

**HB**

**389**

**HFIN**

**FILE**

Replacement

# 1

AMENDMENT

OFFERED IN THE HOUSE FINANCE COMMITTEE  
BY REPRESENTATIVE CROFT

TO: CS HB 389 (L&C)

Page 10, line 10:

Delete: "14"

Insert: "30"

Page 10, line 27:

Delete: "14"

Insert: "30"

Page 11, line 12:

Delete: "for 14 days for each \$100, and as an annual percentage rate"

Renumber accordingly.

no OBJ  
adopted 4-21-04

23-LS1341U  
Bannister  
4/20/04

**CS FOR HOUSE BILL NO. 389( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to certain monetary advances in which the deposit or other negotiation**  
2 **of checks to pay the advances is delayed until a later date; and providing for an effective**  
3 **date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **\* Section 1. AS 06.01.020(a) is amended to read:**

6 (a) Notwithstanding other provisions of this title, the department may by order  
7 authorize state financial institutions, except licensees subject to AS 06.20, [OR]  
8 AS 06.40, or AS 06.50, to exercise any of the powers conferred upon, or to be subject  
9 to any of the limitations imposed upon, a federally chartered financial institution doing  
10 business in this state with deposits insured by an agency of the federal government if  
11 the department finds that the exercise of the power or imposition of the limitation both  
12 (1) serves the public convenience and advantage; and  
13 (2) equalizes and maintains the quality of competition between state  
14 financial institutions and federally chartered financial institutions.

1 \* Sec. 2. AS 06.01.050(3) is amended to read:

2 (3) "financial institution" means an institution subject to the regulation  
3 of the department under this title; in this paragraph, "institution" includes a  
4 commercial bank, savings bank, credit union, premium finance company, small loan  
5 company, bank holding company, financial holding company, trust company, [AND]  
6 savings and loan association, and a deferred deposit advance licensee under  
7 AS 06.50:

8 \* Sec. 3. AS 06 is amended by adding a new chapter to read:

9 **Chapter 50. Deferred Deposit Advances.**

10 **Article 1. Licensing.**

11 **Sec. 06.50.010. License required.** A person, including a person doing  
12 business from outside this state, may not engage in the business of making or offering  
13 to make deferred deposit advances in this state without having a license under this  
14 chapter. A separate license is required for each location from which the person  
15 conducts the business.

16 **Sec. 06.50.020. Qualifications for license.** (a) To qualify for a license, an  
17 applicant shall

18 (1) have cash assets of at least \$25,000, as determined under generally  
19 accepted accounting principles, except that an applicant who wants to engage in the  
20 business of making advances at more than one location in the state shall have cash  
21 assets of at least \$25,000 for each location;

22 (2) demonstrate the financial responsibility, financial condition,  
23 business experience, character, and general fitness that reasonably warrant the  
24 department's belief that the applicant's business will be conducted lawfully and fairly;  
25 when determining whether this qualification has been met, and for the purpose of  
26 investigating compliance with this chapter, the department may review

27 (A) the relevant business records of the applicant and the  
28 adequacy of the capital of the applicant;

29 (B) the competence, experience, integrity, and financial ability  
30 of the applicant, and, if the applicant is an entity, of any person who is a  
31 member, partner, director, senior officer, or owner of 10 percent or more of the

1 equity of the applicant; and

2 (C) a record of conviction, on the part of the applicant or a  
3 person described in (B) of this paragraph, of

4 (i) criminal activity, fraud, or other act of personal  
5 dishonesty;

6 (ii) an act, an omission, or a practice that constitutes a  
7 breach of a fiduciary duty; or

8 (iii) a suspension, a revocation, a removal, or an  
9 administrative act by an agency or a department of the United States or  
10 a state from participation in the conduct of a business;

11 (3) if the person has a physical business location in the state, have a  
12 physical business location that is accessible by and convenient to the public;

13 (4) have a current business license issued under AS 43.70; and

14 (5) if applicable, have a certificate of incorporation under  
15 AS 10.06.218, have a certificate of authority under AS 10.06.705, have a copy of  
16 articles of organization that satisfies AS 10.50.090, be registered under AS 10.50.605,  
17 have a statement of foreign qualification filed under AS 32.06.922, have a certificate  
18 of limited partnership filed under AS 32.11.060, or be registered under AS 32.11.420.

19 (b) The requirements in (a) of this section are continuing in nature and may be  
20 reviewed periodically by the department.

21 **S. c. 06.50.030. Application.** (a) An application for a license must be in  
22 writing and under oath, in a form prescribed by the department by regulation, and  
23 include at least

24 (1) the legal name, residence, and business address of the applicant  
25 and, if the applicant is not a natural person, of each member, partner, director, senior  
26 officer, or owner of 10 percent or more of the equity of the applicant;

27 (2) the address and physical location of the principal place of business  
28 named in the application; and

29 (3) other information the department may require with respect to the  
30 applicant and, if the applicant is not a natural person, about the applicant's members,  
31 partners, directors, senior officers, or owners of 10 percent or more of the equity of the

1 applicant.

2 (b) The applicant shall submit with the application the bond required by  
3 AS 06.50.040 and a nonrefundable application fee in an amount that is established by  
4 the department by regulation and that does not exceed \$2,000. The application fee for  
5 the initial license may not be prorated.

6 **Sec. 06.50.040. Bond.** (a) An applicant for a license shall file with the  
7 application a bond

8 (1) in a form to be approved by the department;

9 (2) in which the applicant is the obligor; and

10 (3) in the sum of \$25,000 for a business with one location and \$50,000  
11 for a business with more than one location.

12 (b) Only one bond is required for an application for a business with more than  
13 one location.

14 (c) The bond required by (a) of this section is for the use of the state and a  
15 person who may have a cause of action against the obligor under this chapter.

16 (d) The bond must state that the obligor will

17 (1) faithfully conform to and abide by the provisions of this chapter  
18 and regulations adopted by the department under this chapter; and

19 (2) pay to the state and to a person all money that may become due or  
20 owing to the state or to the person from the applicant under this chapter.

21 (e) The bond must remain in effect for three years following the denial of a  
22 renewal of a license or the expiration of a license.

23 (f) If, at any time, the department finds that a bond filed under (a) of this  
24 section is unsatisfactory for any reason, the department may require the licensee to  
25 file, within 10 days after the receipt of a written demand, an additional bond to comply  
26 with this section.

27 (g) The licensee shall file a new bond that complies with this section each time  
28 a license is renewed.

29 **Sec. 06.50.050. Investigation by department.** Within 60 days after an  
30 applicant files a completed application, the bond, and an application fee, the  
31 department shall investigate whether the applicant satisfies the qualifications of

1 AS 06.50.020(a). If the department finds that the applicant satisfies the qualifications,  
2 it shall approve the application and issue the applicant a license to engage in the  
3 business of making deferred deposit advances.

4 **Sec. 06.50.060. Conditions precedent to license.** The requirements of  
5 AS 06.50.030 - 06.50.050 are conditions precedent to the issuance of a license under  
6 this chapter. The license permits the applicant to make advances under this chapter at  
7 the location specified in the application.

8 **Sec. 06.50.070. Duration of license.** A license issued under this chapter is  
9 valid for two calendar years. Each license remains in force through the calendar year  
10 after the calendar year in which the license was issued unless surrendered, suspended,  
11 or revoked under this chapter.

12 **Sec. 06.50.080. Renewal of license.** A license issued under this chapter shall  
13 be renewed on or before the date set by the department by submitting to the  
14 department a completed renewal application on a form established by the department  
15 and paying a nonrefundable renewal fee established by the department, which may not  
16 exceed \$2,000.

17 **Sec. 06.50.090. Denial of license or renewal.** (a) If the department  
18 determines that an applicant is not qualified to receive a license or a license renewal,  
19 the department shall notify the applicant in writing within 20 days that the application  
20 has been denied and state the basis for the denial.

21 (b) The decision of the department to deny an application or a renewal may be  
22 reviewed in the manner provided in AS 44.62.330 - 44.62.630 (Administrative  
23 Procedure Act).

24 (c) If the denial of a renewal is upheld, the former licensee shall return the  
25 license to the department within 10 days after the former licensee receives notice of  
26 the denial.

27 (d) A license application shall be considered withdrawn within the meaning of  
28 this section if the applicant fails to respond to a written notification of a deficiency in  
29 the application within 60 days after the date of the notification.

30 (e) If a license renewal is denied or if a license is surrendered, suspended, or  
31 revoked, all accounts of the licensee remain subject to this chapter until paid in full.

1                   **Article 2. Licensee Transfer, Assignment, Control, and Change.**

2                   **Sec. 06.50.200. Transfer or assignment.** Except for the transfer of a license  
3 to a new location under AS 06.50.220, a licensee may not transfer or assign the  
4 licensee's license.

5                   **Sec. 06.50.210. Change in control.** The prior written approval of the  
6 department is required for the continued operation of a licensee's deferred deposit  
7 advance business when a change in control of the licensee is proposed. The  
8 department may require the information it considers necessary to determine whether a  
9 new application is required. The licensee requesting approval of the change in control  
10 shall pay all reasonable expenses incurred by the department to investigate and  
11 approve or deny the change in control.

12                   **Sec. 06.50.220. Change in location or name.** A licensee shall notify the  
13 department in writing at least 15 days before any proposed change in the licensee's  
14 business location or name, and shall provide the department with the information  
15 described in AS 06.50.030(a).

16                   **Sec. 06.50.230. Conduct of other business.** A licensee may conduct other  
17 business at a location where it engages in making advances unless it conducts the  
18 other business for the purpose of evading or violating the provisions of this chapter.

19                   **Article 3. Department Supervision.**

20                   **Sec. 06.50.300. Suspension or revocation of license.** (a) The department  
21 may suspend or revoke a license under AS 44.62 (Administrative Procedure Act) if the  
22 department finds that

23                   (1) the licensee has failed to pay the license fee, failed to maintain the  
24 required bond in effect, or failed to comply with a demand, ruling, or requirement of  
25 the department made under this chapter;

26                   (2) the licensee has violated a provision of this chapter or a regulation  
27 adopted by the department under this chapter; or

28                   (3) a fact or condition exists that, if it had existed at the time of the  
29 original application for the license, clearly would have constituted ground for denial of  
30 the issuance of the license.

31                   (b) If the reason for suspension or revocation of a licensee's license at one

1 location applies generally to all locations operated by the licensee, the department may  
2 suspend or revoke all licenses issued to the licensee.

3 **Sec. 06.50.310. Reports to department.** (a) On or before March 15 of each  
4 year, a licensee shall file with the department a composite annual report for the  
5 preceding calendar year in the form prescribed by the department relating to all  
6 advances made by the licensee. The department may require that the report be  
7 submitted under oath or affirmation, or with notice that false statements made are  
8 punishable as unsworn falsification under AS 11.56.210.

9 (b) The report must include

10 (1) the total number and dollar amount of advances made by the  
11 licensee;

12 (2) the total number of individual customers who received advances;

13 (3) the minimum, maximum, and average amount of advances;

14 (4) the average annual percentage rate of the fee charged for advances;

15 (5) the average number of days of the advances;

16 (6) the total number and dollar amount of returned checks;

17 (7) the total number and dollar amount of checks paid by advance  
18 recipients;

19 (8) the total number and dollar amount of checks charged off as a loss;

20 (9) the total dollar amount of outstanding advances as of the last day of  
21 the calendar year;

22 (10) the total number of outstanding advances as of the last day of the  
23 calendar year; and

24 (11) any other information the department determines is required to  
25 conduct its review.

26 (c) Within 15 days after the occurrence of any of the following events, a  
27 licensee shall file a written report with the department describing the event and its  
28 expected effect on the activities of the licensee in the state:

29 (1) filing for bankruptcy or reorganization by the licensee;

30 (2) institution of suspension or revocation proceedings against the  
31 licensee by a state or other governmental authority;

1 (3) a felony indictment or felony conviction of the licensee and, if the  
2 licensee is not a natural person, of a member, partner, director, senior officer, or holder  
3 of 10 percent or more of the licensee's equity; and

4 (4) other events that the department determines and identifies by  
5 regulation that may impair the ability of the licensee to operate its business under this  
6 chapter.

7 (d) In the discretion of the department, the occurrence of an event in (c) of this  
8 section may constitute grounds for suspension or revocation of a license.

9 **Sec. 06.50.320. Records.** (a) A licensee shall maintain all records relating to  
10 this chapter at the location for which the licensee has a license. The records must  
11 conform to generally accepted accounting principles and practices in a manner that  
12 will enable the department to determine whether the licensee is complying with the  
13 provisions of this chapter. The department shall have unrestricted access to the  
14 records of the licensee.

15 (b) A licensee shall retain records relating to an advance for at least two years  
16 after the last entry on the advance, unless otherwise required by the department.

17 (c) A licensee shall retain records of an advance that is the subject of a court  
18 action for at least two years after a judgment or settlement of the court action.

19 **Sec. 06.50.330. Examinations and investigations.** (a) The department shall  
20 examine the business records of a licensee at intervals the department considers  
21 appropriate. In addition, for the purpose of discovering violations of this chapter or  
22 securing information lawfully required, the department may, at any time, investigate  
23 the advances, business transactions, and records of a licensee. For these purposes, the  
24 licensee shall provide the department with unrestricted access to the offices, places of  
25 business, and records of the licensee. Within 30 days after the department requests  
26 payment, the licensee shall pay the department the cost of examination at a rate of \$75  
27 an hour for each examiner.

28 (b) For the purposes of this section, the department may administer oaths or  
29 affirmations and, upon its own motion or upon request of a party, may subpoena  
30 witnesses, compel the attendance of witnesses, take evidence, and require the  
31 production of material that is relevant to the investigation, including the existence,

1 description, nature, custody, condition, and location of books, documents, and other  
2 tangible items, and the identity and location of persons having knowledge of relevant  
3 facts, or other material reasonably calculated to lead to the discovery of admissible  
4 evidence.

5 (c) Upon failure without lawful excuse to obey a subpoena or to give  
6 testimony, and upon reasonable notice to all persons affected by the failure, the  
7 department may apply to the superior court for an order compelling compliance.

8 **Article 4. Licensee Practices and Recipient Rescission and Payment.**

9 **Sec. 06.50.400. Advance agreement.** (a) An advance shall be documented in  
10 a written agreement that is signed by the advance recipient and on a form approved by  
11 the department.

12 (b) The agreement must clearly and conspicuously disclose

- 13 (1) the name of the licensee;  
14 (2) the date of the advance;  
15 (3) the principal amount of the advance;  
16 (4) a statement of the total amount of fees that may be charged under  
17 AS 06.50.460(a) as a condition of making the advance, expressed both as a dollar  
18 amount and as an annual percentage rate;  
19 (5) the repayment terms;  
20 (6) the due date;  
21 (7) an itemization of all disbursements, including disbursements to  
22 third parties;  
23 (8) the name and title of the employee who signs the agreement on  
24 behalf of the licensee; and  
25 (9) any other item required to be disclosed under state or federal law.

26 (c) The written agreement required by (a) of this section may not require an  
27 advance recipient to waive any rights under 15 U.S.C. 1692 - 1692o (Fair Debt  
28 Collection Practices Act) or other state or federal laws that regulate debt collection  
29 practices.

