

SB

556

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April 21, 1980

The Honorable Charles H. Parr
Alaska State House of Representatives
State Capitol Building
Juneau, Alaska 99811

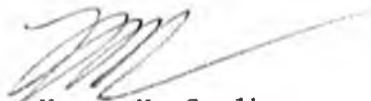
Dear Representative Parr:

This letter is in regard to House Bill 1003 titled, "An Act Relating to Permissible Charges in Credit Transactions".

Alaska National Bank of the North wholeheartedly supports House Bill 1003, seeks your support, and urges the passage of this bill. Passage of this bill will provide credit card issuers the opportunity to continue offering these services to the Alaskan consumer by helping offset a portion of the expenses inherent in this service.

If you have any questions, or need additional information, please contact the undersigned.

Yours truly,


Hogan H. Smelker
Assistant Vice President
Manager, Bankcard Department

HHS:sh

Introduced: 4/11/80
Referred: State Affairs

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 SENATE BILL NO. 556 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to permissible charges in credit
7 transactions."

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

9 *Section 1. AS 06.05.209 is amended by adding a new subsection to read:

10 (c) In addition to charges authorized under (b) of this section, a
11 bank may charge an annual fee for the issuance of a credit card or other
12 similar credit granting device.

13 * Sec. 2. AS 45.10.120(c)(2) is amended to read:

14 (2) if the outstanding balance is more than \$1,000, one -
15 twelfth of the annual rate permitted under AS 45.45.010(b) [ONE PERCENT]
16 per month on the excess over \$1,000 of the outstanding balance;

17 18%
18 12%
19

SB 556
HB1003

For an Act entitled: "An Act relating to permissible charges in credit transactions."

Section 1 of HB1003 amends the Alaska Banking Code to allow a bank to charge a fee for the issuance of a credit card. Presently, statutes provide that a bank may impose on credit cardholders a service charge and a setup charge for cash advances, but the statutes do not address whether a bank may charge an annual issuance fee (AS 06.05.209).

Section 2 amends the Alaska Retail Installment Sales Act to provide that the service charge for a bank credit card or other retail charge agreement may float with the Federal Reserve discount rate, as applied to the outstanding balance in excess of \$1,000. The current service charge is a flat 12% annually on the balance over \$1,000; the present charge of 18% on the outstanding balance up to \$1,000 would remain (AS 45.10.120 (c)). This would also provide that the service charge for the outstanding balance over \$1,000 conforms with the state's usury rate, that is the interest charged must be within five percent of the Federal Reserve discount rate (AS 45.45.010 (b)).

National Bank of Alaska, First National Bank of Anchorage and the Alaska Bank of the North all issue bank credit cards in Alaska. These banks carry their own outstanding balances and support them with deposits and purchased money (large Time Certificates of Deposit). Credit card transactions account for a volume of approximately \$144 million annually in Alaska banks, with about 3 million sales drafts posted per year. Outstanding balances on credit card transactions total about \$45 million; contingent liabilities (i.e. unused portion of credit limit) are \$121.5 million.

The bank's major problem is a huge pool - some \$45 million - in fixed rate assets that are funded by very costly short-term money. Currently banks are paying in excess of 17% for funds supporting assets earning approximately 13%. Another problem is the Federal Reserve anti-inflationary program that will require banks to place 15% of any expanded consumer credit in a noninterest earning reserve in the Federal Reserve.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 1003

Title Relating to permissible charges in credit transactions

Requested by House Judiciary

Date 4-22-80

II. FISCAL DETAIL

Agency Affected Dept. of Commerce and Economic Development

Program Category Affected Protection

BRU, Program, or Subprogram(s) Affected Banking and Securities

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
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 Fund Source)	-0-	-0-	-0-	-0-	-0-	-0-

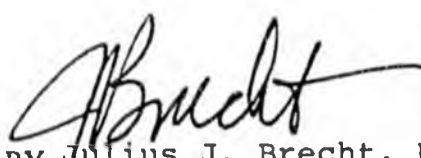
POSITIONS

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)

There is no fiscal impact associated with passage of this bill.

IV. DATE April 22, 1980


 PREPARED BY Julius J. Brecht, Director
 AGENCY Div. of Banking and Securities
 PHONE 465-2521

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

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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 Fund Source)	-0-	-0-	-0-	-0-	-0-	-0-


POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
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ELEVENTH LEGISLATURE

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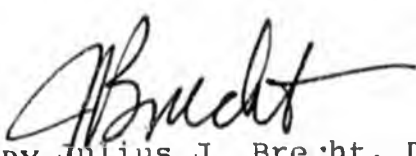
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