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STATE
of ALASKA

MEMORANDUM

COMMERCE & ECONOMIC DEVELOPMENT

TO: Jim Grandjean, Administrative Asst.
House Commerce Committee

DATE: May 16, 1977

FILE NO:

TELEPHONE NO:

CR for JB
FROM: Julius J. Brecht, Director
Division of Banking & Securities

SUBJECT: Small Loan Companies
Rate of Interest

We have no further statistical information on how this interest change would effect the small loan companies. In general, allowing them to charge a lower rate of interest. We are, of course, cutting into their income. The table will show how other states handle this matter. The present rate structure for Alaska is one of the larger rate structures, that is, 3%, 2%, 1%.

SUMMARY OF 1976 LEGISLATION AND ADDENDUM (January 1, 1977)
Christian T. Jones

ALABAMA	—	Usury Law: no limit over \$100,000.
ARIZONA	—	Revolving Loan Law: no ceiling.
CALIFORNIA	—	Licensed loan rates extended to 1/1/79.
FLORIDA	—	Small Loan Law: 30% per year to \$500, 24% to \$1,000, 16% to \$2,500; no rate reduction after maturity.
GEORGIA	—	Industrial Loan Law: 36½ mos. maximum maturity. Installment Loan Law: 7% per year add-on.
IDAHO	—	U3C: Dollar amounts increased 30%; 60% over original.
INDIANA	—	U3C: Dollar amounts increased (30% over original).
KENTUCKY	—	Small Loan Law: 3% to \$500, 2% to \$1,200, 1-1/2% to \$1,500 (precomp); alternate add-on rates repealed.
MAINE	—	U3C: Dollar amounts increased (60% over original).
MARYLAND	—	Installment Loans: 18% per year to \$3,500; 12% on entire amount over \$3,500.
MASS.	—	Small Loan Law: 18% per year on unpaid balances or \$10 per \$100 per year add-on plus \$15 fee (eff. 1/2/77).
MINNESOTA	—	Bank Revolving Credit: 1% per month plus \$15 annual charge. Bank Consumer Loan Law: 12% per year simple interest.
PENNA.	—	Consumer Discount Act: ceiling increased to \$5,000; 60-1/2 mos. maximum maturity. Small Loan Law repealed.
S. CAROLINA	—	U3C: Supervised Loans - 36% per year to \$300, 21% to \$1,000, 15% to \$25,000; or 18%. Revolving credit permitted.
S. DAKOTA	—	Small Loan Law: 2-1/2% to \$300, 2% to \$1,000, 1-1/2% to \$1,500, 1% to \$2,500; over \$2,500 to \$5,000, 1-1/2% on entire balance; 10% per year 6 mos. after maturity; 60-1/2 mos. max. maturity over \$2,500.
UTAH	—	U3C: same as Idaho.
VERMONT	—	Installment Loans: Add-on rate permitted up to 12 years.
VIRGINIA	—	Small Loan Law: 21 mos. maximum maturity to \$500. Bank Loan Law: 7% per year add-on plus 2% fee. Home Mortgage Law: 8% per year add-on plus 2% fee.

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATURE CONVENES			KIND OF LAW
							1976	1977	1978	
ALABAMA Supervisor, Bureau of Loans, State Banking Dept.	3% to \$200, 2% to \$300. On loans of \$75 or less \$1 for each \$5 loaned.	25 mos.	Precomp.	Yes	\$300	Life, over \$100, 75¢.		May 3		Consumer Credit Act
	Consumer Credit Act: \$15 a year per \$100 add- on to \$500, \$10 to \$1000, and \$8 to \$2000; over \$2000, \$8 on entire bal- ance. 1 1/2% per month on revolving accounts.	24 1/2 mos. to \$300, 36 1/2 mos. to \$1000. None over \$1000.	Add-on	No	None	Life, \$1.00. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.				Insurance Premium Financing
ALASKA Department of Commerce	3% to \$400, 2% to \$800, 1% to \$1500. On loans of \$50 or less 5%. Default fee of \$3.	None	No	Yes	\$1500	Life only, premiums actually paid out. NAIC	Jan. 12	Jan. 10	Jan. 9	Installment Loan Law Bank Credit Card Sales Financing
ARIZONA Superin- tendent of Banks	3% to \$300, 2% to \$600, 1 1/2% to \$1500, 1% to \$2500.	24 1/2 mos. to \$1000, 36 1/2 mos. to \$2500.	Precomp.	No	\$2500	Life, 60¢ (level term, \$1.34). Disability (14- day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC	Jan. 12	Jan. 10	Jan. 9	Industrial Bank Law Installment Loans Bank Revolving Loan Law
	Installment Loan Act: 8% per annum add-on to \$1000, 6% on any excess to \$5000 (\$10 min.)	None	Add-on	No	\$5000					Revolving Loan and Credit Card Law
CALIFORNIA Commis- sioner of Corporations	2 1/2% to \$225, 2% to \$625, 1 1/2% to \$1650, 1% to \$10,000. Alternate rate: 1 1/2% per mo. (temporary increase to 1/1/77) No max. above \$10,000. Companion "Small Loan Law" is inoperative.	24 1/2 mos. to \$1500, 36 1/2 mos. to \$2500, 48 1/2 mos. to \$4000, 60 1/2 mos. to \$6000, 84 1/2 mos. to \$10,000.	Precomp.	No	None	Life, 55¢. Disability (14-day retro.): \$2.42 - 12 months \$3.30 - 24 months \$4.18 - 36 months (higher rates for real estate loans)	Jan. 5	Jan. 3	Jan. 2	Industrial Loan Law Commercial Banks Insurance Premium Financing Law

Compliance with Regulation Z satisfies sales finance disclosure provisions.

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATIVE CONFERENCE	TYPE OF LAW
COLORADO Attorney General	UCCC: 36% per year to \$300, 21% to \$1000, 15% to \$25,000. When this combination yields less, maximum is 18% per year. (min. \$15, \$25 @ \$500) Revolving credit rate is 18% per year.	25 mos. to \$300, 37 mos. to \$1000. None over \$1000.	Yes	No	None (Regulation applies up to \$25,000)	Life, 70¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC	1976 - 1977 Jan. 7 - Jan. 5 Subjects limited to 24 years.	Bank Law Commercial Banks Savings Banks Savings and Loans Insurance Premium Financing Bank Revolving Credit
<p>UCCC requires same disclosures as Regulation Z. Regulation Z disclosures deemed compliance with state disclosure.</p>								
CONNECTICUT State Bank Commissioner	Add-on rate: \$17 a year per \$100 to \$300, and \$11 to \$1800; over \$1800 and if secured by real estate, \$11 on entire amount. (Rate drops to 12% a year after deferred max. maturity)	24% mos. to \$1000, 36% mos. to \$1800. None over \$1800.	Add-on	Yes	\$5000	Life only, 50¢. NAIC.	Feb. 4 - Jan. 5 Subjects limited to 24 years.	Industrial Bank Law Commercial Banks Savings Banks Savings and Loans Insurance Premium Financing Bank Revolving Credit
<p>General law requires same disclosures as Regulation Z. Granted FRB Exemption.</p>								
DELAWARE State Bank Commissioner	Discount Act: 9% a year for 1st 36 months, 6% a year for remaining months; 2% service fee; 5% fine; various limitations.	36 mos. to \$1500, 60 mos. to \$5000, 8 1/2 mos. to limit.	Discount and fee	No	10% of capital over \$10,000; otherwise \$500	Life, 65¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC (By regulation)	Jan. 13 - Jan. 11 - Jan. 11	Bank Consumer Loan Law Home Mortgage Loan Law Bank Revolving Credit
<p>Compliance with Regulation Z satisfies comparable provisions of sales finance and revolving credit laws.</p>								
DISTRICT OF COLUMBIA Commissioners of District of Columbia	Small Loan Law is inoperative.						Not applicable	Installment Loan Law Insurance Premium Financing

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATION COMPLETED			TITLE OF LAW	OTHER
							1976	1977	1978		
FLORIDA State Comptroller	30% per year to \$300, 24% to \$600, 16% to \$2500. (Rate drops to 10% a year 12 months after maturity.)	24½ mos. to \$600, 36½ mos. to \$2500	No	Yes	\$2500	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC	Apr. 8	Apr. 5	Apr. 2	Industrial Bank Law Bank Consumer Loan Law Bank Savings Loan and Credit Card Law Consumer Protection Financing Law	(1) 9% 5% (1) of 1% (1) 5% \$5 fee, anc
GEORGIA Industrial Loan Commissioner	Industrial Loan Act: 8% a year discount for 18 months, add-on for longer maturities; fee of 8% of first \$600 and 4% of excess plus \$1 per month; 5% for default of 5 days.	24 mos.	Discount and fee	Yes	\$3000	Life, 83¢ decreasing term, \$1.88 level term. Disability (3-day retro.): \$3.60 per annum per \$5 monthly benefit; (7-day retro.): \$2.10 per annum per \$5 monthly benefit.	Jan. 12	Jan. 23		Industrial Loan Law (amended 1976) Bank Credit Card Financing Law Home Mortgage Loan Law Consumer Protection Financing Law	6% and (1) \$25. days suit (1) 6% (2) 10% (3) 5% (1) \$5% of \$5 (\$
HAWAII Director of Regulatory Agencies, Deputy Bank Examiner	3% to \$100, 2% to \$300. Industrial Loan Act: 12% per annum discount for first 18 months, 9% for next 12 months, 6% for next 12 months, 3% for remaining months to 48 months; appraiser's fees; attorney's collection fees plus court costs; \$10 transfer of equity fee; or 1½% per month on entire balance for maturities up to 72 mos.	20 mos. 72 mos.	No Discount	Yes Yes	\$300 None	Life, 60¢. Disability (14-day retro.): \$2.61 - 12 mos. \$3.53 - 24 mos. \$4.18 - 36 mos.	Jan. 21	Jan. 29	Feb. 2	Bank Consumer Loan Law (amended 1976)	(1) 12 month 12 mo to 48 month abstract fees p equity
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Regulation Z made controlling over state disclosure laws. </div>											