30 **Sec. 06.50.410. Maximum amount of advances.** A licensee, including a  
31 licensee with more than one location, may not make advances to an advance recipient

1 that exceed \$500 outstanding in advances to the recipient at one time.

2 **Sec. 06.50.420. Prohibition on dividing advance amount or increasing**  
3 **number of advances.** A licensee may not induce or permit an advance recipient to  
4 divide the amount of an advance, or to become obligated, directly, contingently, or  
5 both, for more than one advance at the same time, if the purpose or result is to obtain  
6 additional origination fees under AS 06.50.460(a)(1).

7 **Sec. 06.50.430. Prohibition on collateral and services.** The licensee may  
8 not accept collateral or services as security for or payment of an advance.

9 **Sec. 06.50.440. Duration of advances.** The minimum duration of an advance  
10 is 14 days.

11 **Sec. 06.50.450. Prohibition on advances on behalf of another.** A licensee  
12 may not make an advance to a person who purports to be acting on behalf of another  
13 person.

14 **Sec. 06.50.460. Fees.** (a) Notwithstanding any other provision of law, except  
15 for the fee allowed under AS 06.50.510(b)(3) and where federal law provides  
16 otherwise, a licensee may only charge

17 (1) a nonrefundable origination fee in an amount not to exceed \$5; and

18 (2) a fee that does not exceed \$15 for each \$100 of an advance, or 15  
19 percent of the total amount of the advance, whichever is less.

20 (b) A licensee may not charge a fee other than the fees allowed under (a) of  
21 this section.

22 (c) The fees allowed by (a) of this section are considered earned at the time of  
23 the transaction and may not be prorated.

24 (d) A licensee may not charge the advance recipient an additional fee to access  
25 the proceeds of an advance.

26 **Sec. 06.50.470. Renewal of advance.** (a) The minimum term of a renewal of  
27 an advance is 14 days.

28 (b) A licensee may not renew an advance more than two consecutive times,  
29 after which the licensee shall require the advance recipient to repay the advance in  
30 full.

31 (c) A licensee may not renew an advance for a fee greater than the fee under

1 AS 06.50.460(a).

2 **Sec. 06.50.480. Rescission.** A person who receives an advance may rescind  
3 an advance without cause and without cost, except for the nonrefundable origination  
4 fee, at any time before the close of business on the business day following the day on  
5 which the advance was made by paying the principal amount of the advance to the  
6 licensee in cash or other immediately available funds.

7 **Sec. 06.50.490. Prohibited arbitration requirement.** A licensee may not  
8 require a recipient to agree to mandatory arbitration.

9 **Sec. 06.50.500. Posted fee notice.** A licensee shall post a notice in each  
10 business location that discloses the fees that the licensee charges for advances. The  
11 fees in the notice must be expressed as a dollar amount, as an annual percentage rate  
12 for 14 days for each \$100, and as an annual percentage rate for 30 days for each \$100.  
13 The notice must also contain any other reasonably necessary information required by  
14 the department by regulation. The notice shall be posted so that it is conspicuous to an  
15 advance recipient or a potential advance recipient. The lettering in the notice must be  
16 legible and at least one inch in height.

17 **Sec. 06.50.510. Required disclosures before disbursement.** (a) Before  
18 disbursing funds under an advance, a licensee shall provide a clearly written statement  
19 that is separate from the written advance agreement required by AS 06.50.400(a).  
20 This disclosure statement must be reviewed and signed by the advance recipient. The  
21 licensee shall keep the signed original in the advance file for the recipient and give a  
22 copy to the recipient.

23 (b) The disclosure statement required by (a) of this section must

24 (1) indicate the advance is intended to address short-term, not long-  
25 term, financial needs;

26 (2) include an explanation of all fees for advances and renewals of  
27 advances;

28 (3) state that the licensee may charge an advance recipient a bad check  
29 fee for costs as allowed under AS 09.68.115(a)(2) if a payment is returned unpaid;

30 (4) state that, in the event of the advance recipient's default, the  
31 licensee may sue the recipient and recover up to \$700 over the amount of the payment

1 and, if the payment is a check, recover as permitted under AS 06.50.550(b),

2 (5) give the department's address and telephone number for receiving  
3 calls regarding customer complaints and concerns;

4 (6) state that the licensee may not accept collateral or services for an  
5 advance;

6 (7) state that the check given as security for the advance may be  
7 negotiated as part of the advance;

8 (8) state that

9 (A) the advance recipient may rescind the advance without  
10 cause at any time before the close of business on the business day following  
11 the day on which the licensee makes the advance by paying the principal  
12 amount of the advance to the licensee in cash or other immediately available  
13 funds;

14 (B) if the advance recipient rescinds under this paragraph, the  
15 origination fee is not refundable, but the licensee may not charge the recipient  
16 another fee, except for a bad check fee for costs as allowed under  
17 AS 09.68.115(a)(2) if the payment is returned unpaid;

18 (9) state that a criminal action may not be brought against the advance  
19 recipient for failure to pay the advance; and

20 (10) include other information reasonably required by the department  
21 to inform and protect advance recipients.

22 **Sec. 06.50.520. Payment by licensee.** (a) A licensee may give an advance  
23 recipient the amount of the advance in cash, by the licensee's business check, by a  
24 money order, or by a reasonable electronic payment mechanism, including an  
25 electronic funds transfer to the advance recipient's account.

26 (b) A licensee may not use another form of payment than the form of payment  
27 authorized in (a) of this section to make an advance to an advance recipient. In this  
28 subsection, "another form of payment" includes coupons, merchandise, services, or  
29 chattel of any kind.

30 **Sec. 06.50.530. Payment by advance recipient.** (a) An advance recipient  
31 may repay an advance

- 1 (1) in cash;
- 2 (2) by negotiation of the recipient's check that secures the advance; or
- 3 (3) with the agreement of the licensee, a debit card, a cashier's check,
- 4 an electronic funds transfer from the recipient's bank account, or a reasonable
- 5 electronic payment mechanism to which the parties agree.

6 (b) An advance is paid in full when the advance recipient repays the advance

7 under (a) of this section, or when the advance recipient rescinds the advance under

8 AS 06.50.480.

9 (c) A licensee may not accept payment of an advance from the proceeds of

10 another advance provided by the same licensee.

11 **Sec. 06.50.540. Default fees.** If a payment received from an advance

12 recipient is returned unpaid to a licensee, the licensee may not collect the fees allowed

13 by this chapter unless the fees are disclosed in the agreement for the advance under

14 AS 06.50.400.

15 **Sec. 06.50.550. Collection or court action after default.** (a) If an advance

16 recipient defaults, before assigning the payment obligation to a third party for

17 collection and before initiating a court action against the recipient, a licensee

18 (1) shall attempt in good faith to contact the advance recipient at

19 reasonable times by telephone or mail to discuss the delinquency and to offer the

20 recipient a payment plan under (2) of this subsection;

21 (2) shall offer the recipient a payment plan under which

22 (A) the recipient may repay the delinquent advance over an

23 extended period of time, which may not exceed six months;

24 (B) at least five percent of the outstanding balance is due when

25 the payment plan is signed;

26 (C) an additional fee by the licensee is not allowed, except for a

27 bad check fee for costs as allowed under AS 09.68.115(a)(2);

28 (3) in addition to the contact required by (1) of this subsection, shall

29 send a certified letter to the recipient's last known address at least 15 days before the

30 action that makes the offer described in (2) of this subsection and that informs the

31 recipient of the licensee's intent to proceed with a court action.

1 (b) The licensee may initiate a court action against a defaulting recipient to  
2 recover damages and costs allowed under AS 09.68.115 if the licensee has complied  
3 with (a) of this section. Notwithstanding AS 09.68.115, the total of all damages and  
4 costs, including damages recovered under AS 09.68.115(a), may not exceed the  
5 amount of the payment by \$700.

6 **Sec. 06.50.560. Threat of criminal action prohibited.** A licensee may not  
7 threaten an advance recipient with criminal action as a result of the recipient's default.

8 **Article 5. Miscellaneous Provisions.**

9 **Sec. 06.50.600. Regulations.** The department may adopt regulations under  
10 AS 44.62 (Administrative Procedure Act) to implement this chapter.

11 **Sec. 06.50.610. Relationship to federal and other state law.** (a) If a  
12 provision of this chapter is preempted by or conflicts with federal law in a particular  
13 situation, the provision does not apply to the extent of the preemption or conflict.

14 (b) If a provision of this chapter conflicts with another state law in a particular  
15 situation, the provision in this chapter governs to the extent of the conflict.

16 **Article 6. General Provisions.**

17 **Sec. 06.50.900. Definitions.** In this chapter, unless the context requires  
18 otherwise,

19 (1) "advance" means a deferred deposit advance;

20 (2) "advance recipient" means a borrower to whom an advance is  
21 made;

22 (3) "control," in the case of a person who is not a natural person,  
23 means direct or indirect ownership, the right to vote or otherwise control 10 percent or  
24 more of the governance interests of the entity, or the ability of a person to elect a  
25 majority of the directors;

26 (4) "deferred deposit advance" means a transaction in which a person

27 (A) accepts a dated check from a person seeking an advance;

28 (B) agrees to hold the check for a specified period of time  
29 before depositing or otherwise negotiating the check; and

30 (C) pays to the advance recipient, credits to the account of the  
31 advance recipient, or pays to another person on behalf of the advance recipient

1 the amount of the check less the charges allowed under this chapter;

2 (5) "department" means the Department of Community and Economic  
3 Development;

4 (6) "license" means a license issued under this chapter;

5 (7) "licensee" means a person to whom a license has been issued under  
6 this chapter.

7 \* Sec. 4. AS 44.62.330(a) is amended by adding a new paragraph to read:

8 (61) Department of Community and Economic Development relating  
9 to the licensing and regulation of persons making deferred deposit advances under  
10 AS 06.50.

11 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 TRANSITION: EXISTING ACTIVITIES. (a) Notwithstanding the licensing  
14 requirements of AS 06.50.010 - 06.50.090, enacted by sec. 3 of this Act, a person who, on the  
15 day before the effective date of secs. 1 - 5 of this Act, is engaged in the business of making  
16 deferred deposit advances may continue to make deferred deposit advances for 60 days after  
17 the effective date of secs. 1 - 5 of this Act without being licensed under AS 06.50, enacted by  
18 sec. 3 of this Act. Beginning on the 61st day after the effective date of secs. 1 - 5 of this Act,  
19 a person described in this subsection shall be licensed under AS 06.50.010 in order to  
20 continue making deferred deposit advances.

21 (b) In this section, "deferred deposit advance" has the meaning given in  
22 AS 06.50.900, enacted by sec. 3 of this Act.

23 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 TRANSITIONAL PROVISIONS: REGULATIONS. The Department of Community  
26 and Economic Development may proceed to adopt regulations necessary to implement this  
27 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
28 before the effective date of secs. 1 - 5 of this Act.

29 \* Sec. 7. Section 6 of this Act takes effect immediately under AS 01.10.070(c).

30 \* Sec. 8. Sections 1 - 5 of this Act take effect January 1, 2005.

## AMENDMENT

OFFERED IN THE HOUSE FINANCE COMMITTEE  
BY REPRESENTATIVE CROFT

TO: CS HB 389 (L&C)

Page 10, line 1:

Delete: "14"

Insert: "30"

Renumber accordingly.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



# AKPIRG

Alaska Public Interest Research Group

P.O. Box 101093  
Anchorage, AK 99510

507 E Street, Suite 213  
Anchorage, AK 99501

p: 907.278.3661  
f: 907.278.9300

April 20, 2004

Fax to: Members of the House Finance Committee

Pages: 4 total

From: Steve Cleary - AkPIRG Phone: 278-3661

**RE: HB 389 - Deferred Deposit Advances (Payday Loans)**

Dear House Finance Committee Members:

AkPIRG has been working to protect consumers in Alaska since 1974. We are attempting to modify HB 389 to better protect vulnerable consumers in Alaska. We have been working together with AARP, the Archdiocese of Anchorage, Anchorage Neighborhood Housing and the Alaska Legal Services Corporation to highlight the dangers of payday loans and how they trap consumers into a cycle of debt.

The Georgia legislature recently passed legislation that limits payday lenders to a 60% APR. Payday lending is currently in a legal vacuum in Alaska. HB 389 legalizes this industry in Alaska at the levels that most lenders are currently charging, which amounts to an APR over 400%. We have consistently argued that this is too high a rate for vulnerable consumers to pay and that it should be lowered by reducing the \$15 per \$100 charge allowed.

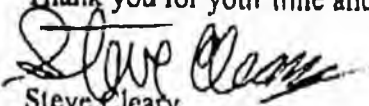
The industry has claimed they will be forced out of business by that. So we have come up with a compromise that will both reduce the interest rate and maintain the industry profit - which is to lengthen the minimum term of the loan to 30 days. This will allow consumers two pay periods to pay the loan back and will also allow military personnel who have chosen to be paid only once a month a better shot at paying back the loan without defaulting.

Industry representatives have claimed that the longer term will cost them more money and they will need to charge more for the loans. Yet they have offered no proof of this. One payday lender in testimony (see attached from House Labor and Commerce Feb 23, 2004) has proven that they make 26,000 loans a year to 24,000 customers. If these customers were offered two more weeks to pay, it would not alter their profits. In addition, since nearly all the loans were taken out by individual customers, it is unclear why the industry pushed for two rollovers in the bill, since the vast majority of their customers are not rolling over at all.

We advocate two simple changes to HB 389:

1. Extend the minimum term of the loan from 14 to 30 days.
2. Reduce the number of rollovers allowed from 2 to 1.

Thank you for your time and consideration.

  
Steve Cleary  
AkPIRG Executive Director

Number 2066

DEBRA FINK, owner, Cash Alaska, testified in support of HB 389 and responded:

I'm with Mr. Sniffen. I don't know how you do it. In our stores, we are all connected. So, within the four stores that I own, there is never any danger of someone going beyond the \$500 limit. I suspect, for other stores that have multiple locations, they could work something else like that out as well. I don't still think there's any way of knowing whether somebody is going across town to another place, and taking out a loan that brings their total in excess of \$500. But, certainly within our business, in our own stores, we can control that.

Number 2030

Essentially, a 36 percent interest rate, although even that sounds like a lot when you just say that number, would not be enough to allow the industry to stay in business. If you'll just sort of be patient with me for a moment. As someone mentioned, we did about 26,000 loans last year. Incidentally, we had 24,000 customers who did those 26,000 loans. Someone else had a question like that, I think.

In any event, at the 36 percent rate, based on the number of loans I did, to round up slightly, we would have brought in \$120,000 in fees. I have four locations and I have nine people who are working full time. Our stores are open 80 hours a week. I have nine full time people who are working to provide this service to the community. Those nine people, with their salaries and benefits are making about \$40,000 each, which is \$360,000 which is already three times the 36 percent cap that people are recommending. So you can see, that just to offer the service, with that small portion of our overall overhead, it would just be impossible.

