwise, to owe directly or contingently or both to the
13 licensee at any time a sum of more than \$25,000 [\$5,000] on principal.

14 * Sec. 7. AS 06.20.285(a) is amended to read:

15 (a) A licensee may make open-end loans not exceeding an aggregate
16 total of \$25,000 [\$10,000] and may contract for and receive interest on
17 open-end loans as provided in AS 06.20.230, and for other charges per-
18 mitted under this chapter. Interest on open-end loans may be computed
19 daily or monthly on the unpaid principal balance or the average unpaid
20 principal balance if the interest charged as a result of these computa-
21 tions does not exceed the rates stated in AS 06.20.230 when the interest
22 is computed according to the interest-bearing or actuarial method.

23 * Sec. 8. AS 06.20.290 is amended to read:

24 Sec. 06.20.290. PURCHASE OF WAGES FOR \$25,000 [\$5,000] OR LESS.
25 For purposes of this chapter, the payment of \$25,000 [\$5,000] or less in
26 money, credit, goods, or things in action, as consideration for the sale
27 or assignment of, or order for, the payment of wages, salary, commis-
28 sions, or other compensation for services whether earned or to be earned
29 is considered interest or a charge upon the loan from the date of pay-

1 ment to the date the compensation is payable. Such a transaction is
2 governed by this chapter.

3 * Sec. 9. AS 06.20.300(a) is amended to read:

4 (a) Except as authorized in this chapter, a [NO] person may not
5 directly or indirectly charge, contract for, or receive any interest,
6 discount, or consideration greater than that which he would be permitted
7 by law to charge if he were not a licensee, upon the loan, use, or
8 forbearance of money, goods, or things in action, or upon the loan, use,
9 or sale of credit of the amount or value of \$25,000 [\$5,000] or less.

10 * Sec. 10. AS 06.20.310 is amended to read:

11 Sec. 06.20.310. ILLEGAL INTEREST RATE. No loan of the amount or
12 value of \$25,000 [\$5,000] or less for which a greater rate of interest,
13 consideration or charge than is permitted by this chapter has been
14 charged, contracted for or received, wherever made, may be enforced in
15 the state, and every person participating in such a loan in the state is
16 subject to this chapter. This section does not apply to loans legally
17 made in any state or territory of the United States which has in effect
18 a regulatory small loan law similar in principle to this chapter.

19 * Sec. 11. This Act takes effect immediately in accordance with AS 01.10.-
20 070(c).

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