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LAWS ENACTED
IDAHO Commissioner of Finance	UCCC: 36% per year to \$390, 21% to \$1300, 15% to \$32,500. When this combination yields less, maximum is 18% per year. Revolving credit rate is 18% per year.	25 mos. to \$390, 37 mos. to \$1300. None over \$1300.	Yes	No	\$32,500 No limit if secured by real estate.	Life, 60¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC	1976
UCCC requires same disclosures as Regulation Z. Regulation Z disclosures deemed compliance with state disclosures.							
ILLINOIS Department of Financial Institutions	2% to \$300, 2% to \$600, 1 1/2% to \$1500; or 1/12 of Annual Percentage Rate equivalent. Consumer Installment Loan Act: Annual discount rates from 8% for maturities up to 30 months and declining for longer maturities; or 1.5476% per month. Loans over \$800. (Banks may lend under this law.)	None 121 mos.	Precomp. Discount or interest rate	Yes No	\$1500 \$10,000 (over \$800)	Life, 65¢. Disability (14-day retro.): \$2.20 - 12 months \$2.80 - 24 months \$3.35 - 36 months \$3.90 - 48 months NAIC	1976
Regulation Z type disclosure provisions added to the regulatory laws noted herein.							
INDIANA Department of Financial Institutions	UCCC: 36% a year to \$330, 21% to \$1100, 15% to \$30,000. When this combination yields less, maximum is 18% per year. Revolving credit permitted.	25 mos. to \$330, 37 mos. to \$1100. None over \$1100.	Yes	No	(None (Regulation applies up to \$30,000))	Life, 65¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC. UCCC restrictions	1976
UCCC requires same disclosures as Regulation Z. Regulation Z disclosures deemed compliance with state disclosure.							
IOWA Superintendent of Banking State Auditor	3% to \$250, 2% to \$400, 1 1/2% to \$1000, (Rate set by State Banking Board.) Industrial Loan Act: 9% per annum discount plus fee of \$1 per \$50 (\$40 max.); 5% for default of 10 days.	25 mos. to \$300, 37 mos. to \$1000. None over \$1000.	Precomp. Discount and fee	Yes Yes	\$1000 20% of capital	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.	1976

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED
KANSAS Consumer Credit Commissioner	36% per year to \$300, 21% to \$1000, 14.45% to \$25,000; or 18% per year. Revolving loans permitted. (min. \$5-\$7.50 @ \$75)	25 mos. to \$300, 37 mos. to \$1,000, None over \$1,000.	Yes	No	\$25,000 No limit if secured by real estate.	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mo. \$3.00 - 24 mos. \$3.80 - 36 mos.
UCCG requires same disclosures as Regulation Z. No penalties allowed if creditor complies with Administrator's rules.						
KENTUCKY Commissioner of Banking	3% to \$300, 2% to \$1000, 1% to \$1200; or add-on rate, \$20 a year per \$100 on first \$300, \$18 to \$600, \$13 to \$1200. Industrial Loan Act: 7% per annum add-on or discount plus fee of \$1 per \$50 to \$2,000; 5% up to \$5 per installment for default of 10 days. (See A.G. Op. No. 72-374 re rates.)	36% mos. 61 mos.	Add-on Discount and fee	Yes Yes	\$1200 \$7500	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC
General law requires same disclosures as Regulation Z. Reg. Z disclosure deemed compliance with state disclosure.						
LOUISIANA State Bank Commissioner	36% per year to \$800, 27% to \$2000, 21% to \$3500, 15% on any remainder; or 18% per year. Revolving loans permitted. (min. \$7.50-\$15 @ \$200) Rate drops to 8% per year 12 months after maturity.	None	Yes	No	\$25,000	Life, \$1.00. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.
Licensed lenders and others may charge above rates on sale contracts (other than auto) acquired within 35 days of sale.						
MAINE Superintendent of Bureau of Consumer Protection	18% per year. (min. \$5-\$7.50 @ \$75) Revolving credit permitted. Unique restrictions make higher rates generally inoperative (30% per year to \$300, 21% to \$1000, 15% on remainder). Most licensees have ceased business.	25 mos. to \$300, 37 mos. to \$1000	Yes	No	\$25,000 No limit if secured by real estate.	Life, 50¢. Disability (14-day retro.): \$2.37 - 12 months \$2.84 - 24 months \$3.20 - 36 months NAIC
General law requires same disclosures as Regulation Z. Granted FRB Exemption.						

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED
KANSAS Consumer Credit Commissioner	36% per year to \$300, 21% to \$1000, 14.45% to \$25,000; or 18% per year. Revolving loans permitted. (min. \$5-\$7.50 @ \$75)	25 mos. to \$300, 37 mos. to \$1,000, None over \$1,000.	Yes	No	\$25,000 No limit if secured by real estate.	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mo. \$3.00 - 24 mos. \$3.80 - 36 mos.
KENTUCKY Commissioner of Banking	3% to \$300, 2% to \$1000, 1% to \$1200; or add-on rate, \$20 a year per \$100 on first \$300, \$18 to \$600, \$13 to \$1200. Industrial Loan Act: 7% per annum add-on or discount plus fee of \$1 per \$50 to \$2,000; 5% up to \$5 per installment for default of 10 days. (See A.G. Op. No. 72-374 re rates.)	36% mos. 61 mos.	Add-on Discount and fee	Yes Yes	\$1200 \$7500	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC
LOUISIANA State Bank Commissioner	36% per year to \$800, 27% to \$2000, 21% to \$3500, 15% on any remainder; or 18% per year. Revolving loans permitted. (min. \$7.50-\$15 @ \$200) Rate drops to 8% per year 12 months after maturity.	None	Yes	No	\$25,000	Life, \$1.00. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.
MAINE Superintendent of Bureau of Consumer Protection	18% per year. (min. \$5-\$7.50 @ \$75) Revolving credit permitted. Unique restrictions make higher rates generally inoperative (30% per year to \$300, 21% to \$1000, 15% on remainder). Most licensees have ceased business.	25 mos. to \$300, 37 mos. to \$1000	Yes	No	\$25,000 No limit if secured by real estate.	Life, 50¢. Disability (14-day retro.): \$2.37 - 12 months \$2.84 - 24 months \$3.20 - 36 months NAIC

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE
MARYLAND Administrator of Loan Laws Bank Commissioner	3% to \$300, 2% to \$500. (rate drops to 6% a year 6 months after maturity.)	30% mos.	No	Yes	\$500	Life, 70¢. Disability. (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.	1974 Jan. 11
	Industrial Finance Law: 18% per year. (Banks may be licensed under this law)	None	No	No	\$3500	Life only. NAIC	
MASS. Commissioner of Banks	2% to \$200, 2% to \$600, 1% to \$1000, 2% to \$3000. Rate Fixing Board. (6% a year 12 months after maturity.)	None	Precomp.	Yes (by rule)	\$3000	Life and Disability each 50¢ per \$100 per year.	Jan. 7
	General Interest Law: 20% per year over \$3000 except for certain home mortgage loans.	None		No	None (over \$3000)		
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> General disclosure law is almost a copy of Regulation Z. Granted FRB exemption. </div>							
MICHIGAN Financial Institutions Bureau, Department of Commerce	2% to \$400, 1% to \$1500.	None	No	Yes	\$1500	Life only, 60¢. NAIC	Jan. 14
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> Compliance with Regulation Z satisfies consumer finance, sales finance, and home improvement law disclosure provisions. </div>							

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATIVE COUNCILS		TYPE OF LAW
							1976	1977	
MINNESOTA Commissioner of Banks	2% to \$300, 1 1/2% to \$600, 1 1/2% to \$1200 plus fee of \$1 per \$100. Indus. Loan Act: discount rates of 8% per year for 36 mos., 7% to 42 mos., 7% to 48 mos., 7% to 54 mos., 7% to 60 mos. plus fee of \$1 per each \$50 to \$2000.	36 mos. (by regulation) 60 mos.	Precomp. and fee Discount and fee	Yes Yes	\$1200 10% of capital (10% on "marketable collateral".)	Life, 55¢. Disability \$2.13 - 12 months \$2.56 - 24 months \$2.88 - 36 months NAIC (enjoined, existing rates may be charged)	Jan. 4	Jan. 4	Banking Law Consumer Law
MISSISSIPPI State Comptroller of Banks	36% per year to \$600, 33% to \$1800, 24% to \$4500, 12% over \$4500.	None except 3 to 12 mos. to \$99	Precomp.	Yes (by reg.)	None	Loans over \$99 only. Life, \$1. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months (by regulation)	Jan. 6	Jan. 4	Consumer Law Bank Consumer Law
MISSOURI Commissioner of Finance	2.218% (\$15 per \$100 a year) to \$500, 10% per year on balances over \$500.	None	Precomp. No Def. Chg.	No	None	Life and Disability (14-day retro.)	Jan. 7	Jan. 3	Consumer Law also known as state's consumer law
Re Reg. Z and state disclosure compliance, see 1969 Missouri Attorney General Opinion No. 271.									
MONTANA Department of Business Regulation	Add-on rate: \$20 a year per \$100 to \$300, \$10 to \$500, \$12 to \$1000, and \$10 to \$7500. On loans of \$90 or less \$1 for each \$5.	21 mos. to \$300; 25 mos. over \$300 to \$1000; 37 mos. to \$2500. None over \$2500.	Add-on	No	\$7,500	Life over \$300, 75¢. Disability over \$300 (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC	Jan. 3	Jan. 3	Consumer Law Bank Consumer Law
NEBRASKA Director of Banking	2 1/2% to \$300, 2% to \$500, 1 1/2% to \$1000, 1% to \$3000.	36 mos. except real estate security	Precomp.	Yes	\$3000	Life, 64¢. Disability (14-day retro.): \$2.00 - 12 months \$2.70 - 24 months \$3.40 - 36 months NAIC	Jan. 6	Jan. 5	Consumer Loan & Investment Company Act Bank Consumer Law
General law requires disclosure of annual or monthly interest rate or annual add-on rate.									