We also have two and a half people working in our collections division, I have a full time auditor, who just does the payroll advances, and I have store managers, I have a general managers. So, we're getting into payroll costs that are higher than the industry average, we're about 40 percent, of our \$15 fee, just to cover the people that are helping and taking care of the customer. That doesn't count our lease, our utilities, our \$120,000 computer system that keeps all of our stores connected so that we can

limit the maximum dollar amount of loans out. It's very expensive to run a business up here.

Number 1925

A recent study was done. I passed out some of the sheets here to some of the folks in attendance. On Tennessee, Kentucky, Illinois, and Wisconsin, they broke down where this \$15 per \$100 goes, and they end up with about a 10 percent profit, which is about \$1.50 per \$100 that's profit. The rest is what it costs to simply provide the service. I haven't done my figures exactly this way, but this is certainly in the ballpark.

I, too, would like to charge only 36 percent, or 5 percent, but the service simply couldn't be offered at a 36 percent cap.

CHAIR ANDERSON stated

We have to be realistic, too, when you say your service to the community, but I mean, you're in the business to make money. Your testimony, in addition, is that you're not making a windfall from this. So, when you look at other states, like California and such, where there are numerous stores, such as yours, here there are less, it sounds like you answered the question when someone said, "Are there multiple consumers coming in with potential loans every month?" and you said there are 24,000 customers for 26,000 loans, so that's almost one loan per customer.

Number 1857

MS. FINK replied:

I can't speak for any business, other than my own, up here. I do know the community, and they seem pretty responsible to me. I would also like to point out that in most states, where people have been charging \$15 per \$100, which, incidentally, is under the national average, so we're going for the low end, rate wise up here, but in states where they have even the average rate of about \$17 per \$100, stand-alone stores that are not part of chains, are going out of business, like crazy.

In fact, up here, the majority of people that I was aware of that started doing the payroll advances five and six years ago are no longer doing it, because it's just not financially feasible. Stand-alone stores

FROM : AIWA AKPIRG

FAX NO. : 9072769300

Apr. 20 2004 03:39PM P4

would have a very difficult time staying alive, even  
with this bill that's in front of you today.

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS HB369 (L&C)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title: Deferred Deposit Advances RDU: Banking, Securities & Corporations (115)  
(Payday Loans) Component: Banking, Securities & Corporations  
Sponsor: Labor & Commerce  
Requester: House Finance Component No. 1233

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	104.0	104.0	104.0	104.0	104.0	104.0
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	103.7	103.7	103.7	103.7	103.7	103.7
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.8					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>226.0</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES (1156)	74.5	46.5	93.3	72.0	118.8	97.5
---------------------------	------	------	------	------	-------	------

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 Receipt Supported Services	226.0	221.2	221.2	221.2	221.2	221.2
<b>TOTAL</b>	<b>226.0</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>	<b>221.2</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	2					
Part-time	0					
Temporary	0					

**ANALYSIS:** *(Attach a separate page if necessary)*

This legislation requires the Division of Banking, Securities and Corporations to license and supervise Alaska's payday lending establishments.

The division anticipates two additional staff will be needed to implement these provisions.

Personal Services: One Financial Institution Examiner I (\$61.7) and one Administrative Clerk III (\$42.3)

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments.

Continued on Next Page

Prepared by: Mark Davis, Director Phone (907) 465-2521  
Division: Banking, Securities & Corporations Date/Time 4/21/04 8:23 AM  
Approved by: Edgar Blatchford, Commissioner Date 4/21/2004  
Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CS HB389 (L&C)

ANALYSIS CONTINUATION

Contractual: Hearings for applicants who file formal complaints regarding the denial of applications or revocation of a license (\$100.0), rent (\$1.2), and miscellaneous contractual expenses for two new employees (\$2.5).

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5).

Equipment: Computer equipment for new staff (\$4.8).

Change in Revenues: The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there are 20 establishments who will each pay \$2.0 for a biennial license which equates to \$20.0 in revenues on an annual basis in FY05. We estimate that the number of establishments would increase by 6 establishments in each of the next five years and then level off at 50 establishments.

The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$1,125.00 per examination. This is based on the assumption that each examination would require an average of 15 examination hours at a cost of \$75 per hour.

The total revenue for the first year would be an estimated \$74.5.



April 19, 2004

The Honorable John Harris, Co-Chair  
House Finance Committee  
Alaska State Capitol, Room 507  
Juneau, Alaska 99801-1182

The Honorable Bill Williams, Co-Chair  
House Finance Committee  
Alaska State Capitol, Room 515  
Juneau, Alaska 99801-1182

RE: HB 389 (House Labor and Commerce Committee) – Oppose

Dear Co-Chairs Harris and Williams:

On behalf of the 76,000 AARP members in Alaska, we wish to express our strong opposition to HB 389 regarding deferred deposit advances, also known as payday loans, sponsored by the House Labor and Commerce Committee. Under the plain language of Alaska's general usury statute and small loans act, the maximum interest rate of 36 % under the usury statute should apply to payday lending. HB 389 would eliminate the cap on interest rates for these loans and allow usurious lending.

There are reasons why the federal government, the Consumer Federation of America, Consumer's Union, the National Consumer Law Center and AARP consider payday loan operators as predatory lenders.

Payday loans usually affect the most vulnerable segment of the population; those that cannot secure credit or a small loan from traditional financial institutions, often because the loan amount is small, or they do not have the necessary collateral. Those who live from paycheck to paycheck must resort to "fringe" banking services such as payday loans if an emergency arises.

Cash-strapped consumers rarely have the ability to repay the entire loan when their payday arrives because that would leave them with little to nothing to live on until the next paycheck. Lenders then encourage consumers to roll-over or refinance one payday loan with another. The result is that the consumer pays another round of charges and obtains no additional cash in return. For example, if a consumer is charged 15% on the face amount of a check of \$200, the consumer receives \$170 in cash, which amounts to an annual percentage rate of 458% if the loan is repaid in two weeks (this is subtracting the interest rate paid from the loan amount). If the consumer cannot repay the loan in two weeks, however, the loan is rolled over into a new payday loan, and the annual percentage rate jumps to a staggering 917%. It is not hard to see how the consumer becomes trapped in a cycle of debt.

This legislation would legalize payday loans, thereby authorizing interest rates that exceed state usury limits more than ten times over. At minimum, HB 389 would allow loans of up to \$500 to be made at a 15% interest rate, which translates to an annual percentage rate (APR) of **391 percent**, with the potential for skyrocketing rates, as explained above. It would also allow payday lenders to charge an origination fee, with no limit set. And although this origination fee is not considered interest in the bill, in fact it will have the identical effect, as the consumer must repay this fee to renew the loan. To claim that this fee is not interest, when it serves the same service, is to remove it from any Truth-in-Lending obligations. This is unconscionable.

In addition, this legislation allows what are known as "touch and go" loans, where borrowers can take out a new loan immediately after paying off an old loan, resulting in borrowers entering a never-ending cycle of using two lenders to continually pay off each other, while plunging the borrower into ever-deeper debt.

As stated above, to renew the loan, consumers would have to repay the origination fee as well as the \$15 per \$100 loan charges. Research in several states, such as Illinois, Indiana, and Wisconsin, shows that consumers typically take out 10-12 payday loans a year. This is not surprising; if a consumer is so desperate for cash that they will pay nearly 400% in interest to take out a loan, it is unlikely they will be able to repay the loan at the end of the loan term, which is typically no longer than two weeks. The consumer then repays the interest over and over again to extend the loan term, as they do not have the money to repay the principal. The limit on renewals in this bill will not end this practice in any way. There is no limit on the number of loans that can be taken out by the consumer, just a limit on the dollar amount from one lender or its affiliates. Consumers often have multiple loans outstanding from multiple lenders, using one loan to pay off another. (Arizona law requires payday lenders to use Telecheck to make sure that an individual has not already borrowed from other payday lenders.)

AARP, in collaboration with the Consumer Federation of America, Consumer's Union, and the National Consumer Law Center, has been working on predatory lending issues for several years. As part of this effort on predatory lending, our organizations have developed a model bill recognizing that consumers, particularly those who are "unbanked," may have a need for small loans but they should not pay usurious rates to receive them. Further, the repayment terms of the loan must be reasonable so consumers are not trapped in debt. Our model bill calls for a repayment period of two weeks for every \$50 borrowed, which allows consumers to pay back their loans without having to go deeper into debt. We also advocate a 36 percent annual interest rate cap, which is consistent with Alaska's existing small loan act. (Some states set this cap below 36 percent.) The model also prohibits lenders from extending loans to consumers who already have \$300 outstanding in payday loans, either from the same lender or any other lender. Payday loans are heavily marketed in low-income areas and near military bases as "fast, easy, credit" with no credit checks, a practice we consider predatory. We have found payday lenders who market to older persons who have high medical costs or high prescription costs by encouraging retirees to treat their Social Security check like a paycheck.

Many of our AARP members are veterans. We find it particularly onerous that payday lenders target young military families who, because of deployment overseas, may find themselves cash-strapped. Several news accounts have discussed this situation faced by our military families during our current activities in Iraq and Afghanistan.

Consumers who are considered high-risk borrowers often have a difficult time getting credit on reasonable terms. But they deserve protection from deceptive and unfair lending practices. We

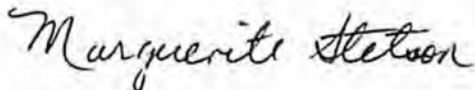
do not think it is in the best interest of Alaska citizens to enable payday lenders to further entrap their customers in a cycle of debt. AARP urges the members of the Senate Labor and Commerce Committee to oppose this legislation. Send a message, loud and clear, that the Alaska Legislature will not support organizations that rip off our most vulnerable citizens.

AARP recommends a "NAY" vote on HB 389.

Should you have any questions about our position, please feel free to contact Marie Darlin, Coordinator of the AARP Capital City Task Force (907-586-3637), Patrick Luby, AARP Advocacy Director (907-762-3314) or me (907-245-5259).

Thank you for your consideration.

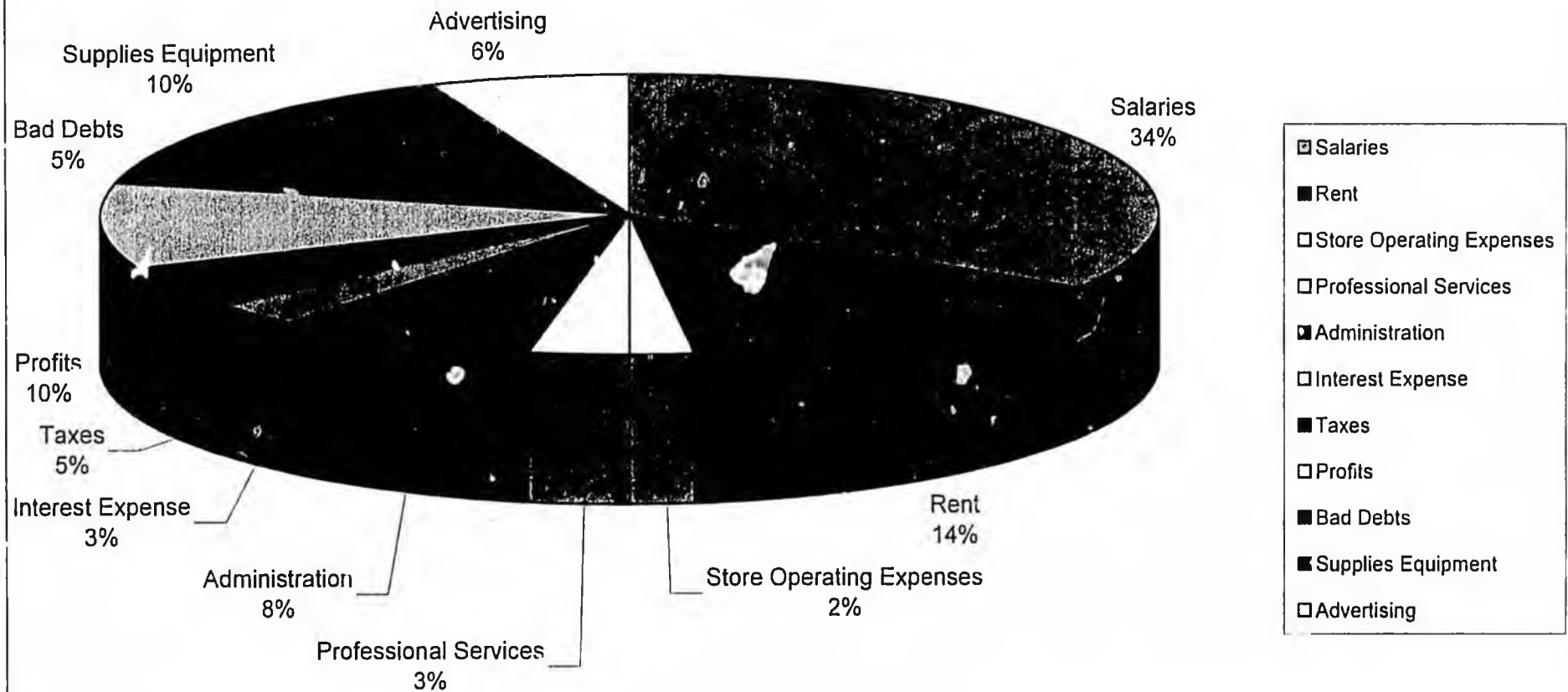
Sincerely,



Marguerite Stetson  
AARP State Coordinator for Advocacy  
3009 Northwood Street  
Anchorage, AK 99517-1871  
907-245-5259 (voice)  
907-245-5279 (fax)  
[ffmas@aurora.uaf.edu](mailto:ffmas@aurora.uaf.edu)

CC: Vice-Chair Kevin Meyer  
Representative Mike Chenault  
Representative Bud Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Bill Stoltze  
Representative Eric Croft  
Representative Reggie Joule  
Representative Carl Moses  
Marie Darlin  
Patrick Luby

## Where do fees for Deferred Deposit Advance Services go?



Data for this chart compiled by the Check Cashers Association of New, based on data from a public filing with the Securities Exchange Commission by a company offering deferred deposit services in several mid-west states.



