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HOUSE LABOR AND COMMERCE COMMITTEE

April 6, 1983

To: Representative Walt Furnace, Chairman
House Labor and Commerce Committee

From: *Jefferson B. Barry*
Jefferson B. Barry
Professional Aide

Re: House Bill 246

Introductory Analysis

HB246 is titled "An Act relating to the deregulation of interest rates...". HB246 does much more than the title implies. As written, it would affect all of the protections that individuals, businesses, and the public have regarding service fees, service charges, late charges and any civil or criminal penalties for violation of the protections that people now have. There would seem to be a fundamental difference to deregulating interest rates and allowing any fee, service, or penalty charge to be imposed at the discretion of financial institutions.

The very reason that laws were passed to protect the public from "loan sharking" was the inability of any one individual or small business to deal with the financial institutions when setting "service fees". If HB246 is enacted in its present form, it is conceivable that an

individual could pay for the rest of their life on a \$100 loan. A business could pay the principal and interest 100 times on a \$2,500 note.

None of the testimony indicates that this was the intent in the proposal of this legislation, and it would be appropriate to consider the deregulation of interest rates separately from the service charges, fees, and penalties. The repealers in Section 7 should be studied carefully as they also affect AS 06.20.250, AS 06.20.260, AS 06.20.270, AS 06.20.285, AS 06.20.320, AS 18.80.250, AS 06.40.160, AS 45.45.050 and possibly others as well.