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATION CONTAINED			CITATION OF LAW							
							1976	1977	1978								
NEW MEXICO Commissioner of Banking	3% to \$150, 2% to \$300, 1% to \$2500; or 1% on entire unpaid balance. (Rate drops to 10% a year one year after maturity, or entry of judgment, or 90 days after a bankruptcy adjudication followed by discharge or 90 days after borrower's death. Installment Loan Law. See opposite page.	None	Precomp	Yes	\$2500	Life, 65¢. Disability (14-day retro.): \$2.35 - 12 months \$3.25 - 24 months \$4.15 - 36 months NAIC	Jan. 2	Jan. 13	Jan. 13	Installment Loan Law							
											None	Add-on	No	None	None	None	None
Regulation Z disclosure deemed compliance with sales finance disclosure provisions.																	
NEW YORK Superintendent of Banks	2% to \$100, 2% to \$300, 1% to \$900, 1% to \$2500.	24 mos. to \$300, 36 mos. to \$1400, 48 mos. to limit (by regulation)	Precomp	Yes	\$2500	Life, 44¢-64¢ depending on insurance volume. Disability (14-day retro.): \$2.00 - 12 months \$2.40 - 24 months \$2.65 - 36 months reduced 10, 15 or 20% when annual premiums are \$7500 or more. NAIC	Jan. 7	Jan. 5	Jan. 5	Installment Loan Law							
											Regulatory laws noted herein require compliance with Regulation Z.						
NORTH CAROLINA Commissioner of Banks	3% to \$300, 1% to \$1500. On loans of \$95 or less, optional rate of \$1 for each \$5. (Rate drops to 6% per annum after maturity.) Optional rate: Licensees who do not charge above rates may charge 15% a year "effective rate" (\$10 per loan or \$1 per payment min.) on loans to \$5000. "Motor vehicle" licensees: Add-on rate of \$15 a year per \$100 to \$500, \$11 to \$1000, \$9 to \$1500; 16% a year simple interest on entire amount of loans between \$1500 and \$5000.	25 mos. to \$600, 37 mos. over \$600	No	Yes	\$1500	Life, level term permitted. Disability (14-day retro.): \$2.35 - 12 months	Jan. 12			Installment Loan Law (15 es \$5 m)							
											60 mos.	Yes	Yes	\$5000			Installment Loan and Credit Card (13 es \$5 m)
											48 mos.	See rate column	Yes	\$5000			Home Mortgage Loan Law (13 es \$5 m)

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATIVE COMMISSIONS			Type of LAW
							1976	1977	1978	
NORTH DAKOTA Department of Banking and Financial Institutions	2½% to \$250, 2% to \$500, 1½% to \$750, 1¼% to \$1000.	24½ mos.	Precomp	No	\$1000	Life, 75¢. Disability (14-day retro.): \$2.61 - 12 months \$3.53 - 24 months \$4.18 - 36 months NAIC	Jan. 4			Bank Consumer Loan Law Bank Credit Card Financing
	Consumer Finance Act: 18% per year over \$1000 to \$2500. Revolving loans permitted.	None	No	No	\$2500					
OHIO Division of Securities in Dept. of Commerce	Add-on rate: \$18 per year per \$100 to \$750, \$11 to \$1500, \$9 to \$3000, or equivalent simple interest rate. (eff. 2/20/76)	25% mos. to \$500, 37½ mos. to \$1000, 49½ mos. over \$1000	Add-on	Yes	\$3000	Life, 65¢-60¢. Disability (14-day retro.): \$2.23 - 12 months \$2.81 - 24 months \$3.21 - 36 months	Jan. 5	Jan. 3	Jan. 2	Bank Consumer Loan Law Bank Credit Card Financing Law Insurance Premium Financing Law
	Second Mortgage Act: \$8 per \$100 per year add-on plus "reasonable" service charge up to \$200 or 5% of principal.	60 mos.	Add-on and fee	No	\$15,000		Life, only.			
OKLAHOMA Administrator of Consumer Affairs	UCCC: 30% a year to \$300, 21% to \$1000, 15% to \$25,000. When this combination yields less, maximum is 18% a year. Special rates for loans to \$100. Revolving credit permitted.	25 mos. to \$300, 37 mos. to \$1000, None over \$1000.	Yes	No	None (Regulation applies up to \$25,000)	Life, 85¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months	Jan. 8	Jan. 4	Jan. 3	Uniform Consumer Credit Code
Regulation Z adopted by Consumer Affairs Commission under UCCC. Granted FRB exemption.										
OREGON Superintendent of Banks	3% to \$300, 1½% to \$1000, 1¼% to \$5000. Over \$5000, 1¼%.	None	Precomp. (by rule)	Yes	None	Life, 60¢. Disability. (by regulation)	Jan. 10			Bank Consumer Loan Law Bank Credit Card Financing Insurance Premium Financing Law
Regulation Z disclosure deemed compliance with sales finance disclosure provisions.										

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	CAA	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATION CONSIDERED			TITLE OF LAW
							1976	1977	1978	
PENNSYLVANIA Secretary of Banking	3% to \$150, 2% to \$300, 1% to \$600. (Rate drops to 6% a year 24 months after date of loan.)	24 mos.	No	Yes	\$600	Consumer Finance Act: Life only, 60¢.	Jan. 8	Jan. 4	Jan. 3	Basic Consumer & Revolving Loan Law
	Consumer Discount Company Act: 9% per annum discount for 36 months, 6% for remaining period, plus max. fee of \$15 (\$1 for each \$50 or fraction); 1% per month for default or deferment. 2% per month for revolving accounts.	48½ mos.	Discount and fee	No		\$3500	Discount Act: Life, 50¢ if over \$600 or more than 24 months; other loans, 60¢. Disability (14-day retro.): \$2.13 - 12 mos. \$2.71 - 24 mos. \$3.11 - 36 mos. NAIC			
PUERTO RICO Secretary of Treasury	20¢ a year per \$1 to \$300, 7¢ to \$600 add-on.	None	Add-on	Yes	\$600	No	Jan. 13	Jan. 10	Jan. 8	State
RHODE ISLAND Director of Business Regulation	Rate on entire balance: 3% on loans to \$300, 2% on loans between \$300 and \$800, and 2% on larger loans.	25 mos. to \$1000; 37 mos. over \$1000	No	Yes	\$2500	Life, 50¢. Disability (14-day retro.): \$2.49 - 12 months \$2.96 - 24 months \$3.51 - 36 months NAIC	Jan. 8	Jan. 4	Jan. 3	Loan and Investment Company Law
	General Interest Law: 21% per annum (interest and expenses).	None		No	None					State Mortgage Loan Law Educational Loans General Lending Law

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATURE CONVENES			END OF LAW
							1976	1977	1978	
SOUTH CAROLINA State Board of Bank Control	Add-on rate: \$20 a year per \$100 to \$100, \$18 to \$300, \$9 to \$1000; \$7 on larger loans. Fee: not exceeding 6% or \$12 to \$1000; and 5% or \$200 on larger loans; limited on refinancing. Special rate for loans to \$150.	24½ mos. to \$1000, 36½ mos. to \$1500, 48½ mos. to \$2000, 60½ mos. to \$7500.	Add-on and fee	Yes	\$7500	Life, 60¢. Disability (\$100 or more-3-day retro.): \$1.65 per year per \$5 monthly benefit.	Jan. 13	Jan. 11	Jan. 28	Installment Loan Law Revolving Loan and Credit Law Insurance Financing Law
SOUTH DAKOTA Dept. of Banking and Finance	2½% to \$300, 2% to \$600, 1½% to \$1200, 1% to \$2500. \$2 min. charge in certain cases. (Rate drops to 8% per annum six months after maturity.)	24½ mos. to \$1000; 36½ mos. over \$1000	Precomp	No	\$2500	Over \$100, Life, 75¢. Disability (14-day retro.): \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos. NAIC	Jan. 6	Jan. 13	Jan. 3	Installment Loan Law Revolving Loan and Credit Law Consumer Loan Law
Superintendent of Banking authorized to "administer and enforce" Reg. Z.										
TENNESSEE Commissioner of Insurance and Banking	Industrial Loan Act: 7½% per annum discount plus fee of 4¢ or \$2 to \$20, 50¢ per \$5 to \$75, and \$7.50 for larger loans, and monthly fee of \$1.50 to \$300 and \$1 for larger loans.	36 mos.	Discount and fee	No	10% of net worth	Life, 65¢. Disability (14-day retro.): \$2.39 - 12 mos. \$3.16 - 24 mos. \$3.69 - 36 mos.	Feb. 21			Revolving Loan and Credit Law Consumer Loan Law
Compliance with Reg. Z deemed compliance with all state disclosure requirements.										
TEXAS Consumer Credit Commissioner	Add-on rates: \$18 a year per \$100 to \$300, \$8 to \$2500. Special rates for loans to \$100. Revolving credit permitted. Consumer Credit Code, Ch. 4: \$8 per year add-on. Revolving credit permitted.	37 mos. to \$1500, 43 mos. over \$1500 None	Add-on Add-on	No No	\$2500 None	Over \$100, Life 58¢ plus 50¢ fee. Disability: (14-day retro.): Coverage to \$700: \$2.25 - 12 months \$3.00 - 24 months \$3.80 - 36 months Coverage over \$700: \$1.95 - 12 months \$2.60 - 24 months \$3.30 - 36 months NAIC	Jan. 11			Installment, S & L, Revolving, & Credit Loans Home Mortg. Loans Law