**CHECK CASHERS ASSOCIATION OF NEW YORK, INC.**  
 500 Fifth Avenue, Suite 2410, New York, NY 10110, 212-268-1911, Fax 201-487-3954

**OFFICERS:**  
 James Eustace, *President*  
 Matthew Bardach, *Vice President*  
 Joseph Brodsky, *Treasurer*  
 Andrew Boisselle, *Secretary*

## The Costs of Providing Emergency Advance Services

**EXECUTIVE DIRECTOR:**  
 Henry F. Shyne

**GENERAL COUNSEL:**  
 Harold Goldman

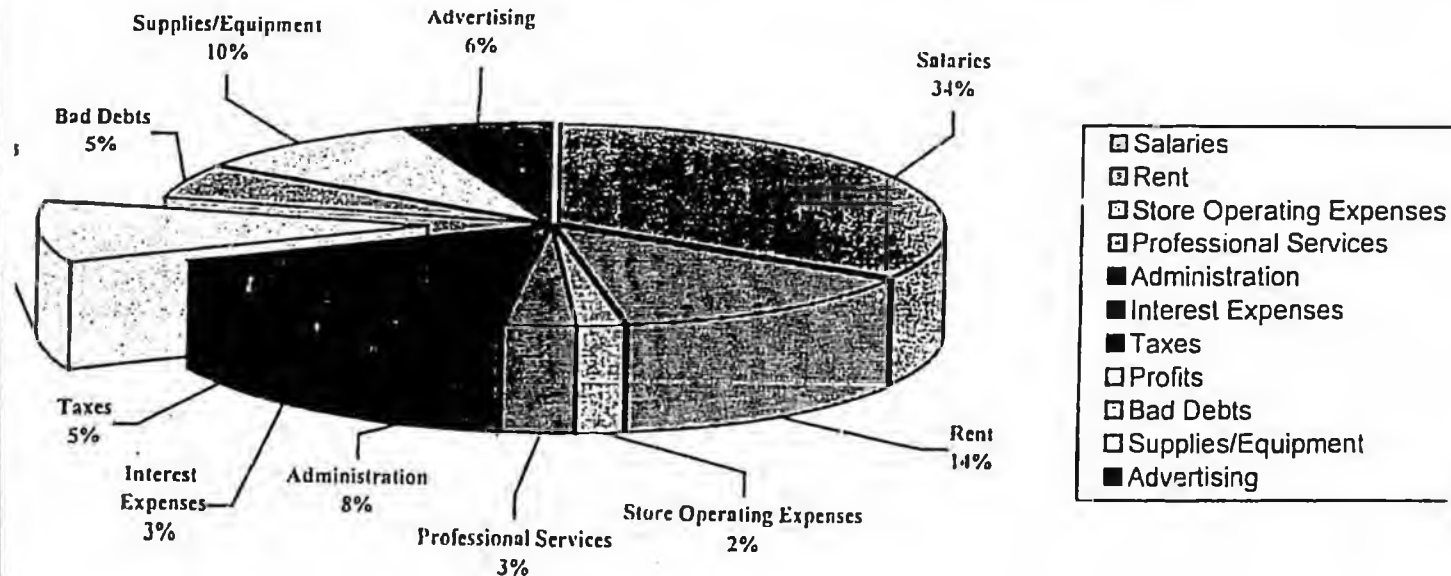
**PLATINUM ASSOCIATE MEMBERS:**  
 Ashpoint Network Services  
 Chase Manhattan Bank  
 Marshall & Sterling, Inc.  
 Post Distribution Services, Inc.  
 The Pay-O-Matic Corporation  
 Travelers Express/MoneyGram™  
 Western Union® Financial Services

The businesses that will provide Emergency Advance services are primarily small, family run operations. A number of factors play a part in determining the cost of providing this vital service to working New Yorkers. The legislation supported by the Check Cashers Association of New York calls for a \$15 fee per \$100 advanced. This would be among the lowest rates charged for deferred deposit services in the country and far lower than the \$25 to \$40 now charged by some out of state lenders advertising services to New York residents.

The Check Cashers Association of New York State has reviewed available data from several sources to determine how much licensed check cashers would expect to make on each transaction. This included reviewing a study from the State of Tennessee, a government filing made by a company that operates 250 check cashing outlets in the Midwest and other available data. Each of these sources confirm that the single largest expense area for check cashers would be the salaries paid to people working at the outlets in New York. Based on the \$15 fee per \$100 advance proposed in the New York legislation, the data uncovered by the Check Cashers Association of New York indicates that New York businesses providing Emergency Advance services would earn only \$1.50 to \$3.00 on each \$100 transaction.

## Where do fees for Emergency Advance Services go?

(Data for this chart was obtained from a public filing with the Securities and Exchange Commission by a company offering deferred deposit services in several states, including Kentucky, Tennessee, Missouri and Illinois.)



## COMPARISON OF CSHB389 TO CURRENT LAW

	CSHB389 DEFERRED DEPOSIT BILL	CURRENT STATUS
REGULATION	Specifically, and by law	Operates under Small Loan Act Exemption of \$500
AUDIT & INVESTIGATIONS	Minimum every 18 months	None
REGULATORY OVERSIGHT	State Division of Banking & Securities	None
STATISTICS/REPORTS	Submissions to Division of Banking	None
ADVANCE LIMIT	\$500	\$500
ROLLOVERS	Limit of 2	No Limit
ALLOWABLE FEE	\$15/ \$100 advanced - \$5 origination fee	Decided by individual lenders
TERMS OF ADVANCE	Minimum of 14 days	Between lender and consumer
CONSUMER PROTECTIONS	<p style="text-align: center;">Right of Rescission mandated</p> <p style="text-align: center;">Required disclosure of charges, interest, terms, penalties, and rights</p> <p style="text-align: center;">Certified mailing to borrower offering payment plan option before legal action</p> <p style="text-align: center;">Payment plan option for up to 6 months with no add'l charge except \$25 fee</p>	<p style="text-align: center;">No Right of Rescission required</p> <p style="text-align: center;">Annual Percentage Rate only</p> <p style="text-align: center;">Legal action 15 days after notification by mail to consumer</p> <p style="text-align: center;">Between lender and consumer</p>
PENALTY FOR BAD CHECK	Limits penalty to \$700	Limits penalty to \$1000

LAW OFFICES OF  
DAVID J. SCHMID  
ATTORNEY AT LAW  
600 "L" Street, Suite 503  
Anchorage, Alaska 99501  
TELEPHONE (907) 270-4335 FAX (907) 278-1812

April 20, 2004

Deborah Fink  
Cash Alaska  
2917 Spenard Rd.  
Anchorage, AK 99503

Re: Vickie A. Hardy vs. Fine Pawn, Inc., Case No. 3AN-03-05191 (CI)

Dear Ms. Fink:

This letter is in response to your inquiry regarding the status of the superior court action in Vickie A. Hardy vs. Fine Pawn, Inc. dba Alaska First Cash, Case No. 3AN-03-05191 (CI), in which this office represents the defendant, Alaska First Cash. The lawsuit relates to two "payday" loans that were made by Alaska First Cash to the plaintiff. The lawsuit alleges that the interest rate charged for the loans was unlawful because it exceeded the usury rate, and seeks damages and injunctive relief enjoining Alaska First Cash from charging interest at rates higher than the usury rate for any future payday loans.

Our research demonstrates that the legislature intended to exempt such loans from the usury rate when it enacted, and subsequently amended, the provisions of AS 06.20.330, under the Alaska Small Loans Act. Enclosed is a copy of our opposition and cross-motion for summary judgment that was recently filed in the action, which details the legislative history regarding this provision and which, we believe, conclusively demonstrates that such loans were intended by the legislature to be exempt from any interest rate regulation, including the usury statute. It also attaches copies of the relevant legislative materials and hearing transcripts identified in our opposition. We are confident that the court will rule that such loans are exempt from usury, and will dismiss the plaintiff's claims against Alaska First Cash.

With regard to your inquiry as to the legal effect of a possible ruling by the superior court that such loans are subject to the usury rate, at this point, such ruling would only be binding against Alaska First Cash, and would be subject to reversal on appeal by the Alaska Supreme Court. Even if the court's ruling were to be upheld by the Supreme Court, it would not have any immediate effect on other payday lenders, in the absence of another lawsuit filed against them.

Very truly yours



Eric R. Cossman

ERC/na  
enclosures

# FISCAL NOTE

Updated

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 389 (L&C)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title: Deferred Deposit Advances RDU: Banking, Securities & Corporations (115)  
(Payday Loans) Component: Banking, Securities & Corporations  
Sponsor: House Labor & Commerce  
Requester: House Labor & Commerce Component No. 1233

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	104.0	104.0	104.0	104.0	104.0	104.0
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	102.5	102.5	102.5	102.5	102.5	102.5
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.8					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>224.8</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (1156)</b>	<b>64.0</b>	<b>69.0</b>	<b>64.0</b>	<b>69.0</b>	<b>74.0</b>	<b>79.0</b>
----------------------------------	-------------	-------------	-------------	-------------	-------------	-------------

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 CF/Mental Health						
1156 Receipt Supported Services	224.8	220.0	220.0	220.0	220.0	220.0
<b>TOTAL</b>	<b>224.8</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	2					
Part-time	0					
Temporary	0					

**ANALYSIS:** (Attach a separate page if necessary)

This legislation requires the Division of Banking, Securities and Corporations to license and supervise Alaska's payday lending establishments.

The division anticipates two additional staff will be needed to implement these provisions.

Personal Services: One Financial Institution Examiner I (\$61.7) and one Administrative Clerk III (\$42.3)

Travel: In-state and out-of-state travel to verify establishments have licenses and to examine licensed establishments

Contractual: Hearings for applicants who file formal complaints regarding the denial of applications or revocation of a license (\$100.0) and miscellaneous contractual expenses for two new employees (\$2.5)

Prepared by: Mark Davis, Director Phone (907) 465-2521  
Division: Banking, Securities & Corporations Date/Time 3/5/04 3:07 PM  
Approved by: Edgar Blatchford, Commissioner Date 3/5/2004  
Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSHB 389 (L&C)

ANALYSIS CONTINUATION

Supplies: Miscellaneous contractual expenses for two new employees (\$2.5)

Equipment: Computer equipment for new staff (\$4.8)

Change in Revenues: The division anticipates an increase in revenues (Receipt Supported Services/RSS) as a result of collecting new licensing fees required by this legislation. This estimate is based on the assumption that there will be 50 establishments who will each pay \$500 for a license. The division also estimates there will be additional revenues collected to recover the cost of examining establishments for compliance with the provisions of this legislation. We estimate that we would recoup approximately \$39.0 from the cost examination of these licensees.

# Alaska State Legislature

## House of Representatives



Official Business

State Capitol  
Juneau, AK 99801-1182

### SPONSOR STATEMENT FOR CS HB 389 (L&C) BY: Representative Tom Anderson

**TITLE:** "An Act relating to certain monetary advances in which the deposit or other negotiation of certain instruments to pay the advances is delayed until a later date; and providing for an effective date."

The deferred deposit advance industry, recognizing consumer demand for small, short-term credit options, has rapidly expanded across the United States. Thirty-nine states and the District of Columbia have specifically regulated the service; Alaska is currently unregulated.

In developing the regulation process CS HB 389 (L&C) adheres to two important aspects of the deferred deposit/payroll advance issue: first, consumer protection – shielding citizens from unconscionable fees and predatory lending tactics; and second, business protection – allowing businesses who are filling a legitimate need for the Alaskan consumer to operate without unreasonable regulatory burdens.

CS HB 389 (L&C) proposes licensing and record-keeping requirements, limits on terms and the number of allowable renewals, fees, and reasonable limits on the amount of the advances. It would provide the consumer detailed information about the type of service and require full disclosure for all fees and costs incurred during the advance process. Additionally, provisions of the bill create a next day "change of mind" provision allowing the consumer time to reconsider their decision for any reason.

Additionally, CS HB 389 (L&C) clearly states that businesses may not threaten customers with criminal action as a result of a payment deficit.

CS HB 389 (L&C) does not regulate traditional pawnshop activities of loans under \$500; the focus is on deferred deposits and business providing this service.

I urge your support for this legislation.

## Sectional Analysis for HB 389

Section 1. States the purpose of the Act.

Section 2. Establishes a new chapter relating to deferred deposit advances

Sec. 06.50.010 prohibits a person from engaging in the business of making deferred deposit advances without a license. Requires a separate license for each location.

Sec. 06.50.020 establishes the qualifications that a person must meet to qualify for a license. This covers mandatory liquid assets and demonstrations regarding financial responsibility, financial condition, business experience, character, and general fitness. Makes these requirements continuing in nature and subject to periodic review by the department of Community and Economic Development

Sec. 06.50.030 establishes requirements for the license application. Requires submission of a nonrefundable investigation fee for each business location. Directs the department to investigate whether the applicant satisfies the requirement and, if the applicant satisfies the requirements and the department approves the application, to issue the license. Make the license effective for the year in which issued, unless surrendered, suspended, or revoked. Establishes procedures for renewal.

Sec. 06.50.040 establishes the procedures for denial of a license or of a license renewal.

Sec. 06.50.050 prohibits the transfer or assignment of a license, except for transfer to a new location under Sec. 06.50.070.

Sec. 06.50.060 requires the prior written approval of the department for the continued operation of a licensee's deferred deposit advance business when a change in control of the licensee is proposed. Requires the licensee requesting approval to pay any costs (up to a stated amount) that are incurred by the department to investigate the request for approval.

Sec. 06.50.070 requires a licensee to notify the department in writing at least 15 days before any proposed change in the licensee's business location or name and to provide the department with certain information.

Sec. 06.50.080 allows the department, after notice and a hearing, to suspend or revoke a license if the department finds that the licensee has engaged in certain listed activities.

Sec. 06.50.090 requires a licensee to file with the department a composite annual report relating to all advances made by the licensee during the preceding calendar year. Also requires a licensee to file with the department (within 15 days after the occurrence of certain listed events) a written report describing the event and its stated effect on the activities of the licensee in the state.

Sec. 06.50.100 establishes certain criteria that a licensee must follow when keeping its records, including the manner in which they must be kept, their location, and the length of time they must be kept.

Sec. 06.50.110 provides examination and investigative powers for the department and corresponding obligations of licensees regarding these examinations and investigations. Authorizes the department to apply to the superior court for an order compelling compliance if there is a failure without legal excuse to obey a subpoena or give testimony.

Sec. 06.50.120 state that the Administrative Procedure Act, AS 44.62, applies to department action taken under the chapter, except where other procedures are provided in the chapter.

Sec. 06.50.130 establishes certain requirements for deferred deposit advances.

Sec. 06.50.130(a) requires an advance to be documented in a written agreement signed by the recipient. States certain items the agreement must include.

Sec. 06.50.130(b) states that a licensee may not be an organization.

Sec. 06.50.130(c) sets a maximum principal amount for an advance.

Sec. 06.50.130(d) allows a licensee to charge an origination fee. Treats the fee as fully earned as of the date of the transaction and states that the fee is not considered interest. Prohibits a licensee from charging another fee unless expressly allowed by the chapter.

Sec. 06.50.130(e) requires a licensee to post a notice of the licensee's fees in each licensed location. Indicates how much a licensee may charge.

Sec. 06.50.130(f) allows an advance recipient to rescind an advance without cost if done not later than the end of the next business day after the advance.

Sec. 06.50.130(g) requires a licensee to provide written notice to the advance recipient of certain listed information before disbursing the money.

Sec. 06.50.130(h) prohibits a licensee from accepting more than one instrument as security for each advance. Requires the licensee to endorse the instrument with the licensee's actual business before depositing or otherwise negotiating the instrument. Allows an advance recipient to redeem the instrument before the deposit or other negotiation of the instrument by making payment.

Sec. 06.50.130(i) indicates how a licensee may pay the advance recipient, but prohibits the licensee from charging an additional fee to the recipient to access the proceeds of the advance.

Sec. 06.50.130(j) allows a licensee to charge an advance recipient and additional fee if the advance is renewed rather than paid in full when due.

Sec. 06.50130(k) indicates how an advance recipient may repay an advance.

Sec. 06.50.130(l) prohibits a licensee from accepting property other than an instrument from an advance recipient when making an advance.

Sec. 06.50.140(a) sets limits on the advances (plus allowable fees) that a licensee or a person under common control with a licensee may have outstanding to a single advance recipient.