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATURE CONVENES			KIND OF LAW	
							1976	1977	1978		
UTAH Commissioner of Financial Institutions	UCCC: 36% a year to \$390, 21% to \$1300, 15% to \$32,500. When this combination yields less, maximum is 18% a year. Revolving credit permitted.	25 mos. to \$390, 37 mos. to \$1300. None over \$1300.	Yes	No	None (Regulation applies up to \$32,500)	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC.	Jan. 12	Jan. 10	Jan. 9	Subjects limited to even years.	Uniform Consumer Credit Code
VERMONT Commissioner of Banking and Insurance	Add-on: \$14 per \$100 per year.	36% mos.	Add-on	Yes	\$1500	Life only, 44¢-70¢ depending on insurance volume. NAIC.		Jan. 5			Installment Loan Law (section of usury law)
VIRGINIA Commissioner of Banking (Delegated by State Corporation Commission)	2 1/2% to \$500, 1 1/2% to \$1500; or add-on rate, \$17 a year per \$100 to \$500, \$13 to \$1000, \$11 to \$1500. (Rate drops to 6% a year 6 months after maturity, or after judgment, or 90 days after borrower's death or bankruptcy.) Rates and ceiling set by Commission.	21 mos. to \$600, 31 mos. to \$1000, 43 mos. to \$1500	Add-on	Yes	\$1500	Life, 78¢. Disability. NAIC	Jan. 14	Jan. 12	Jan. 11		Industrial Loan Companies Act. Bank Consumer Loan Law (section of usury law) Revolving Loan Law Home Mortgage Loan Law Insurance Premium Financing Law
WASHINGTON Supervisor of Banking	3% to \$300, 1 1/2% to \$500, 1% to \$1000, \$1 per month min.	25 1/2 mos.	Precomp	Yes	\$1000	Consumer Finance Act: Life only, 60¢.		Jan. 10			Industrial Loan Act
	Industrial Loan Act: 10% per annum discount plus 2% fee (\$2 min. fee) and 50¢ per month.	24 mos.	Discount and fee	Yes	2% of Capital and Surplus	Industrial Loan Act: Life, 60¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC					General Interest Law Insurance Premium Financing Law

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	CSA	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATURE CONVENES		
							1976	1977	1978
WEST VIRGINIA Commissioner of Banking and Attorney General	36% per year to \$200, 24% to \$600, 18% to \$1200. Revolving loans permitted (min. 50¢/mo.).	36½ mos.	Precomp.	Yes	\$1200	Life, 65¢. Disability (14-day retro): \$1.85 - 12 months \$2.60 - 24 months \$3.05 - 36 months	Jan. 14	Jan. 12	Jan. 11
WISCONSIN State Banking Department	Discount Loan Law, Sec. 138.09: 9½% per year discount on first \$1000, 8% to \$3000 up to 36 months or simple interest equivalent of discount rates; 18% per year on entire unpaid balance. Revolving credit permitted.	24½ mos. to \$700, 36½ mos. to \$3000. None over \$3000.	Discount Precomp.	No	None	Life, 60¢. Disability (14-day retro.): \$2.23 - 12 months \$2.81 - 24 months \$3.21 - 36 months	Jan. 13	Jan. 11	Jan. 17
Consumer Act requires Reg. Z and other disclosures. No penalties allowed if comply with Administrator's rules or interpretations.									
WYOMING State Examiner	UCCC: 36% per year to \$300, 21% to \$1000, 15% to \$25,000. When this combination yields less, maximum is 18% per year. Revolving credit rate is 18% per year.	25 mos. to \$300, 37 mos. to \$1000. None over \$1000.	Yes	No	None (Regulation applies up to \$25,000)	Life, 60¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC	Jan. 13	Jan. 11	Jan. 22
UCCC requires same disclosures as Regulation Z. Granted FRB exemption.									

KIND OF LAW

Installment Loan Law (section of Maryland Law)

Industrial Loan Company Law

Home Mortgage Loan Law

Bank Consumer Law

Revolving Loans

Short-Term Consumer Act

Insurance Premium Financing

Uniform Consumer Credit Code

LAW OFFICES OF
FAULKNER, BANFIELD, DOOGAN & HOLMES
SUITE 201, 311 FRANKLIN STREET
JUNEAU, ALASKA 99801

HERBERT L. FAULKNER (1882-1972)
NORMAN C. BANFIELD
FRANK M. DOOGAN
MICHAEL M. HOLMES
RANDALL J. WEDDLE
WILLIAM B. ROZELL

JAN VAN DORT
LAWRENCE T. FEENEY
CHARLES N. DRENNAN
PATRICK E. MURPHY
TOM BATCHELOR

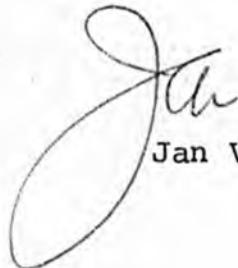
TEL. 586-2210
AREA CODE 907

March 18, 1977

Representative Joseph McKinnon
Alaska State House of Representatives
Pouch V
State Capitol Building
Juneau, Alaska 99811

Dear Mr. McKinnon:

Attached to this letter is the information which you requested from Kirk Henry relating to multiple loans at our meeting last Friday, March 11, 1977.



Jan Van Dort

JVD:md
enclosure
cc: Terry Gardiner
Richard Urion

HOUSEHOLD FINANCE CORPORATION

Analysis of Multiple Loans in Alaska A/O 3/16/77

	<u>No. of Customers</u>	<u>1 Other</u>	<u>2 Other</u>	<u>3 Other</u>	<u>4 Other</u>
Fairbanks	939	233	47	1	1
Anchorage 1	814	157	34	0	1
Anchorage 2	658	136	23	4	0
Mt. View	<u>1,197</u>	<u>309</u>	<u>64</u>	<u>9</u>	<u>1</u>
Total	3,608	602	168	14	3

(given over telephone by Kirk Henry 3/16/77)

LAW OFFICES OF
FAULKNER, BANFIELD, DOOGAN & HOLMES
SUITE 201, 311 FRANKLIN STREET
JUNEAU, ALASKA 99801

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JAN VAN DORT
CHARLES N. DRENNAN
TOM BATCHELOR

F. M. DOOGAN
OF COUNSEL

March 24, 1977

TEL. 586-2210
AREA CODE 907

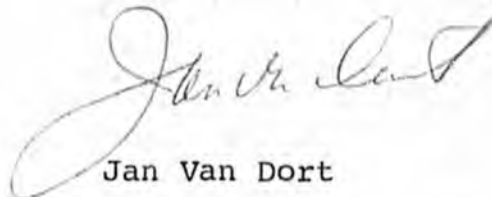
File HB 388

Representative Joseph McKinnon
Chairman, House Commerce Committee
Pouch V
State Capitol Building
Juneau, Alaska 99811

Re: Increasing small loan limits from \$1500 to \$5000

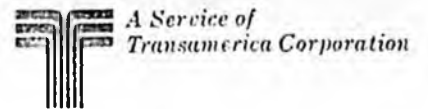
Dear Representative McKinnon:

I am enclosing a copy of a letter which I had recently received from Pacific Finance which shows that 40% of their customers have more than one loan with finance companies. Obviously, increasing the small loan limit in the manner we discussed would be of substantial benefit to these persons.


Jan Van Dort

JVD:md
enclosure
cc: Terry Gardiner
Rick Urion

421 Fourth Avenue Fairbanks, Alaska 99701
(907) 456-7729



Pacific Finance Loans

MAR 23 1977

F. B. D. G. & H.

3-21-77

Jan Van Dort
Room # 201
311 Franklin Street
Juneau, Alaska

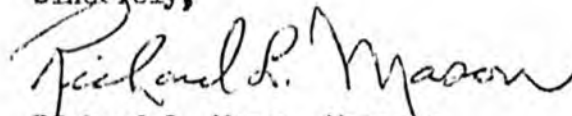
Mr. Van Dort,

I have been instructed to furnish you with the following information concerning the number of our customers who are open, (have existing loan), with another finance company.

168 customers are open with one other finance company.
61 customers are open with two other finance companys.
5 customers are open with three other finance companys.

That is a total of 234 of my customers that are open with one or more finance companys, or 40% of my total loan customers.

Sincerely,


Richard L. Mason, Manager

cc; Sig Anderson, District Manager

LAW OFFICES OF
FAULKNER, BANFIELD, DOOGAN & HOLMES
SUITE 201, 311 FRANKLIN STREET
JUNEAU, ALASKA 99801

HERBERT L. FAULKNER (1882-1972)
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TOM BATCHELOR

TEL. 586-2210
AREA CODE 907

March 30, 1977

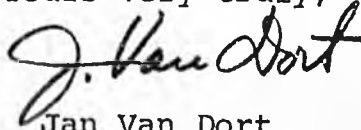
Representative Joseph McKinnon
Chairman, House Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: House Bill No. 388

Dear Representative McKinnon:

I am enclosing a copy of a letter which I recently received from D. D. Wesselink and a chart showing the percentages of personal loan receivables. The letter and chart are self-explanatory.

Yours very truly,



Jan Van Dort

JVD: db
Enclosures

cc: Representative Richard Urion
H. Kirk Henry



HOUSEHOLD FINANCE

Corporation
AND SUBSIDIARY COMPANIES

Prudential Plaza • Chicago, Illinois 60601

March 22, 1977

Mr. Jon Van Dort
Room 201
311 Franklin Street
Juneau, Alaska 99801

Dear Mr. Van Dort:

Mr. H. K. Henry asked me to send you the attached table which shows the shares of the personal loan market held by various lenders in the states of Alaska, Idaho, Oregon, and Washington. I believe the table is self-explanatory and the footnotes explain the sources of the data.

It is interesting to note the consumer finance companies' share of the market is directly related to the loan law in the state. In Alaska, where the Small Loan Law has a relatively low \$1,500 ceiling, consumer finance companies have the smallest share of the market. The relatively small market share in Washington can also be explained in terms of restrictive ceilings for the Small Loan Act and restrictive maturities for the Industrial Loan Act.

I hope you find this information useful. If I can be of any additional service, do not hesitate to contact me.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'D. D. Wesselink', written in a cursive style.

D. D. Wesselink
Assistant Director of Research

bjf

cc: H. K. Henry

PERSONAL LOAN RECEIVABLES

Gross Amounts in Thousands of Dollars

	Consumer Loan Companies ⁽¹⁾		Commercial Banks and Mutual Savings Banks ⁽²⁾		Credit Unions ⁽³⁾		Total Receivables
	<u>Receivables</u>	<u>% of Total</u>	<u>Receivables</u>	<u>% of Total</u>	<u>Receivables</u>	<u>% of Total</u>	
Alaska	\$10,727	5.1%	\$15,245	7.3%	\$183,111	87.6%	\$209,083
Idaho	72,392	26.9	57,951	21.6	138,346	51.5	268,689
Oregon	151,213 ⁽⁴⁾	24.0	117,237	18.6	362,317	57.4	630,767
Washington	<u>162,384⁽⁵⁾</u>	13.6	<u>348,005</u>	29.2	<u>681,922</u>	57.2	<u>1,192,311</u>
Totals, 4 States	\$396,716		\$538,438		\$1,365,696		\$2,300,850

(1) As of 12-31-75 for Idaho, Oregon, and Washington, 12-31-74 for Alaska.

(2) Instalment loans to individuals for personal expenditures as of 12-31-75. From FDIC 1975 Report of Income.

(3) As of 12-31-75. From CUNA Yearbook 1976.

(4) Net Amount.

(5) Includes \$103,920,000 Small Loan receivables, \$58,464,000 Industrial Loan receivables.

BENEFITS OF HB 668

1. For the Consumer:

- A. Increases loan ceiling from \$1500 to \$5000, making more cash available for many purposes.
- B. Increased ceiling eliminates need for 2 loans at high rate and creates interest savings for customer.
- C. Eliminates default charges
- D. Provides joint spouse ins coverage
- E. Closer regulatory control and penalties for violation

2. For the Industry:

- A. Provides alternate accounting method (actuarial) allowing evenly collected charges at stated APR throughout loan.
- B. Increases brackets to produce higher yield to offset dilution of income caused by higher ceiling and loss of default charges.
- C. Provides for alternate rate (18%) to stimulate competition and future use with revolving credit.

ALASKA

Analysis of Rate Application to Amortized Principal Balances
Equal Monthly Principal Reduction
Under Rate Structure
of
3% Per Month on First \$400; 2% to \$800; 1% above (365 day year)

Dilution of Rate

\$1500 loan amortized @ \$125 per month for 12 Months*

Principal Reduction	to \$400	to \$800	over \$800
\$ 1500	\$ 400	\$ 400	\$ 700
1375	400	400	575
1250	400	400	450
1125	400	400	325
1000	400	400	200
875	400	400	75
750	400	350	-
625	400	225	-
500	400	100	-
375	375	-	-
250	250	-	-
125	125	-	-

Action of the Principal	\$ 9750	\$ 4350	\$ 3075	2325
% to Total Principal		44.62%	31.54%	23.84%
Rate in Bracket		x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned in Bracket		= 1.36%	= plus .64%	= plus .24% = 2.24%

\$5000 loan amortized @ \$416.67 per month for 12 Months*

Principal Reduction	to \$400	to \$800	over \$800
\$ 5000.00	\$ 400.00	\$ 400.00	\$ 4200.00
4583.33	400.00	400.00	3783.33
4166.67	400.00	400.00	3366.67
3750.00	400.00	400.00	2950.00
3333.33	400.00	400.00	2533.33
2916.67	400.00	400.00	2116.67
2500.00	400.00	400.00	1700.00
2083.33	400.00	400.00	1283.33
1666.67	400.00	400.00	866.67
1250.00	400.00	400.00	450.00
833.33	400.00	400.00	33.33
416.67	400.00	16.67	-

Action of the Principal	\$32,500.00	\$ 4800.00	\$ 416.67	\$23,283.33
% to Total Principal		14.77%	13.59%	71.64%
Rate in Bracket		x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned in Bracket		= .45%	= plus .27%	= plus .73% = 1.45%

ALASKA

Analysis of Rate Application to Amortized Principal Balances
Equal Monthly Principal Reduction
Under Rate Structure

DILUTION OF RATE
AT 1/3 CONTRACT
LENGTH

of
3% Per Month on First \$400; 2% to \$800; 1% above (365 day year)

Same Example Paid in Full @ 1/3 Contract Term*

	<u>\$ 1500</u>	\$ 400	\$ 400	\$ 700
	1375	400	400	575
	1250	400	400	450
	<u>1125</u>	<u>400</u>	<u>400</u>	<u>325</u>
Action of the Principal	\$ 5250	\$ 1600	\$ 1600	\$ 2050
% to Total Principal		30.48%	30.48%	39.04%
Rate in Bracket		x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned In Bracket		= .93%	= plus .62%	= plus .39% = <u>1.94%</u>

* Same result would apply to other maturities within .01% per month

** For validation of premise see Flat Payment Amortized Schedules previously supplied.

Same Example Paid in Full @ 1/3 Contract Term*

	<u>\$ 5000.00</u>	\$ 400.00	\$ 400.00	\$ 4200.00
	4583.33	400.00	400.00	3783.33
	4166.67	400.00	400.00	3366.67
	<u>3750.00</u>	<u>400.00</u>	<u>400.00</u>	<u>2950.00</u>
Action of the Principal	\$17,500.00	\$ 1600.00	\$ 1600.00	\$14,300.00
% to Total Principal		9.14%	9.14%	81.72%
Rate in Bracket		x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned in Bracket		= .28%	= plus .18%	= plus .83% = <u>1.29%</u>

* Same result would apply to other maturities within .01% per month.

** For validation of premise see Flat Payment Amortized Schedules previously supplied.

3.04107 % - 2.02776 % - 1.01389 % @ \$ 400 / \$ 800

365 DAY BASIS - ALASKA

Mb.

ANN. 100% RATE

Yield by Graduated Ra

% PER MONTH
 PAYMENT (24 mos) - 80.99
 TOTAL CF PAYMENTS - 1943.76
 TOTAL CF CHARGE - 443.76
 CASH ADVANCED - 1500.00

~~AMORTIZED APR 2.37~~
~~REGULATION Z APR - 2.19~~
~~78THS APR 2.17~~
~~CONSTANT RATE APR 2.37~~

Annual % Rate

INST MO.	INTEREST				MONTHLY		CUMULATIVE		PRINC	UNPAID	BALANCE
	1ST BRKT	2ND BRKT	3RD BRKT	4TH BRKT	INT	YIELD	INT	YIELD	REDUC	MONTHLY	CUM
	3	2	1							1500.00	1500.00
1	12.17	8.11	7.10	0.0	27.38	1.83	27.38	1.83	53.61	1446.39	2946.39
2	12.17	8.11	6.55	0.0	26.83	1.85	54.21	1.84	54.16	1392.23	4338.62
3	12.17	8.11	6.00	0.0	26.28	1.89	80.49	1.86	54.71	1337.52	5676.14
4	12.17	8.11	5.45	0.0	25.73	1.92	106.22	1.87	55.26	1282.26	6958.40
5	12.17	8.11	4.89	0.0	25.17	1.96	131.39	1.89	55.82	1226.44	8184.84
6	12.17	8.11	4.32	0.0	24.60	2.01	155.99	1.91	56.39	1170.05	9354.89
7	12.17	8.11	3.75	0.0	24.03	2.05	180.02	1.92	56.96	1113.09	10467.98
8	12.17	8.11	3.17	0.0	23.45	2.11	203.47	1.94	57.54	1055.55	11523.53
9	12.17	8.11	2.59	0.0	22.87	2.17	226.34	1.96	58.12	997.43	12520.96
10	12.17	8.11	2.00	0.0	22.28	2.23	248.62	1.99	58.71	938.72	13459.68
11	12.17	8.11	1.41	0.0	21.69	2.31	270.31	2.01	59.30	879.42	14339.10
12	12.17	8.11	0.81	0.0	21.09	2.40	291.40	2.03	59.90	819.52	15158.62
13	12.17	8.11	0.20	0.0	20.48	2.50	311.88	2.06	60.51	759.01	15917.63
14	12.17	7.28	0.0	0.0	19.85	2.56	331.33	2.08	61.54	697.47	16615.10
15	12.17	6.03	0.0	0.0	19.20	2.61	349.53	2.10	62.79	634.68	17249.78
16	12.17	4.76	0.0	0.0	18.53	2.67	366.46	2.12	64.06	570.62	17820.40
17	12.17	3.46	0.0	0.0	17.83	2.74	382.09	2.14	65.36	505.26	18325.66
18	12.17	2.13	0.0	0.0	17.10	2.83	396.39	2.16	66.69	438.57	18764.23
19	12.17	0.78	0.0	0.0	16.35	2.95	409.34	2.18	68.04	370.53	19134.76
20	11.27	0.0	0.0	0.0	11.27	3.04	420.61	2.20	69.72	300.81	19435.57
21	9.15	0.0	0.0	0.0	9.15	3.04	429.76	2.21	71.84	228.97	19664.54
22	6.96	0.0	0.0	0.0	6.96	3.04	436.72	2.22	74.03	154.94	19819.48
23	4.71	0.0	0.0	0.0	4.71	3.04	441.43	2.23	76.28	78.66	19898.14
24	2.39	0.0	0.0	0.0	2.39	3.04	443.82	2.23	78.60	0.06	19978.20

21.96

23.2

24.