Sec. 06.50.140(b) allows a licensee, or an assignee, to collect for returned instruments the fees allowed by the chapter in addition to the damages, fees, and costs allowed for bad checks under AS 09.68.115, if disclosed in the advance agreement.

Sec. 06.50.140(c) prohibits a licensee from threatening an advance recipient with criminal action for a payment deficit.

Sec. 06.50.140(d) states that a licensee may not renew an advance for a fee greater than the initial origination fee or for more than four consecutive times. Allows an advance recipient to get a new advance transaction at any time after the recipient pays off the previous balance. Indicates when an advance is considered paid off.

Sec. 06.50.140(e) prohibits a licensee from accepting property, title to property, or other evidence of ownership as collateral for an advance, except for an instrument from the advance recipient.

Sec. 06.50140(f) allows a licensee to conduct other business at a location where it makes advances.

Sec. 06.50.140(g) allows an advance recipient to rescind an advance without cost at any time before the close of business on the business day following the day on which the advance was made.

Sec. 06.50.140(h) prohibits a licensee from making an advance on behalf of another person.

Sec. 06.50.150 allows the department to adopt regulations to implement the chapter.

Sec. 06.50.160 establishes the relationship of the chapter to federal law.

Sec 06.50.190 defines terms for the chapter.

**Section 3.** Applies the administrative adjudication provisions of the Alaska Administrative Procedures Act to the Department of Community and Economic Development in the matter of the licensing and regulation of persons making deferred deposit advances under the new chapter, AS 06.50.

**Section 4.** Provides a transitional provision related to the liquid assets that a person must have in order to qualify for a license under AS 06.50.020. Changes the amounts required during the first 180 days after the effective date of the Act.

**Section 5.** Makes the Act effective January 1, 2005.

**Sectional Analysis for CSHB 389(L&C)**

Has been ordered from Legislative Legal and will be provided as soon as it becomes available.

Brief list of changes to HB 389:

1. \$500 cap (vs. \$1,000 cap in original bill)
2. Only 2 rollovers allowed (4 in original bill)
3. Lender must post a bond to get a license (no bond in original bill)
4. Lender will be subject to closer scrutiny by Division of Banking
5. Lender must offer consumer a payment plan option before initiating legal action to collect against a consumer in default, including sending a certified letter offering to assist consumer.
6. There is a \$700 cap on total damages lender can recover (in addition to face value of check) for collection efforts (\$1,000 in original bill).
7. Lender can only charge \$15 per \$100 loaned and **NO OTHER FEES, CHARGES OR INTEREST OF ANY KIND** (original bill allowed for additional interest).
8. There are specific disclosure requirements concerning fees, charges, penalties that were not in the original bill.

These are the main changes to the CS for HB 389.

CSHB 389/SB 272 - Tim Kelly & Associates  
(907)244-4487

Cash Alaska submission for Compass Piece, Anchorage Daily News, March 9, 2004.  
by: Joe Davidson, General Manager, Cash Alaska, 1415 Gambell, Anch, Ak 99501  
907 277-8224 (ph); 907 277-5204 (fax).

## Payroll Advance Loans Can Prevent Bigger Problems

In my opinion, the Executive Director of AkPIRG, made an excellent case in his Compass article for passing the newly amended bill, CSHB389, regulating payday lending in Alaska. Although I am not personally aware of any payday lending nightmares such as he mentions in his article, I've read of similar situations that have occurred Outside prior to regulation. Currently 38 states are regulated by state statute. This new version, which has been worked on by the Attorney Generals office and the Alaska State Division of Banking and Securities, would go a long way toward eliminating potential abuses in Alaska.

Because the bill would limit rollovers to just two, fees would be held to a reasonable limit, and payday lending would be in line with it's stated intent of small, short-term cash advances against a person's next pay check. Generally people use these advances for an unexpected bill or to cover a temporary cash shortfall. In our experience at Cash Alaska, we find that most people don't rollover their advances but pay them off within the 15 day term. The majority of our customers utilize payday advances 5 or fewer times total over the course of 12 months, below the national average.

Most of us have bounced a check at one time or another and are aware that the average Alaskan NSF bank charge is \$18 with an additional merchant charge of \$25. Not only is the \$30 fee for a \$200 advance, as mentioned in the Compass article, a good financial alternative to paying the total of \$43 NSF charges occurring from just one bounced check but it can also prevent additional financial problems. In Alaska, paying rent late by 3 days can cost up to \$100; a credit card late fee can start at \$29; and late payment on a utility bill could result in a temporary loss of service, a late fee, and new hook-up charges. *For most people facing a temporary cash shortage, a payday advance is the best alternative available in the marketplace.*

AkPIRG suggests people could take ATM advances against their credit cards or take out a small loan from a bank or credit union. Although most payday advance customers have credit cards, they are often maxxed out. In Alaska and across the country, most banks and credit unions simply don't offer the small loans of \$500 and under because they aren't economically feasible for them, as they are far riskier and present more collection problems. In fact, the growth of the payday lending industry is a direct result of meeting a consumer demand in the financial services market that wasn't being met by more traditional lending institutions.

The article accurately reported that payday lending is unregulated in the State of Alaska. However, Cash Alaska operates under the \$500 exemption in the Small Loans Act which has been affirmed by both a court case and in writing by the Division of Banking and Securities. The industry could continue to operate legally regardless of whether a law passes this year or not. Isn't it better that Alaska, like other states, enact these consumer protections and regulate the industry rather than continue to allow unsupervised lending?

By passing the recently amended CSHB389 and regulating the payday lending industry, consumers will receive protections against abusive lenders and have the choice of a financial service that can help them out until their next payday while preventing the expensive consequences of late payments and the resulting bad credit rating. They won't find that the only alternative for short term cash might be an Internet site operating from Outside and charging up to \$60 for a \$200 loan. They will have the choice of an efficient financial service, employing Alaskans locally, under the supervision of the Alaska Division of Banking and Securities.

## Statement of supporters and opponents for CSHB 389(L&C)

Supporters of this bill include:

1. Department of Law, Consumer Protection Division
2. Department of Community & Economic Development, Division of Banking, Securities & Corporations
3. Advocates for regulation of this type of lending
  - a. Current, legitimate business owners
  - b. Consumer advocates in general (exceptions listed below)

Opponents to this bill include:

1. AARP – this group feels the restrictions to fee charged is too low and wants to see a cap on the APR
2. AkPIRG – this group also wants an unreasonable cap on APR
3. Consumers of this service – we have been informed by the owners of some of the deferred deposit advance companies that their customers will not appreciate the additional regulation of these types of loans.

# Cost Comparison

## CONSUMER DILEMMA

A consumer who is between paydays and has insufficient savings must immediately pay a \$50 utility bill and a \$50 minimum payment on a credit card balance.

## OPTIONS



**OPTION#1**  
\$100 Deferred  
Deposit Advance



**\$15 TOTAL**



**OPTION#2**  
2 late  
payments



\$50 reconnect fee to utility company  
\$29 late fee to credit card company

**\$79 TOTAL**

**PLUS TEMPORARY LOSS OF  
UTILITY AND NEGATIVE  
EFFECT ON CREDIT RECORD**



**OPTION#3**  
2 bounced  
checks



\$22 NSF Fee to Bank  
+\$25 Fee from Vendor  
\$47 in Fees Per Check  
X 2 Checks

**\$94 TOTAL**

**PLUS STIGMA OF  
WRITING BAD CHECK**

## STATE LAW GOVERNING DEFERRED DEPOSIT SERVICES/PAYDAY ADVANCE

STATES	Deferred Deposit Available under Law	Permitted Fees	Permitted Period	Max. Amount of Check
<b>Alabama</b>	<b>Yes</b>	<b>17.5% of the amount advanced</b>	<b>min. of 10 days and max. or 31 days</b>	<b>\$500</b>
<b>Arizona</b>	<b>Yes</b>	<b>15% of the check</b>	<b>min. of 5 days</b>	<b>\$500</b>
<b>Arkansas</b>	<b>Yes</b>	<b>10% of the check + \$10 charge + \$5 fee on 1st transaction</b>	<b>min. of 6 days and max. of 31 days</b>	<b>\$400</b>
<b>California</b>	<b>Yes</b>	<b>15% of the check</b>	<b>max of 30 days</b>	<b>\$300</b>
<b>Colorado</b>	<b>Yes</b>	<b>20% of the 1st \$300 - 7.5% on amt greater than \$300</b>	<b>max. of 40 days</b>	<b>\$500</b>
<b>Delaware</b>	<b>Yes</b>	<b>rate determined by parties</b>	<b>max. of 60 days</b>	<b>\$500</b>
<b>DC</b>	<b>Yes</b>	<b>scale of fees</b>	<b>max. of 31 days</b>	<b>\$1,000</b>
<b>Florida</b>	<b>Yes</b>	<b>10% of advance + \$5 verification fee</b>	<b>min. of 7 days and max. of 31 days</b>	<b>\$500</b>
<b>Hawaii</b>	<b>Yes</b>	<b>15% of the check</b>	<b>max. of 32 days</b>	<b>\$600</b>
<b>Idaho</b>	<b>Yes</b>	<b>rate determined by parties</b>	<b>term determined by parties</b>	<b>\$1,000</b>
<b>Illinois</b>	<b>Yes</b>	<b>N/A</b>	<b>max of 30 days</b>	<b>\$400</b>
<b>Indiana</b>	<b>Yes</b>	<b>15% of the check on the 1st \$100; 10% over \$100; fee cannot exceed \$35</b>	<b>min. of 14 days</b>	<b>\$400</b>
<b>Iowa</b>	<b>Yes</b>	<b>15% of the check on 1st \$100; 10% on subsequent \$100 increments</b>	<b>max. of 31 days</b>	<b>\$500</b>
<b>Kansas</b>	<b>Yes</b>	<b>scale of fees</b>	<b>max. of 30 days</b>	<b>\$860</b>
<b>Kentucky</b>	<b>Yes</b>	<b>\$15 per \$100 on face amt of check</b>	<b>min. of 14 days and max. of 60 days</b>	<b>\$500</b>
<b>Louisiana</b>	<b>Yes</b>	<b>16.75% of the check</b>	<b>max. of 30 days</b>	<b>\$350</b>
<b>Michigan</b>	<b>Yes *</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Minnesota</b>	<b>Yes</b>	<b>scale of fees</b>	<b>max. of 30 days</b>	<b>\$350</b>
<b>Mississippi</b>	<b>Yes</b>	<b>18% of the check</b>	<b>max. of 30 days</b>	<b>\$400</b>
<b>Missouri</b>	<b>Yes</b>	<b>no limit, hut total fees, inc rollovers, can't exceed 75% of loan</b>	<b>min. of 14 days and max. of 31 days</b>	<b>\$500</b>
<b>Montana</b>	<b>Yes</b>	<b>cannot exceed 25% of amount advanced</b>	<b>max. of 31 days</b>	<b>\$300</b>
<b>Nebraska</b>	<b>Yes</b>	<b>\$15 per \$100 on face amt of check</b>	<b>max. of 31 days</b>	<b>\$500</b>

<b>Nevada</b>	<b>Yes</b>	rate determined by parties	term determined by parties	1/3 of borrower's
<b>New Hampshire</b>	<b>Yes</b>	rate determined by parties, however, after initial term of loan interest can't be > 6% per yr.	min. of 7 days and max. of 30 days	<b>\$500</b>
<b>New Mexico</b>	<b>Yes *</b>	rate determined by parties	term determined by parties	<b>\$2,500</b>
<b>N. Dakota</b>	<b>Yes</b>	20% of amount borrowed	max. of 45 days inc rollover period	<b>\$500</b>
<b>Ohio</b>	<b>Yes</b>	\$5 per \$50 + 5% per month	cannot exceed 6 months	<b>\$500</b>
<b>Oklahoma</b>	<b>Yes</b>	\$15% of the 1st \$300 + 10% on amount greater than \$300	min. of 13 days and max. of 45 days	<b>\$500</b>
<b>Oregon</b>	<b>Yes</b>	rate of loan determined by parties	max. of 60 days	<b>\$50,000</b>
<b>Rhode Island</b>	<b>Yes</b>	10% of the check or \$5, whichever is greater	fixed term of 14 days	<b>\$300</b>
<b>S. Carolina</b>	<b>Yes</b>	15% of the check	max. of 31 days	<b>\$300</b>
<b>S. Dakota</b>	<b>Yes *</b>	rate determined by parties	term determined by parties	<b>N/A</b>
<b>Tennessee</b>	<b>Yes</b>	15% of check or \$30, whichever is lesser	max of 31 days	<b>\$500</b>
<b>Texas</b>	<b>Yes</b>	scale of fees	no less than 7 days	<b>N/A</b>
<b>Utah</b>	<b>Yes</b>	rate determined by parties	term determined by parties	<b>N/A</b>
<b>Virginia</b>	<b>Yes</b>	15% of advance amt	min. of 7 days	<b>\$500</b>
<b>Washington</b>	<b>Yes</b>	15% of the principal on first \$500 borrowed; 10% on amount of \$500	max. of 45 days	<b>\$700</b>
<b>Wisconsin</b>	<b>Yes *</b>	rate determined by parties	term determined by parties	<b>\$25,000</b>
<b>Wyoming</b>	<b>Yes</b>	\$30 or 20% per mo. on the principal balance of check	one calendar month	no statutory cap
<b>Alaska Proposed Draft</b>	<b>Yes</b>	<b>15% of the amount advanced</b>	<b>min. of 15 days</b>	<b>\$1,000</b>

Deferred deposit services are not permitted under state law in the following jurisdictions: Connecticut, Georgia, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Vermont, and West Virginia.

\* States regulated by Small Loan Acts or Dept of Commerce  
Data current as of 10/03 per Financial Services of America (FiSCA)

## What is the Deferred Deposit Industry

The Deferred Deposit Advance serves as a dignified and cost efficient “financial taxi” to get from one payday to another when faced with an unexpected cash need.

The Deferred Deposit industry, also known as payday advance, cash advance, or payday loans, represents one of the fastest growing segments of the consumer finance industry.

Over the past decade, most states have created a regulatory environment that satisfies the robust consumer demand for these short term, low denomination loans.

State policy makers have balanced the interests of the industry with substantive consumer protections that ensure responsible and informed use of the service.

Consumers use the service responsibly and for the intended purpose: to solve temporary cash flow problems by bridging the gap between paydays.

Just as commuters understand that taxi services are valuable and convenient when used for short term travel while inefficient for long term travel needs, our customers understand that Deferred Deposit services are economical and convenient when used for short term cash needs but are inappropriate to meet long term cash needs.

Deferred Deposit advances are just one of the many short-term credit options used by the middle class consumer.

# Evolution of the Deferred Deposit Industry

The consumer's need for access to short term funds developed because:

- Traditional financial institutions exited the small denomination, short-term credit market, largely due to its high cost structure
- Demise of household finance storefronts
- Proliferation of automated credit card lending limited small dollar credit needs
- The cost of bounced check fees, late payment penalties, and other short-term credit products soared
- Increased difficulty of opening/maintaining a checking account
- Consumers need small dollar, short-term loans to bridge payment needs
- Enactment of legislation provided regulations and consumer protections for Deferred Deposit customers.

## Who Uses Deferred Deposits

Typical borrowers have a household income between \$25,000 and \$50,000, have a job, but live on a tight budget that leaves little room for financial missteps or emergencies.

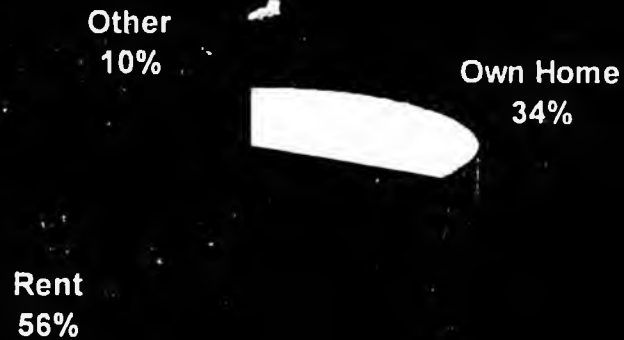
The Deferred Deposit advance helps them get through a cash crunch without paying late fees or bouncing checks. According to the IO Data Corporation Report commissioned by the Community Financial Services Association of America:

- Nearly all Deferred Deposit customers use credit other than Deferred Deposits and more than half have a bank credit card.
- 34% of them own their own homes and a majority have children under 18 still with them.
- 85% of them have graduated from high school; 55% have some college or a degree
- 74% have employment tenure of 1 year or more.

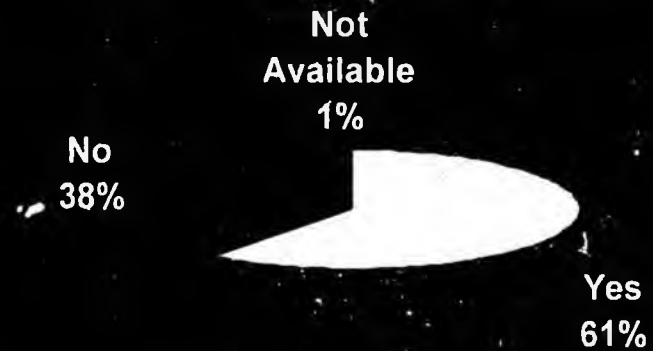
According to the McDonough School of Business, Georgetown University Report, April 2001, "Payday Advance Credit in America: An Analysis of customer Demand", Deferred Deposit customers are primarily moderate-income consumers who are often in early stages of the family life cycle. They are more likely to use consumer credit and tend to have higher levels of consumer debt relative to income than the population as a whole. They typically have high rates of return on investments in household good and a strong demand for credit. They tend to be insensitive to interest rates on loans though generally aware of the cost of such credit.

# Customer Demographic Profile

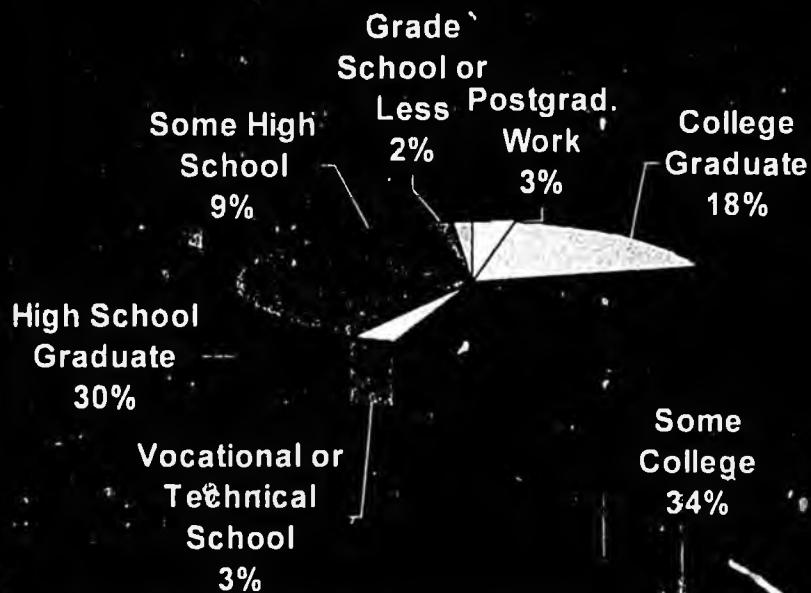
## Own or Rent Home



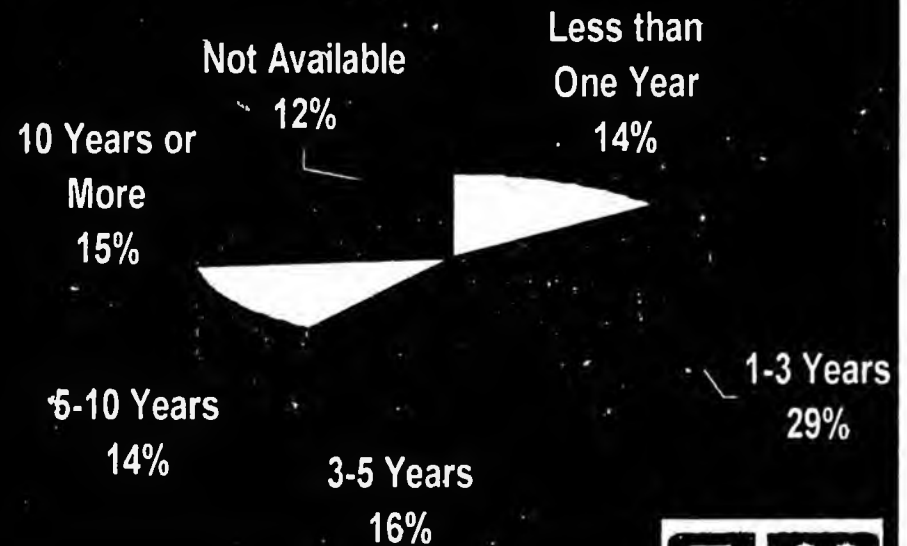
## Children Under 18 at Home



## Education



## Employment Tenure



Source: Io Data Corporation

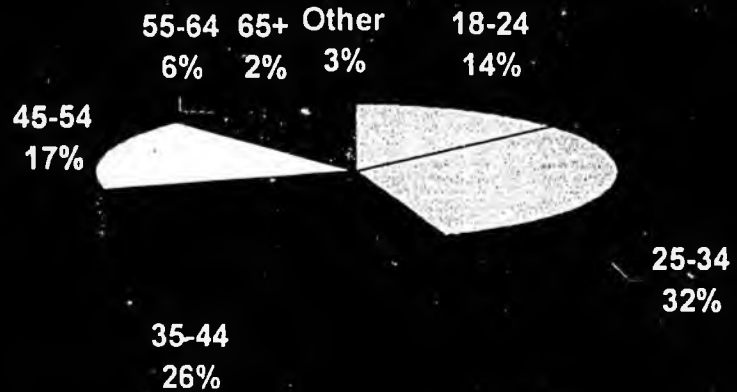


# Customer Demographic Profile *(Continued)*

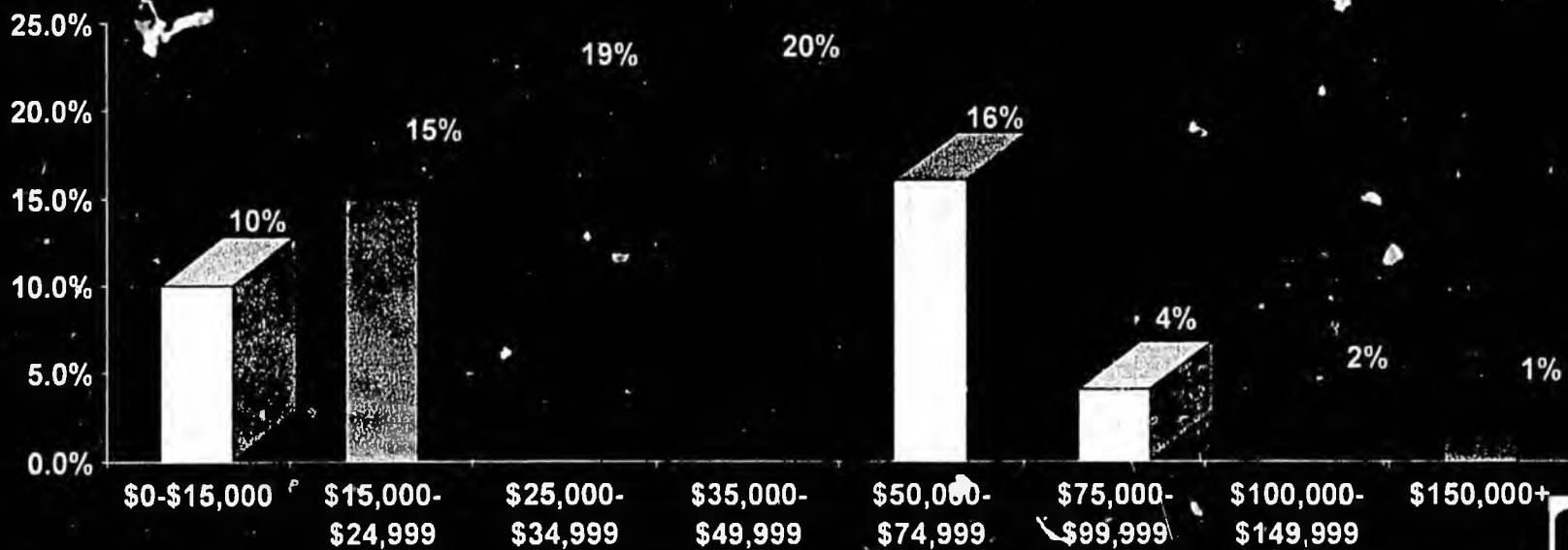
## Gender



## Age



## Household Income



Source: Io Data Corporation



## Alternatives Available in the Marketplace

Many of our customers don't have relatives or other friends to turn to for financial assistance when the family car breaks down or an unexpected expense comes up.

Deferred Deposits are sometimes the only viable option when people are strapped for cash. Alternatives available include bank overdraft protection – which requires available funds in another account, paying bounced check fees, paying late payment penalties, and pawn loans.

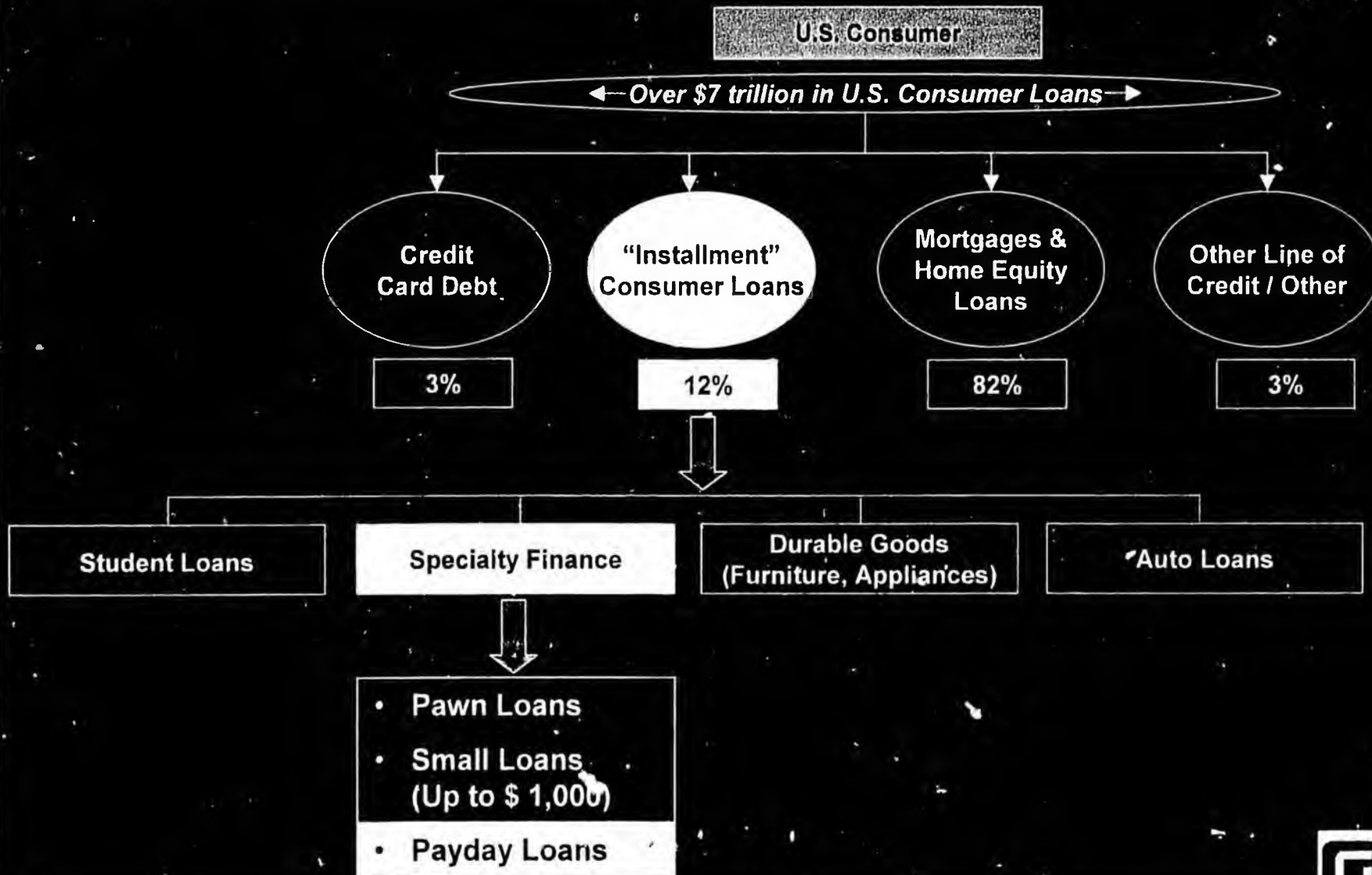
Deferred Deposit Advances are lower than many consumer alternatives.

- An example is the average \$29 late fee on credit card payments. For a \$100 due credit payment, the \$29 late fee would compare to a typical \$15 Deferred Deposit fee. In both instances, the payment would ultimately be made from the consumers next pay check.
- For a \$100 bounced check, the standard fee in Alaska is a \$22 bank fee plus a \$25 NSF fee charged by the merchant. That's a total of \$47 in NSF fees. A Deferred Deposit advance for a \$100 would cost only \$15.

**A Deferred Deposit Advance allows the consumer to maintain a clean payment record and costs substantially less.**

# Where do Payday Loans Fit in the Broader Consumer Finance Industry?

Here's one way to segment the consumer's balance sheet.



## How a Deferred Deposit Works

A Deferred Deposit Advance provides a small, unsecured, short-term cash advance until payday. Customers chose Deferred Deposit Advances to cover small expenses and avoid costly bounced-check or late payment penalties and other less desirable short-term credit option.