M

26.7

ALASKA

HFC CHARGE-OFF FOR 1975, 1976, 1977

<u>YEAR</u>	<u>CHARGE-OFF</u>		<u>COLLECTIONS</u>		<u>NET</u>	
	\$	% of Loan Account	\$	% of Loan Account	\$	% of Loan Account
1975	79,445	2.43	12,880	.39	66,565	2.04
1976	82,578	2.45	17,759	.53	64,819	1.92
1977	72,309	1.99	14,497	.40	57,812	1.59

BENEFICIAL FINANCE CHARGE-OFF FOR 1975, 1976, 1977

<u>YEAR</u>	<u>CHARGE-OFF</u>		<u>COLLECTIONS</u>		<u>NET</u>	
	\$	% of Loan Account	\$	% of Loan Account	\$	% of Loan Account
1975	114,877	1.80	29,735	.48	85,142	1.32
1976	151,344	2.28	21,705	.36	129,639	1.92
1977	201,560	2.64	20,602	.24	180,958	2.40

The proposed brackets in HB 668 of (3%-2%-1%)
(\$500 - \$1,000) yield exactly 18% at \$4,696 on a four year
contract and \$4,548 on a five year contract.

*My file on
HB668*

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 668

Title Relating to the Small Loans Act

Requested by _____

Date 1/20/78

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Public Protection

Budget Request Unit(s) Affected Banking & Securities

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify)	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE 1/24/78

PREPARED BY _____

Julius J. Brecht
Julius J. Brecht, Director

AGENCY Banking & Securities, Small Loans & Corporations



File
HB668

HOUSEHOLD FINANCE
Corporation
AND SUBSIDIARY COMPANIES

February 23, 1978

Honorable Joseph H. McKinnon, Chairman
House Commerce Committee
State Capitol
Juneau, AK 99801

Dear Representative McKinnon:

On February 8, 1978, you gave me the opportunity to testify before the House Commerce Committee on House Bill 668 which amends the Alaska Small Loans Act.

The intent of Section 9 of this Bill is to authorize licensees under this act to offer joint spouse credit life insurance and credit accident and health (disability) insurance.

The language currently being used is not sufficient. Line 7 on page 5 allows insurance on the "borrower or the spouse co-maker." This could easily be interpreted to allow only single life insurance on either the borrower or the spouse, which is the current situation. To avoid confusion, I am attaching the language which was recommended originally to permit this coverage to be offered.

At the same hearing, I recommended that Section 14, which imposes a new civil penalty, be amended to require an administrative hearing. Therefore, I recommend that after the word "shall" on line 25, on page 6 that the following phrase be inserted: "after a hearing at the direction of the Commissioner". Stylistic drafting tradition may require reference to be made to Alaska's Administrative Procedures Act.

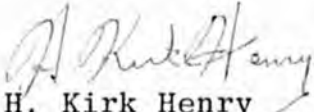
I am still interested in seeing that a thirty and one-half month maximum maturity be retained for loans between \$500 and \$1000 in section 8 on page 5. I am also enclosing a summary of the 1977-78 HFC Customer Survey for your files or the use of your staff. The original questionnaires which were used in this survey will be made available for copying if you determine this is necessary.

Honorable Joseph H. McKinnon, Chairman
Februrary 23, 1978
Page 2

Thank you again for the oppportunity to testify before your
Committee.

Sincerely,

HOUSEHOLD FINANCE CORPORATION


H. Kirk Henry
Division Public Relations Manager
8570 S.E. 73rd Street
Mercer Island, WA 98040

HKH:mis

Encl.

cc: J. Brecht
T. Findley
D. Bisbee

(2) premiums actually paid out for insurance on [the life or] pledged property of the borrower[;] ~~or~~ credit insurance on the life of one or more borrowers, ~~or~~ credit accident and health insurance to provide indemnity in the event of disability for payments becoming due on the indebtedness.

ALASKA CUSTOMER QUESTIONNAIRE

The maximum loan size permitted by the Alaska Small Loans Law is \$1,500.

1) Should the Legislature be asked to increase the maximum loan size?

Yes 85% No 15%

Answer the following question ONLY if you answered "YES".

2) The Legislature should increase the maximum permitted loan to:

- a) \$2,500 - ~~37%~~ b) \$5,000 - 31% c) \$7,500 - 4% d) \$10,000 9%
e) Unlimited - 19%

(Circle one)

3) I am: a) Married b) Unmarried c) Separated (Circle one)

4) Currently HFC is permitted to offer credit life insurance. This pays the balance and the unearned interest to the estate in the event of the death of the primary wage earner.

If you were to borrow money in the future, would you want the total amount of your loan covered by credit life insurance if either spouse died?

Yes 91% No 9%

5) Credit accident and health (disability) insurance makes the loan payments when the primary wage earner is ill, disabled or under the care of a doctor (usually in excess of 14 days).

If you were to borrow money in the future, would you want your payments covered by credit accident and health (disability) insurance?

a) Yes 84% b) No 16% c) Military* 0

* This coverage is not available to members of the military because income continues when ill or disabled.

Thank you for taking the time to respond. You may use the reverse side of this page to make any comments on HFC, our services or our personnel.

1977-78 HFC CUSTOMER SURVEY

In 1977, H.B. 388 which would increase the maximum loan size under the Alaska Small Loans Act from \$1,500 to \$5,000 passed the House of Representatives 34 - 5 and "carried over" to the 1978 legislative session in the Senate Commerce Committee.

During the Fall of 1977 a member of the Alaska Senate made the comment that "none of his constituents had ever asked to have the maximum loan size of the Alaska Small Loans Act increased."

The Household Finance Corporation Public Relations Department decided to devise a customer questionnaire to be mailed to a random sample of HFC customers to determine if they thought the \$1,500 maximum loan size should be increased.

Following discussions with the HFC Research Department, it was decided to sample on a random basis 15% of our customers who borrowed amounts between \$1,000 and \$1,500. As of September 30, 1977 seventy-three percent (73%) of our Alaska accounts were originally made for amounts in this range.

Branch office instructions were prepared which directed each manager to select "every other ledger card" until ninety-four (94) ledger cards had been selected in each branch. The managers were then directed to address an envelope and a letter of explanation to each customer, include the pre-addressed and stamped envelope and mail the contents to each randomly selected customer.

The branch offices completed this assignment during December, 1977 and the first week of January, 1978.

Questionnaires received on or before January 20, 1978 were included in the results of the survey.

376 Questionnaires were mailed (4 x 94)

107 Questionnaires were returned

28.4% The Response Rate

The customer "explanatory letter" described the survey and indicated that HFC was making a random sample survey of Alaska customers who borrow more than \$1,000 to determine their opinions about the maximum size loan we are permitted to offer, as well as two questions about credit insurance.

MAXIMUM LOAN SIZE QUESTIONS

The "Alaska Customer Questionnaire" stated that "The maximum loan size permitted by the Alaska Small Loans Act is \$1,500." Question one said "Should the Legislature be asked to increase the maximum loan size?" Ninety-one (91) customers or eighty-five percent (85%) replied that the maximum loan size should be increased. Sixteen (16) customers or fifteen percent (15%) said the maximum loan size should remain the same. Customers who indicated that the maximum loan size should be increased in question one were asked to select a new maximum loan size from the following: Twenty-five hundred dollars (\$2,500); Five thousand dollars (\$5,000); Seventy-five hundred dollars (\$7,500); Ten thousand dollars (\$10,000); and "Unlimited."

Thirty-four (34) or thirty-seven percent (37%) indicated that twenty-five hundred dollars (\$2,500) should be the maximum loan size.

Twenty-eight (28) or thirty-one percent (31%) indicated the ceiling should be \$5,000.

Four (4) customers or 4% responded that the maximum loan size should be \$7,500. Eight (8) customers or nine percent (9%) selected \$10,000 and seventeen (17) customers or nineteen percent (19%) indicated the maximum loan size should be "Unlimited."

Therefore fifty-seven (57) customers or sixty-three percent (63%) of those who indicated the maximum loan size should be increased selected amounts equal to or in excess of the \$5,000 ceiling in HB 388.

CREDIT INSURANCE QUESTIONS

The Alaska Small Loans Act currently authorizes credit life insurance to be offered on an optional basis. This coverage pays the balance of the loan to the estate in the event of the death of the primary wage earner.

Questions three and four were designed to determine what percentage of our eligible customers would be interested in having their loans paid by "joint spouse credit life insurance" if either spouse died.

Seventy-four (74) of the eighty-one (81) married customers or ninety-one percent (91%) responded that in the future they "wanted their loan covered by credit life insurance if either spouse died."

Credit accident and health insurance, sometimes called disability insurance, makes the loan payments when the primary wage earner is ill, disabled or under the care of a physician. Currently licensees under the Alaska Small Loans Act are not permitted to offer this coverage.

This insurance is not available to members of the military or federal government employees because their income continues when they are ill or disabled.

Therefore question five described the coverage and asked our customers if they "were to borrow money in the future" would they want their payments covered by credit accident and health (disability) insurance?