- A customer with an active checking account and regular income simply supplies a State ID, a current pay stub, and reads and signs an agreement that discloses transaction terms.
- The customer writes a personal check drawn on their local bank for the loan amount plus a fee of \$15 per \$100 borrowed.
- The lender immediately cashes the check and gives the money, less the fee, to the customer.
- The check is held for an agreed-upon time, up to 15 days, at the end of which time the check is deposited or the customer returns with cash to reclaim the check.
- If a customer chooses to defer this deposit for an additional 15 days, s/he may choose to “rollover” the deposit.

## Deferred Deposit Fees

Businesses offering Deferred Deposit service take a risk that traditional financial institutions are unwilling to assume. Thus fees charged by the industry are higher than the interest rates charged by banks and credit card companies.

- The industry believes fees should be reasonable, cover the cost of the service and provide a reasonable profit to the business. The standard fee nation-wide is \$15 to \$20 per \$100 advance. Some Internet online providers can charge up to \$60 per advance.
- Competition is the key and, within the confines of state regulation, the market itself assures customers of a competitive service fee.
- Critics of Deferred Deposit Advances have raised concerns about the fees being charged by the industry. The Deferred Deposit Advance industry reports the Annual Percentage Rates (APR) of the advance as required by the federal Truth in Lending Act. However, using the APR to evaluate the costs of Deferred Deposits is not accurate because of the short-term nature of the cash advance. The industry considers the charge for the service a fee rather than interest.

### Merchant NSF Fees to Clients

Sears	\$25
JC Pennys	\$29
Fred Meyer	\$25
Carrs	\$25
First Mortgage	\$50
Bank One	\$35
Nordstroms	\$25
discover	\$29
Walmart	\$29

### Bank NSF Fees to Clients

Key Bank	\$27
Wells Fargo	\$28
Northrim	\$18
AK USA	\$18
First National	\$20
Denali Alaska	\$20
Credit Union One	\$20

### Major Alaska Electric Companies

Name of Utility	NSF Fee	Late Fee	Reconnect Fee
Chugach	\$15	\$2	\$50
ML & P	\$25	\$2	\$95
Matanuska	\$25	7%	\$30
Tlingit Haida Regional	\$25	1.50%	\$50
Aurora electric	\$10	\$2	\$55 before 3:30/\$165 after
Golden Valley Elec	\$10	\$2	\$55 plus a deposit

Apartments in Anchorage - Late Fees	
Arctic sun	\$100
Arctic Tern	\$25
Boundary Manor	\$50
Calais Manor	\$100
Camlett Apts	\$50
Campbell Creek	\$65
Castle Apts	\$100
Chugach	\$100
Continental	\$100
Foxwood	\$25
Garden Villa	\$45
King court	\$25
Kinnear Park	\$67
Oasis	\$50
Casa blanca	\$50
Nicole	\$50
Northwind	\$100
Pier 25	\$50
Rancho	\$100

This data compiled between 12/15/03 and 1/9/04 by Cash Alaska

Rent late fees are applicable from 1 to 5 days after the rent is due.

### 15-Day Term

\$100 payday advance with \$15 fee

\$100 check with \$22 inst. and \$22 inst. advance fee

### 30-Day Term

\$29 late fee on \$100 credit card bill, etc.

\$100 utility bill with \$47 fee/acc. amount, etc.

### 1-Day Term

\$100 ATM withdrawal with \$1.50 fee

## Consumer Protection

The Deferred Deposit Advance bill has provisions protecting the consumer per the following:

- Consumers are given the right to rescind an Advance without cost before the end of the next business day,
- Rollovers are limited to four (Note: A rollover, or renewal, of a Deferred Deposit Advance occurs when the customer renews the advance by paying only the fee amount. The agreed upon deposit date is then moved out an additional 15 days),
- Collection practices, following State law, must be disclosed in the Agreement, and Criminal action is prohibited,
- Customers are informed in advance of the short-term nature of the Advance, what fee charged for origination, and rollover requirements,
- Reasonable fees are charged for the service,
- Standardization and regulation in the Deferred Deposit industry is maintained and scrutinized by the Department of Community and Economic Development.

# **The Growth of Internet Deferred Deposit Advances**

- A 2000 survey commissioned by FiSCA found over 50 separate websites offering payroll/Deferred Deposit advances. Today a Google search for “Payday Loans Online” will bring up 775,000 websites.
- Internet fee rates range from 15% to as high as 35%; median rate is 25% per \$100
- Most sites offered loans of up to \$500; a few sites offering up to \$1000
- Many online lenders are based in California, Delaware or offshore locations such as Costa Rica
- Limited customer service; over 30% of the sites fail to provide a phone number for customer service support.

## Facts and Fiction

Some consumer groups have fought the growth of the Deferred Deposit industry across the country calling us predatory lenders who prey on the poor and uneducated, charge ridiculous rates, and cause people to sink into a cycle of debt. The following is a response to that concern.

Fiction: Deferred Deposit/Payday Advance companies prey on poor, uneducated or older consumers.

Fact: Deferred Deposit customers represent the heart of the working middle class.

- Majority has income between \$25K and \$50K
- 72% are under 45 years old; only 2% are over 65, compared to 20% of the population
- 85% have a high school diploma or better, with 55% having some college or a degree
- 34% own their own homes
- 100% have a steady income and an active checking account (required for advances)

## Facts and Fiction

Fiction: They charge outrageous rates.

Fact: Deferred Deposit Advance fees typically cost less than other alternatives.

- Bank/merchant fees on a bounced check can cost 2 times that of a \$100 advance
- APR's are often lower than customer's alternatives (on same 2 week term)
  - ▶ \$100 payday advance with \$15 fee = 365% APR
  - ▶ \$100 bounced check with \$47 NSF/merchant fees = 564% APR
  - ▶ \$100 utility bill with \$50 late/reconnect fees = 564% APR
  - ▶ \$100 credit card balance with \$29 late fee = 348% APR

Fiction: They force customers into a cycle of debt.

Fact: Most customers use Deferred Deposit Advances responsibly and moderately.

- It's a closed-end, short-term transaction with a one-time flat fee. No revolving debt and no additional fees or accruing interest if not paid when due
- 66% use Advances to cover unexpected expenses/temporary reduction in income
- 34% use it for planned expenses or other discretionary uses
- 60% either don't renew over a 12 month period or renew only 1-4 times
- Research and regulators confirm more than 70% use the service about once a month or less.

## Facts and Fiction

Fiction: They take advantage of unsuspecting customers.

Fact: Deferred Deposit Advance customers make informed decisions and receive consumer protections under law.

- Millions choose Deferred Deposit Advances as a dignified, discreet solution for temporary cash flow problems without asking family for money
- 70% choose them for reasons of convenience (quick, easy, & fast approval)
- 96% are aware of the charges and 78% recalled it being disclosed as an APR
- 92% believe it is a useful service, only 12% were dissatisfied w/their last advance
- 35 States and the D.C. provide balanced, responsible regulation of Deferred Deposit Advances, most of them also providing the following:
  - ▶ Educational brochure that encourages consumer responsibility and warns against long-term use
  - ▶ Full disclosure on in-store signage and in Agreement (with TILA disclosure)
  - ▶ Privacy notice
  - ▶ Limit on rollovers
  - ▶ Cost-free right of rescission
  - ▶ Professional, fair and lawful collection practices and no threat or use of criminal prosecution

## REFERENCES

All the information was taken from the following.

1. Financial Services of America (FiSCA), A National Trade Association  
[www.fiscal.org](http://www.fiscal.org). Various reports available on website.
2. Community Financial Services Association of America (CFSA)  
[www.cfsa.net](http://www.cfsa.net). Various reports available on website.
3. PAYDAY ADVANCE CREDIT IN AMERICA: An analysis of customer demand. Monogram #35, April 2001. Credit Research Center, McDonough School of Business, Georgetown University, Wash DC. Authors. Gregory Elliehausen, PhD, and Edward C. Lawrence, PhD.
4. UPDATE ON the PAYDAY LOAN INDUSTRY: OBSERVATIONS on RECENT INDUSTRY DEVELOPMENTS, September 2003. Stephen, Inc. Investment Bankers. Authors: Jerry L. Robinson, and John D. Wheeler.
5. PAYDAY ADVANCE CUSTOMER RESEARCH CUMULATIVE STATE RESEARCH REPORT, September 2002, Io Data Corporation, Salt Lake City, Utah.

## Alaska AK Payday Loan Online

Alaska Payday Loans & Cash Advance

Apply Now \$ How it Works \$ Security & Privacy \$ Questions

# \$500 Alaska Payday Loan

No Credit Check, No Application Fee

**U.S. Personal Cash Advance** will give alaska residence up to a \$500.00 payday loan just by simple filling out our payday loan online form. We specialize in giving you cash until payday loans to help your financial needs. If your in Alaska and need an instant cash payday loan you can start now and receive your payday cash advance instantly! It's quick and simple at **U.S. Personal Cash Advance!** To begin just click the "Start" button below to start your fast payday loan online.

## Give Me A Cash Payday Loan

U.S. Cash the only way to get a Payday Loan online Quickly

<Alaska Payday Loan Start Here>

SERVING PAYDAY LOANS ACROSS AMERICA

4 examples of  
internet fees allowed  
under Federal law.



- HOME
- F.A.Q.
- FEES
- DISCLOSURE
- PRIVACY
- CONTACT
- ABOUT US
- WEB

# EZPayDayCash.com

"The easiest way to get your payday loan!"

## FEES



**EZPaydaycash charges \$25 per \$100 advanced to you.**

### Schedule of Fees

#### Annual Percentage Rate (APR)

#### Term Loan Amount

(in days)	\$200 Fee APR	\$300 Fee APR	\$400 Fee APR	\$500 Fee APR
7	\$50 1303.57%	\$75 1303.57%	\$100 1303.57%	\$125 1303.57%
8	\$50 1140.62%	\$75 1140.62%	\$100 1140.62%	\$125 1140.62%
9	\$50 1013.88%	\$75 1013.88%	\$100 1013.88%	\$125 1013.88%
10	\$50 912.50%	\$75 912.50%	\$100 912.50%	\$125 912.50%
11	\$50 829.54%	\$75 829.54%	\$100 829.54%	\$125 829.54%
12	\$50 760.42%	\$75 760.42%	\$100 760.42%	\$125 760.42%
13	\$50 701.92%	\$75 701.92%	\$100 701.92%	\$125 701.92%
14	\$50 651.78%	\$75 651.78%	\$100 651.78%	\$125 651.78%
15	\$50 608.33%	\$75 608.33%	\$100 608.33%	\$125 608.33%
16	\$50 570.31%	\$75 570.31%	\$100 570.31%	\$125 570.31%
17	\$50 536.76%	\$75 536.76%	\$100 536.76%	\$125 536.76%
18	\$50 506.94%	\$75 506.94%	\$100 506.94%	\$125 506.94%
19	\$50 480.26%	\$75 480.26%	\$100 480.26%	\$125 480.26%
20	\$50 456.25%	\$75 456.25%	\$100 456.25%	\$125 456.25%
21	\$50 434.52%	\$75 434.52%	\$100 434.52%	\$125 434.52%
22	\$50 414.77%	\$75 414.77%	\$100 414.77%	\$125 414.77%
23	\$50 396.74%	\$75 396.74%	\$100 396.74%	\$125 396.74%
24	\$50 380.21%	\$75 380.21%	\$100 380.21%	\$125 380.21%

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Payday loans up  
to \$1000

Fast Approval -  
No Credit Check

Cash deposited  
directly to your  
account

Confidential &  
Secure

**Payday  
Loans**  
up to \$1000  
Apply Now! 

## FEEES

The following table shows the amounts and fees associated with the short term loans provided by IGotIt.com:

Loan Amount (Amount financed)	Loan Term (Days)	Loan Fee (Finance charge)	Check Amount (Total of payments)
\$100.00	7-14	\$19.88	\$119.88
\$100.00	15-21	<a href="#">View Pay Schedule</a>	
\$150.00	7-14	\$29.82	\$179.82
\$150.00	15-21	<a href="#">View Pay Schedule</a>	
\$200.00	7-14	\$39.76	\$239.76
\$200.00	15-21	<a href="#">View Pay Schedule</a>	
\$250.00	7-14	\$49.70	\$299.70
\$250.00	15-21	<a href="#">View Pay Schedule</a>	
\$300.00	7-14	\$59.64	\$359.64
\$300.00	15-21	<a href="#">View Pay Schedule</a>	
\$350.00	7-14	\$69.58	\$419.58
\$350.00	15-21	<a href="#">View Pay Schedule</a>	
\$400.00	7-14	\$79.52	\$479.52
\$400.00	15-21	<a href="#">View Pay Schedule</a>	
\$500.00	7-14	\$99.40	\$599.40
\$500.00	15-21	<a href="#">View Pay Schedule</a>	
\$600.00	7-14	\$119.28	\$719.28
\$600.00	15-21	<a href="#">View Pay Schedule</a>	
\$700.00	7-14	\$139.16	\$839.16
\$700.00	15-21	<a href="#">View Pay Schedule</a>	

**Fee Schedule.** You will be charged a flat fee of \$30 per one hundred dollars advanced to you. There will be no discount or refund of the Finance Charges if you repay your loan early.

**Promise to Pay.** You promise to pay to us or to our order, in one payment, on the date indicated in the Payment Schedule, the Total of Payments. On or after the day your loan comes due you authorize us to effect one or more ACH debit entries to your Account at the Bank. You may revoke this authorization at any time up to 3 business days prior to the due date. However, if you timely revoke this authorization, you authorize us to prepare and submit one or more checks drawn on your Account to repay your loan when it comes due. If there are insufficient funds on deposit in your Account to effect the ACH debit entry or to pay a check or otherwise cover the loan payment on the due date, you promise to pay us all sums you owe by mailing a check or Money Order payable to: Avantis Financial, LLC.

**Return Item Fee.** You agree to pay \$30 if an item in payment of what you owe is returned unpaid or an ACH debit entry, the authorization for which was not properly revoked by you, is rejected by the Bank for any reason.

**Prepayment.** The Finance Charge consists solely of a Loan Fee that is earned in full at the time the Loan is funded. You may pay all or part of what you owe prior to the due date, without penalty. However, if you pay early you will not be entitled to a refund of part or all of the Finance Charge.



Financial Solutions Online

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### Fee Schedule

		Loan Amounts available depending on your earnings & approval				
		\$100	\$200	\$300	\$400	\$500
Term in Days	Annual Percentage Rate	Finance Charge				
4	1825.00%	\$20	\$40	\$60	\$80	\$100
5	1460.00%	\$20	\$40	\$60	\$80	\$100
6	1216.67%	\$20	\$40	\$60	\$80	\$100
7	1042.86%	\$20	\$40	\$60	\$80	\$100
8	912.50%	\$20	\$40	\$60	\$80	\$100
9	811.11%	\$20	\$40	\$60	\$80	\$100
10	730.00%	\$20	\$40	\$60	\$80	\$100
11	663.64%	\$20	\$40	\$60	\$80	\$100
12	608.33%	\$20	\$40	\$60	\$80	\$100
13	561.54%	\$20	\$40	\$60	\$80	\$100
14	521.43%	\$20	\$40	\$60	\$80	\$100
15	486.67%	\$20	\$40	\$60	\$80	\$100
16	456.25%	\$20	\$40	\$60	\$80	\$100
17	429.41%	\$20	\$40	\$60	\$80	\$100
18	405.56%	\$20	\$40	\$60	\$80	\$100



Webmasters: Click Here to earn money with Quik Payday

### How to determine your Due Date

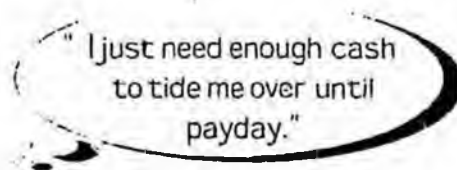
All loan due dates must be on your payday. The minimum number of days a loan can be taken for is 4 days. The maximum number of days a loan can be taken for is 18 days.

- If you get paid once a week: You must use the subsequent payday.
- If you get paid twice a month or every other week: You must use your next payday. If you next payday is less than 4 days away then you must use the following payday.

# FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

## Payday Loans = Costly Cash



**"GET CASH UNTIL PAYDAY! . . . \$100 OR MORE . . . FAST."**

The ads are on the radio, television, the Internet, even in the mail. They refer to payday loans — which come at a very high price.

Check cashers, finance companies and others are making small, short-term, high-rate loans that go by a variety of names: payday loans, cash advance loans, check advance loans, post-dated check loans or deferred deposit check loans.

Usually, a borrower writes a personal check payable to the lender for the amount he or she wishes to borrow plus a fee. The company gives the borrower the amount of the check minus the fee. Fees charged for payday loans are usually a percentage of the face value of the check or a fee charged per amount borrowed — say, for every \$50 or \$100 loaned. And, if you extend or "roll-over" the loan — say for another two weeks — you will pay the fees for each extension.

Under the Truth in Lending Act, the cost of payday loans — like other types of credit — must be disclosed. Among other information, you must receive, in writing, the finance charge (a dollar amount) and the annual percentage rate or APR (the cost of credit on a yearly basis).

A cash advance loan secured by a personal check — such as a payday loan — is very expensive credit. Let's say you write a personal check for \$115 to borrow \$100 for up to 14 days. The check casher or payday lender agrees to hold the check until your next payday. At that time, depending on the particular plan, the lender deposits the check, you redeem the check by paying the \$115 in cash, or you roll-over the check by paying a fee to extend the loan for another two weeks. In this example, the cost of the initial loan is a \$15 finance charge and 391 percent APR. If you roll-over the loan three times, the finance charge would climb to \$60 to borrow \$100.

### Alternatives to Payday Loans

There are other options. Consider the possibilities before choosing a payday loan:

- When you need credit, shop carefully. Compare offers. Look for the credit offer with the lowest APR — consider a small loan from your credit union or small loan company, an advance on pay from your employer, or a loan from family or friends. A cash advance on a credit card also may be a possibility, but it may have a higher interest rate than your other sources of funds: find out the terms before you decide. Also, a local community-based organization may make small business loans to individuals.

- Compare the APR and the finance charge (which includes loan fees, interest and other types of credit costs) of credit offers to get the lowest cost.
- Ask your creditors for more time to pay your bills. Find out what they will charge for that service — as a late charge, an additional finance charge or a higher interest rate.
- Make a realistic budget, and figure your monthly and daily expenditures. Avoid unnecessary purchases — even small daily items. Their costs add up. Also, build some savings — even small deposits can help — to avoid borrowing for emergencies, unexpected expenses or other items. For example, by putting the amount of the fee that would be paid on a typical \$300 payday loan in a savings account for six months, you would have extra dollars available. This can give you a buffer against financial emergencies.
- Find out if you have, or can get, overdraft protection on your checking account. If you are regularly using most or all of the funds in your account and if you make a mistake in your checking (or savings) account ledger or records, overdraft protection can help protect you from further credit problems. Find out the terms of overdraft protection.
- If you need help working out a debt repayment plan with creditors or developing a budget, contact your local consumer credit counseling service. There are non-profit groups in every state that offer credit guidance to consumers. These services are available at little or no cost. Also, check with your employer, credit union or housing authority for no- or low-cost credit counseling programs.
- If you decide you must use a payday loan, borrow only as much as you can afford to pay with your next paycheck and still have enough to make it to the next payday.

### **To Complain/For More Information**

If you believe a lender has violated the Truth in Lending Act, you can file a complaint with the FTC. The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at [www.ftc.gov](http://www.ftc.gov). The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



February 2000

## ALASKA UNSECURED LOANS MINIMUMS

BANK	MINIMUM LOAN AMT	FEES	ELIGIBILITY CRITERIA
Key Bank	\$3,000		
Northrim Bank	\$2,500		
Alaska Pacific Bank	\$2,500		
Alaska First Community	\$2,000		
Wells Fargo	\$1,000		
First National Bank	\$500 - 1 yr term	\$50 loan fee/13.5% interest	Must have checking account, loan application, good credit report, good employment history.
Credit Union 1	\$500 - 3 yr term	10.95% interest.	
AK USA	\$250 - 2 yr term	14.9% interest.	

Based on data collected by Cash Alaska on February 2, 2003.

AFFORDABLE LOAN COMPANY

Feb. 2, 2004

Jackie Brock  
Manager

Affordable Loan Company  
750 East Fireweed, Suite 101  
Anchorage, Ak. 99503

750 EAST FIREWEED LANE, SUITE 101 • ANCHORAGE, AK 99503  
(907) 562-7511 • FAX: (907) 563-7329  
TOLL FREE (800) 558-7511

Members of Department of Labor and Commerce Committee

Dear Sir/Madame:

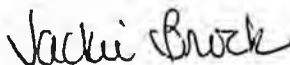
Affordable Loan Company was licensed with the State of Alaska and issued license number 45 in 1991. Since then, we have grown and have a wide customer base in the State of Alaska. We currently hold accounts totaling over 5 million dollars for consumers. We are always trying to find ways to better serve the people of the State of Alaska.

We are a small loan company, therefore we are audited by the Banking Commission to insure we are in compliance with statues and regulations. Affordable Loan Company also has an outside auditing firm to handle an audit for our "compliance issues" with our bank. We have the permission from the Banking Commission to conduct "other business" within the State of Alaska. In that area, we purchase auto paper from dealerships, not only in Anchorage but also Eagle River, Wasilla, Fairbanks, Kenai and Soldotna areas. We specialize in sub-prime auto financing, for consumers with credit problems. Affordable Loan Company asked and was granted by the State Banking Commission the authority to conduct Payday Loans in our office. We are currently not doing that business, but we now can offer that service to the consumer but with some regulations. Our customers are all races, gender, some with college degrees, some with high school only, and some that have not even graduated high school, and some with GED's. They are your neighbor's and they are my neighbor's. They are moderate income mothers and fathers.

Affordable Loan Company charges interest rates allowed by law, and even with the higher interest rates allowed under the "small loan statues", any loan under \$500.00 is not financially feasible for us to conduct. The cost of that action, and the rate of delinquency of an unsecured loan for any amount smaller than \$500.00 is to high. The total amount of interest on a \$500.00 loan for a 6 month term is \$53.74. Consider the cost of that deal, employee, forms, payment books, postage, etc...we could not do loans for an amount less than \$500.00 and break even. We do offer smaller loans for our prior customers when they get into a bind, but at a cost to our company.

We have seen the need, and are asked for payroll advance loans by our customers and per phone calls. In working with the consumers on a daily basis, we know what a need there is for short term loans in our community. We also know the risk for companies to offer this service at a small fee, to a stranger with no credit check. Customers have emergencies, they have car repairs, children get sick, rent needs to get paid, utilities need to be kept on, without bouncing a check. They are the consumer who is to embarrassed to admit they made a mistake in their checking account. They are all people that the banks will not loan a small amount of money due to the cost of doing that business. They are all people with a job, an Alaskan identification card or drivers license or a military ID, and they all have a checking account. The fee for a payroll advance loan is substantially less then a bounced check or a late fee for rent or utilities getting shut off.

Respectfully,



Jackie Brock  
Manager-Affordable Loan Company



**CHECK CASHERS ASSOCIATION OF NEW YORK, INC.**  
500 Fifth Avenue, Suite 2410, New York, NY 10110, 212-268-1911, Fax 201-487-3954

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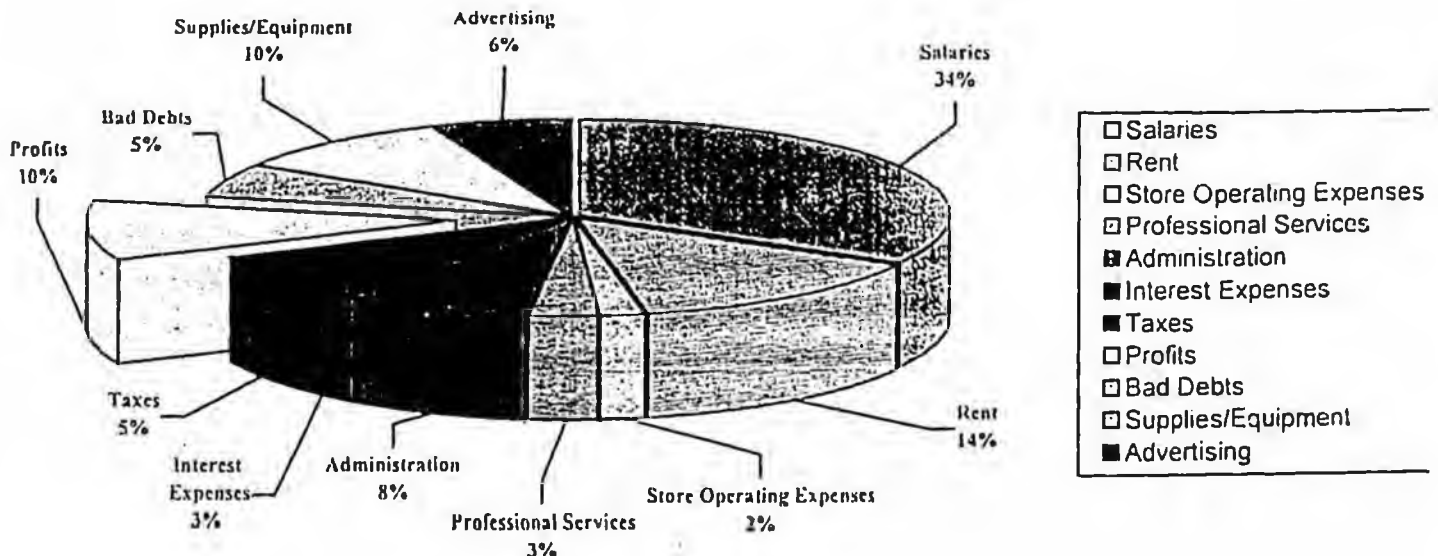
## The Costs of Providing Emergency Advance Services

The businesses that will provide Emergency Advance services are primarily small, family run operations. A number of factors play a part in determining the cost of providing this vital service to working New Yorkers. The legislation supported by the Check Cashers Association of New York calls for a \$15 fee per \$100 advanced. This would be among the lowest rates charged for deferred deposit services in the country and far lower than the \$25 to \$40 now charged by some out of state lenders advertising services to New York residents.

The Check Cashers Association of New York State has reviewed available data from several sources to determine how much licensed check cashers would expect to make on each transaction. This included reviewing a study from the State of Tennessee, a government filing made by a company that operates 250 check cashing outlets in the Midwest and other available data. Each of these sources confirm that the single largest expense area for check cashers would be the salaries paid to people working at the outlets in New York. Based on the \$15 fee per \$100 advance proposed in the New York legislation, the data uncovered by the Check Cashers Association of New York indicates that New York businesses providing Emergency Advance services would earn only \$1.50 to \$3.00 on each \$100 transaction.

## Where do fees for Emergency Advance Services go?

(Data for this chart was obtained from a public filing with the Securities and Exchange Commission by a company offering deferred deposit services in several states, including Kentucky, Tennessee, Missouri and Illinois.)



Rep. Sutterberg



## NCO Update

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NCO Update  
08/01/2003

### Third Quarter 2003

#### CAUTION: MILITARY TARGETED MONEY SCAMS

Predatory lenders, check cashers, high-cost car dealers and insurance groups will often station themselves around military installations in hopes of grabbing as many hard-earned military dollars as possible. In the end, they can sometimes prove to be more harmful to troops and troop morale than the enemy in the battlefield. A soldier's mind concentrated on over-exerted finances is not alert on the battlefield or the immediate world around him, where it should be.

Professional scam artists target the military community for several specific reasons: its high youth-oriented population, general lack of financial knowledge, steady paychecks and the constant relocation of its personnel.

→ Currently, the worst financial offenders to military communities are "payday lenders."

Payday loans are small-dollar, short-term, unsecured loans borrowers promise to repay out of their next paycheck. Because these loans have such short terms to maturity, the cost of borrowing, expressed as an annual percentage rate, can range from 300 percent to 1,000 percent or more. Payday lenders are not yet deemed "illegal" by the government, but they are under heavy scrutiny at the moment.

High-cost lenders target car owners and would-be car owners on military installations. They attempt to finance new cars at a much higher interest rate than what the borrower is qualified for. They make money on many new car buyers who do not have a frame of reference for what a "good" interest rate is and also don't know interest rates on automobiles can be bargained for, much like the sticker price on the car itself.

Some pawn shops are getting into the car business posing as money lenders. These lenders will grant money out of a car's equity at an extremely high interest rate, adding a second lien to the automobile. Many times the borrower cannot repay the loan because of the extremely high monthly payments and the car is lost to the lender for a fraction of its value.

Younger soldiers aren't the only ones who are singled out and targeted for money scams; veterans are targets, too. Certain companies will offer "buyout programs," attempting to pay for an entire benefit package with one lump-sum payment, which is not only unfair to the retiree but extremely illegal. (From [www.fdic.gov](http://www.fdic.gov), [www.consumerlaw.org](http://www.consumerlaw.org), and a *Washington Post* article by Jennifer C. Kerr)

*Amette*  
*?*

Dear Senator Cowdery,

This letter is written in concern of HB389. I am one of 2 stores here in Anchorage that sells Gift Certificates, good for Catalog Merchandise, and allow their customers to write a check for more than the purchase price, and trust their customers enough to give them their change back, in cash. I have been open for only 5 months and have had a wonderful outcome from my services. The service that I provide is very helpful to all consumers who have a steady job and a checking account. The consumers just can't find means to make ends meet and this is where I come into the picture to help. HB389 has grouped these businesses into a bunch of Payday Lenders that will be affected by the Bill. The Bill addresses regulation of small loans. Mr. Sniffen introduced this bill on January 28<sup>th</sup>, in Juneau. I am a different sales model, my model use's Deferred Deposit to give its customers their change back in cash. This bill will greatly affect the 2 stores here in Anchorage. As any consumer, don't they have rights to choose businesses of their choice and what businesses that can better their needs. I have managed and been able to watch my store grow within these past 5 months. Although fairly new to this business, I sincerely hope that you give this matter your favorable consideration. Thank you for your time.

Sincerely,

Cara Coloma

*Cara Coloma*

*payday  
loan  
advancement*

*HB 389/*

*SB 272*

*Dist 26-V*

*called T. Anderson office - 405W  
on 3-18-04 - LM Re: status of  
this issue.*

*(fax#  
2418)*