Sixty-eight (68) or eighty-four percent (84%) of the eighty-one (81) eligible customers responded "yes". Thirteen (13) or sixteen percent (16%) responded "no". Twenty-four (24) members of the military or governmental employees were not eligible for the coverage. Two (2) customers did not respond to the question.

ALASKA CUSTOMER QUESTIONNAIRE

The maximum loan size permitted by the Alaska Small Loans Law is \$1,500.

1) Should the Legislature be asked to increase the maximum loan size?

Yes 85% No 15%

Answer the following question ONLY if you answered "YES".

2) The Legislature should increase the maximum permitted loan to:

- a) \$2,500 - ~~37%~~ b) \$5,000 - 31% c) \$7,500 - 4% d) \$10,000 9%
e) Unlimited - 19%

(Circle one)

3) I am: a) Married b) Unmarried c) Separated (Circle one)

4) Currently HFC is permitted to offer credit life insurance. This pays the balance and the unearned interest to the estate in the event of the death of the primary wage earner.

If you were to borrow money in the future, would you want the total amount of your loan covered by credit life insurance if either spouse died?

Yes 91% No 9%

5) Credit accident and health (disability) insurance makes the loan payments when the primary wage earner is ill, disabled or under the care of a doctor (usually in excess of 14 days).

If you were to borrow money in the future, would you want your payments covered by credit accident and health (disability) insurance?

a) Yes 84% b) No 16% c) Military* 0

* This coverage is not available to members of the military because income continues when ill or disabled.

Thank you for taking the time to respond. You may use the reverse side of this page to make any comments on HFC, our services or our personnel.

MAXIMUM CONSUMER LOAN LAW LIMITS

The maximum limits of consumer loans made by consumer finance companies in 49 states and Canada are shown below. The State of Arkansas has no regulatory laws. With the national trend toward larger consumer loans, there are 38 states that permit consumer finance companies to lend the consumer \$5,000 or more:

<u>Maximum Loan</u>	<u>Number</u>	<u>States</u>
\$ 1,200	1	West Virginia
1,500	4	Alaska, Michigan, Vermont, Virginia
2,500	3	Florida, New York, Washington*
3,000	2	Georgia, Nebraska
3,500	1	North Dakota
5,000	4	Arizona, Connecticut, Pennsylvania, South Dakota
6,000	1	Maryland
7,500	3	Kentucky, Montana, North Carolina
10,000	2	Illinois, Nevada
15,000	1	Ohio
Loan amount limited by net worth	4	Delaware, Iowa, Minnesota, Tennessee
No maximum loan size or \$25,000 or over	23	Alabama, California, Colorado, Hawaii, Idaho, Indiana, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, Oklahoma, Oregon, Rhode Island, South Carolina, Texas, Utah, Wisconsin, Wyoming, Canada

*Also has an Industrial Loan Law with a maximum loan size limited by a percentage of net worth which is chartered on a limited basis.

PERSONAL LOAN RECEIVABLES

(Gross Amounts in Thousands of Dollars)

	<u>Consumer Loan Companies(1)</u>		<u>Commercial Banks and Mutual Savings Banks(3)</u>		<u>Credit Unions(4)</u>		<u>Total Receivables</u>
	<u>Receivables</u>	<u>% of Total</u>	<u>Receivables</u>	<u>% of Total</u>	<u>Receivables</u>	<u>% of Total</u>	
Alaska	\$10,331	3.4%	\$15,955	5.2%	\$279,612.	91.4%	\$305,898
Idaho	94,193(2)	30.0	57,678	18.3	162,510	51.7	314,381
Oregon	171,902(5)	21.8	142,211	18.0	474,814	60.2	788,927
Washington	<u>171,512(6)</u>	11.3	<u>463,560</u>	30.5	<u>887,085</u>	59.2	<u>1,522,157</u>
Totals, 4 States	\$447,938		\$679,404		\$1,804,021		\$2,931,363

(1) As of 12-31-76 for Alaska, Oregon and Washington.

(2) Idaho receivables represent average from June, 1976 data and June, 1977 data due to fiscal year changing from December to June as of December 1975.

(3) Instalment loans to individuals for personal expenditures as of 12-31-76. From FDIC 1976 Report of Income.

(4) As of 12-31-76. From CUNA yearbook 1977.

(5) Net amount.

(6) Includes \$94,796,000 Small Loan receivables, \$76,716,000 Industrial Loan receivables.



HOUSEHOLD FINANCE
Corporation

Consumer Finance Division
Prudential Plaza • Chicago, Illinois 60601
December 2, 1977

Mr. Thomas W. Findley
Room 201
311 Franklin Street
Juneau, Alaska 99801

Dear Mr. Findley:

Upon Mr. H. K. Henry's request I am sending you the attached table which shows the shares of the personal loan market held by various lenders in the states of Alaska, Idaho, Oregon and Washington.

The attached table verifies that the consumer finance companies' share of the market is directly related to the loan law in the state. In the state of Alaska which has a loan ceiling of \$1,500, one of the lowest loan ceilings of the states mentioned, it can be seen that the consumer finance companies only account for 3.4% of the total receivables. The relatively small market share in Washington can also be explained in terms of the restrictive Small Loan ceiling of \$1,000 which was in effect until September, 1977 and the restrictive maturities for the Industrial Loan Act.

If you have any questions pertaining to this data, or would be interested in any additional information, please do not hesitate to contact me.

Sincerely yours,

M. A. Mayr
M. A. Mayr
Research Analyst

mk

cc: H. K. Henry
D. R. Buckey

Household Finance Company's 1977 Alaska Net Operating Income was 9.91% of loan account before interest costs and Federal Income taxes.

This was down 1.09% of loan account from 1976.

Salaries increased .54% of loan account.

Branch expenses increased 1.15% of loan account.

Year end average loan account was	\$4,466,000
	X .0991

Net Operating Income (Before interest & taxes)	\$ 442,581
--	------------

Interest cost was 6% of loan account .06 x \$4,466,00 =	\$ 267,960
---	------------

Before Federal Income Tax	\$ 174,621
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$\$174,621 \div 2 = \$87,310 =$ Net income after Federal Income Tax

$87,310 \div 4,466,000 = 1.95\%$ return on cash assets.

H.B. 668

\$500 - 2 years = \$ 4.80 inc or \$.20 per mo.

\$1,000 - 2 years = \$25.44 inc or \$ 2.12 per mo.

\$1,000 - 3 years = \$41.76 inc or \$ 1.16 per mo.

\$1,500 - 2 years = \$44.88 inc or \$ 1.87 per mo.

\$1,500 - 3 years = \$ 71.28 inc or \$ 1.98 per mo.

Comparison of Present Rate + Proposed Rate

SAVINGS THROUGH LOAN CONSOLIDATIONS

(Based on loans with 24-month maturities.)

<u>PRESENT LAW</u>	<u>HOUSE BILL 668</u>	<u>POTENTIAL SAVINGS</u>
One loan of \$1,500 and One loan of \$500	One \$2,000 loan	\$ 75.36
Two loans of \$1,000	One \$2,000 loan	\$125.76
One loan of \$1,500 and One loan of \$1,000	One \$2,500 loan	\$141.12
Two loans of \$1,000 and one loan of \$500	One \$2,500 loan	\$254.64

Other loan combinations, or 12-month, 36-month or longer maturities on larger amounts could be cited, but the savings to consumers would be comparable to the illustrations shown above.

It is evident that higher prices that consumers now pay for all other goods and services can no longer be satisfied through loans which are limited to \$1,500 or less. Recent expansion of our economy, coupled with our improved standard of living, means that consumer finance borrowers, when properly qualified, need and can financially handle loans in larger amounts.

SAVINGS THROUGH LOAN CONSOLIDATIONS

(Based on loans with 36-month maturities.)

<u>PRESENT LAW</u>	<u>HOUSE BILL 668</u>	<u>POTENTIAL SAVINGS</u>
One loan of \$1,500 and One loan of \$500	One \$2,000 loan	\$121.68
Two loans of \$1,000	One \$2,000 loan	\$200.52
One loan of \$1,500 and One loan of \$1,000	One \$2,500 loan	\$222.12
Two loans of \$1,000 and One loan of \$500	One \$2,500 loan	\$405.72
Two loans of \$1,500	One \$3,000 loan	\$249.12

Other loan combinations or longer maturities on larger amounts could be cited, but the savings to consumers would be comparable to the illustrations shown above.

TESTIMONY OF JULIUS J. BRECHT, DIRECTOR
DIVISION OF BANKING & SECURITIES
DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

BEFORE

HOUSE COMMERCE COMMITTEE

March 6, 1978

Good morning, Mr. Chairman and members of the committee. My name is Julius J. Brecht, and I am Director of Banking & Securities within the Department of Commerce & Economic Development. I want to thank you for allowing me to appear before you to offer comment on HB668.

As you know this bill makes several changes to the Alaska Small Loans Act, (ASLA), AS06.20. The ASLA was enacted in 1955 and has not been substantially changed since that time. I concur with the sponsor of the bill that a comprehensive review of ASLA is in order. The bill before this committee is the result of such a review coordinated between the sponsor and the Division of Banking and Securities.

The bill has been reviewed by representatives of the three finance corporations who presently operate offices in the State. Those three corporations are in support of all of the provisions of the bill.

I have had the following documents distributed to the members of the committee for their information: (1) a memorandum dated December 27, 1977 giving a section-by-section analysis of the bill; (2) a fiscal note prepared by myself dated January 24, 1978; and (3) a copy of my written testimony on this bill.

The major provisions of the bill include: (1) raising the loan cap from \$1500 to \$5000; (2) raising the liquid assets requirements from \$10,000 to \$20,000; (3) raising the license bond requirement from \$1000 to \$5000; (4) changing the interest steps on loans from \$400 to \$500, \$800 to \$1000, and \$1500 to \$5000, respectively; (5) providing for an alternative interest rate of up to 18% per annum; (6) providing an exception from the prohibition against compounding to allow refinancing of loans; (7) providing for the computation of interest on a loan based on an actuarial method; (8) providing limitations on the period of a loan based on the amount of the loan; (9) providing for credit-life insurance and disability insurance on the life of the spouse-co-maker on a loan as well as the borrower; and (10) providing civil remedies for violation of the loan cap and interest provisions of ASLA.

In summary, the provisions of this bill are in my opinion long overdue. Licensees under ASLA provide a service in which Alaskan borrowers have demonstrated continued interest. The provisions of this bill will ensure continued service in the best interest of the Alaskan borrower and will provide a realistic interest charge structure in light of the rise in the cost-of-living since the matter was last considered in 1969.

I therefore support the provisions of this bill and stand ready to answer any questions that the committee may have concerning this legislation.

STATE
of ALASKA

MEMORANDUM

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

TO: Members of the Committee

DATE: December 27, 1977

FILE NO:

TELEPHONE NO:

HB 668

FROM: Julius J. Brecht
Director
Div. of Banking & Securities

SUBJECT: Small Loans Act Bill
Narrative Supplement

The proposed legislation before you provides for a number of changes to the Alaska Small Loans Act (ASLA), AS 06.20. The ASLA became law in 1955 and has not been substantially changed since that time.

The major provisions of the bill include: 1) raising the loan cap from \$1,500 to \$5,000; 2) raising the liquid assets requirement from \$10,000 to \$20,000; 3) raising the licensee bond requirement from \$1,000 to \$5,000; 4) changing the interest steps on loans from \$400 to \$500 and \$800 to \$1,000; 5) providing for an alternate interest rate of up to 18% per annum; 6) an exception from the prohibition against compounding; 7) provision for computation of interest for a loan on an actuarial basis; 8) limitations on the period of a loan; 9) provision for credit-life on the spouse-co-maker of a loan; and 10) civil remedies for violation of the loan cap and interest provisions of ASLA.

The following is a section-by-section review of the provisions of the bill.

Section 1. (AS 06.20.010). This section and sections 3,6,7,10, 11, 12 and 13 of the bill raise the statutory maximum amount of a loan from \$1,500 to \$5,000. The loan cap was last amended in 1969 from \$1,000 to \$1,500. Since that time, the cost-of-living and the cost-of-business have increased, and the trend in other states has been to increase the loan cap. At the present time only six states have a loan limit of \$1,500 or less, i.e., Washington, West Virginia, Virginia, Vermont, Michigan and Alaska. Sixteen states allow loans of up to \$5,000. It is therefore, my view that the ASLA loan cap should be raised to \$5,000 provided the other provisions of this bill are also enacted.

Sections 2 and 4 (AS 06.20.040, 06.20.060). These sections raise the minimum liquid assets requirement for establishing a small loan office from \$10,000 to \$20,000. The increase is proposed in light of the increase of the loan cap (see section 1) and inflation.

Section 3. (AS 06.20.050). This section raises the minimum bonding of a licensee from \$1,000 to \$5,000. The increase is proposed in light of the increase of the loan cap and inflation.

Section 4. (AS 06.20.060). See section 2.

Section 5. (AS 06.20.090(b)). This section requires a licensee to notify the department in advance of any change of location of his place of business. This change is necessary to ensure that the department is aware of the location of all licensees at all times. For example, bank examiners must know the location in order to conduct surprise examinations.

Section 6. (AS 06.20.200(a)). See section 1.

Section 7. (AS 06.20.230). In (a) of this section changes are made to the interest steps from \$400 (3%/month for loan amounts less than \$400), \$800 (2%/month for amounts between \$400 and 800) and \$1,500 (1%/month for loan amounts from \$800 to \$1,500) to \$500, \$1,000, and \$5,000, respectively. In (b) of this section, provision is made for an alternate interest rate of 1-1/2%/month on the unpaid principal balance. Representatives of the finance corporations doing business in this State have submitted data to me that documents the need for these changes in order that the corporations may cover the increased expense of doing business in Alaska. There are at present 13 licensees doing business in Alaska with total loans outstanding as of December 31, 1976 of over \$12 million. There is then a demonstrated public interest in this form of financial service. It is my view, based on the information that the finance corporations have submitted to me, that the proposed changes of this section are necessary to ensure their continued service to the public.

Section 8. (AS 06.20.250). In (a) of this section, provision is expressly made for refinancing of loans and inclusion of interest due on the previous loan in the principal amount payable under the refinanced loan. However, the past due interest may be included in the principal for only up to 60 days prior to the refinancing. This procedure allows the licensee to aid a customer who has gotten behind in his payments. At the same time the amendment makes clear that the refinancing is not compounding of interest in violation of the section.

Under (b) of this section, a licensee may compute interest on a loan on an interest bearing or actuarial basis at the rates specified in AS 06.20.230 (see section 7 of the bill) or at a single annual interest rate that would earn the same finance charge as that computed using section 230 assuming the debt is paid according to the terms of the loan agreement. The provisions for computing interest by an actuarial method are based on the law of the State of Oregon. The method allows the licensee to collect that amount of interest which he discloses in the loan agreement on a day-to-day basis. If a customer takes the full time period provided in the loan agreement to pay back the loan, then the amount of interest collected is the same under the present law and the proposed actuarial method. This provision is proposed to allow the licensee to collect the interest that he discloses in the loan agreement. Only three states out of a total of about 47 having small loan acts provide for the calculation of interest on the unpaid balance of a small loan and require that the interest charged be graduated in a manner similar to that set out in section 230 (Florida, Michigan and Alaska). Approximately 44 allow for the actuarial method.

Under (c) of this section, limits are placed on the maximum time period of a loan as a function of the amount of the loan. For example, a loan of \$2,000 may not be paid out over a time period greater than 48-1/2 months. The proposal follows the law of the State of California. This provision is proposed to ensure that a customer does not end up with a loan agreement which forces him to make monthly payments consisting of large interest payments and very little payment on the principal.

Section 9. (AS 06.20.260). The present law provides that a licensee may offer credit-life insurance or credit-disability insurance on the co-maker-spouse of the borrower. The present law only provides for such insurance on the borrower. Similar credit life laws are found in at least 35 other states.

Section 10. (AS 06.20.280). See section 1.

Section 11. (AS 06.20.290). See section 1.

Section 12. (AS 06.20.300). See section 1.

Section 13. (AS 06.20.310). See section 1.

Section 14. (AS 06.20.320). Under (a) of this section, penalties are provided against a licensee or lender who makes a contract or loan, the making of which or collection of which causes a violation of (1) the limitations on the maximum interest that may be charged (AS 06.20.230), (2) the prohibition against splitting up loans (AS 06.20.240), (3) computation and payment of interest (AS 06.20.250), (4) the limitation on charges in addition to interest (AS 06.20.260), (5) the provision for maximum charges under the chapter (AS 06.20.280), (6) the provision for the purchase of wages for \$1,000 or less (AS 06.20.290), (7) the provision for maximum charges by a non-licensee on loans (AS 06.20.300), or (8) makes a loan in violation of the interest rates specified in the chapter (AS 06.20.310). The penalties are to require the licensee or lender to reimburse that portion of the interest and charges in excess of that provided under the chapter, or in the case of repeated violations, to adjust the contract or loan agreement interest rate down to the contract rate specified in AS 45.45.010(a). That rate is 6% per annum. This provision is proposed to give the Commissioner authority to ensure compliance with the provisions of the chapter in the best interest of the borrowing public. Under (b) of this section, the misdemeanor penalty is extended to cover violations of AS 06.20.280 and 290. Section 280 prohibits a licensee from charging a rate of interest in excess of that provided by the chapter, and further prohibits a licensee from assessing other charges not expressly provided under the chapter. It also prohibits a licensee from allowing a loan balance to exceed the limit of \$5,000 provided by the chapter. Section 290 makes clear that certain types of compensation to the licensee shall be considered interest for purposes of AS 06.20.230. This provision is proposed to extend the misdemeanor penalty to violations which are otherwise covered or referred to in the other sections cited in (b) of this section, e.g. AS 06.20.230 and 260.

Section 15. (AS 06.20.900). This section defines the terms "commissioner" and "department" as used in the chapter.

Section 16. (AS 06.20.260). This section repeals AS 06.20.260(a)(4) which allows a licensee to assess a default charge of up to \$3.00 for each default on a loan payment in addition to the interest rate structure provided under AS 06.20.230. Alaska appears to be the only State in the union that has a statute providing for the calculating of interest on the unpaid balance and in addition providing interest for default charges. That is, the default charge is normally associated with a statute that provides for a pre-computation of the interest on a loan. In this context, when a borrower is late on a loan payment, the lender has no recourse other than through the assessment of a penalty, i.e., a default charge. However, if the statute provides for the calculation of interest based on the unpaid balance, and a borrower is late on a payment, then the loan continues to accrue interest for the lender. There is no need for a default charge.

In summary then, the Small Loans Act Amendment Bill before you makes a number of changes to ASLA in the best interest of the Alaskan borrower and provides a realistic interest charge structure in light of the rise in the cost-of-living since the matter was last considered in 1969.

I stand ready to answer any questions that you may have concerning this legislation.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill Resolution No. HB 668

Title Relating to the Small Loans Act

Requested by _____ Date 1/20/78

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Public Protection

Budget Request Unit(s) Affected Banking & Securities

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify)	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE 1/24/78

PREPARED BY Julius J. Brecht, Director

AGENCY Banking & Securities, Small Loans & Corporations

PHONE 465-2521

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)