



HB

350

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING

POUCH SA - JUNEAU 99811

March 23, 1977

The Honorable Joseph McKinnon
Chairman
House Commerce Committee
Alaska State Legislature
Room 628 - Court Office Building
Juneau, Alaska

Re: House Bill No. 350

Dear Mr. McKinnon:

House Bill No. 350, an Act relating to security for the collection of wages, was introduced in the House on March 15, 1977 and was referred to the House Commerce Committee.

For the consideration of the House Commerce Committee, I am enclosing a Fiscal Note prepared by Mr. Gary L. Jenkins, Director, Audit Division, Department of Revenue, Juneau concerning the proposed legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

cc: Gary L. Jenkins, Director
Audit Division
Department of Revenue
Juneau, Alaska

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 350
 Title An Act relating to security for the collection of wages
 Requested by House Commerce Committee Date 3/16/77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Enforcement

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		17.1	17.1	17.1	17.1	17.1
200 TRAVEL						
300 CONTRACTUAL		2.5	2.5	2.5	2.5	2.5
400 COMMODITIES		.2	.2	.2	.2	.2
500 EQUIPMENT		.6	.6	.6	.6	.6
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		20.4	20.4	20.4	20.4	20.4

FUNDING (Thousands of Dollars)

GENERAL FUND		20.4	20.4	20.4	20.4	20.4
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

STATE
of ALASKA

MEMORANDUM

TO: John R. Messenger
Deputy Commissioner
Department of Revenue

DATE : March 22, 1977

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: House Bill No. 350

This bill would require a fish processor who did not have lienable property in the State in excess of \$10,000 to file a security bond in the amount of \$10,000 guaranteeing payment of wages and benefits to employees and/or independent fishermen for fish purchased from them. I see two major problems with this piece of legislation.

First, the bill provides for a dual control over the bonding by the Commissioner of Revenue and the Commissioner of Labor, which of itself would cause administrative problems. Further, the language of the legislation in defining the responsibilities of the two departments is both confusing and inconsistent. In Sec. 1, paragraph (a), the fish processor would be required to file a security bond with the Commissioner of Revenue; however, it assigns the tasks of determining if the security is satisfactory to the Commissioner of Labor. The bill continues in paragraph (b) to provide that the processor may file a cash deposit or other negotiable security acceptable to the Commissioner in lieu of the bond. In this case, the Commissioner who makes the determination whether the deposit or negotiable security is acceptable in lieu of the bond is the Commissioner of Revenue. Thus, the bill provides for the bond to be filed with the Commissioner of Revenue but subject to approval by the Commissioner of Labor, which is very cumbersome, then turns around and assigns to the Commissioner of Revenue the authority to accept other security in lieu of the bond, which is completely inconsistent. The bill has similar inconsistent provisions regarding the respective functions of the Commissioner of Revenue and the Commissioner of Labor in subsequent sections.

Second, we are not aware of any extraordinary problems in this area which would justify this legislation. At the present time, we require a fish processor to file a bond with the Department to guarantee payment of the fish processing tax and the fishermen from whom he buys if the fish are frozen and shipped out of state in the round. We have no record of any fisherman filing a claim against the current bonds that are required. If there is a severe problem in this area of which we are not aware, then remedial legislation should be enacted; however, from an operational point of view, I would recommend that the administration be placed in the Department of Labor which has the major interest in the area.

One other technical comment is in regard to the use of the words, "or buyer" in the proposal as to who would be subject to this law. At the present time, if an individual or a business is engaged in the process of buying and selling fish products only and does not do any processing of the fish, they would not come under AS 43.75. I would recommend that the words, "or buyer" be stricken from the law at any point which it might appear.



Cordova District Fisheries Union

Headquarters: Box 939, Cordova, Alaska



April 8, 1977

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

Dear Representative McKinnon,

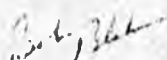
We wholeheartedly support prompt passage of House Bill #350 amending "An act relating to security for the collection of wages".

This amendment is vitally necessary to protect fishermen from losses which are apparently not recoverable through the State at this time.

We have, during the past season, had several fishermen that were not paid for products sold to a processor. At this time they have no recourse open to them that would aid them in retrieving the amount owed, short of hiring an attorney and going through the courts. This is often times not economically justifiable.

Immediate action is highly desired. Thank you.

Sincerely,


Bob Blake
Chairman

bb/mh

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. 350

Title Act relating to security for collection of wages

Requested by House Commerce Committee

Date 3-22-77

II. FISCAL DETAIL

Agency Affected Labor

Program Category Affected Administration of Justice

Budget Request Unit(s) Affected Wage & Hour Administration

EXPENDITURES (Thousands of Dollars)

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

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This bill will provide needed protection to persons furnishing labor in the business of fish processor or buyers, particularly those enterprises that are not domestic in the state, claims against the latter are difficult if not impossible to collect or require considerable time to resolve, creating a financial hardship to a claimant.

IV. DATE 22 March, 1977

PREPARED BY Tom Haar, Finance Officer

AGENCY Labor

PHONE 465-2220

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

HB

356

COMMITTEE REPORT

3-16-77

FINANCE

HOUSE

_____ Date

Mr. Speaker:

The Committee on COMMERCE has had HB 356

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ *George H. ... - Do PASS*

_____ *Joe L. Hayes - Do PASS*

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

A M E N D M E N T

OFFERED IN THE HOUSE:

By: Commerce Committee

To: _____ HOUSE BILL No. 154

SENATE BILL No. _____

PAGE: 1

LINE: 12

After "Alaska", insert a period (".");

Delete rest of sentence on lines 13 and 14.



HB 356

THE SOUTHEASTERN CONFERENCE

P. O. BOX 531
WRANGELL, ALASKA 99929

March 11, 1977

Representative Terry Gardiner
Chairman, House Judiciary Committee
Pouch V Mail Stop No. 3100
Juneau, Alaska 99811

Dear Sir: *Terry*

The Southeastern Conference wishes to express their appreciation to you for your interest and efforts in sponsoring legislation of economic importance to Southeast Alaska and those other communities needing support in the development of hydro and other water resource development.

As requested in our meeting held March 1, 1977, we are submitting back up material for the proposed changes in the Water Resources Revolving Loan Fund Act. Enclosed are the suggested changes in the Statutes and proposed appropriations for the next fiscal year, including a revised summary of funding requirements for FY 1978.

Very truly yours,

James R. Eide
James R. Eide
President

JRE/jr

enclosures

- President James R. Eide
- First Vice President William Macomber
- Second Vice President John Halliwell

PROPOSED AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

Sec. 45.86.010. There is established a separate fund, The Water Resources Revolving Loan Fund. Loans from this fund are to be used to develop and conserve in the public interest the water resources of Alaska, using State revenues from the Alaska Permanent Fund (mineral development).

Sec. 45.86.040 (b) is repealed and re-enacted to read:

Sec. 45.86.040 (b) The department shall forward all loan applications it recommends for approval to the Water Resources Revolving Loan Fund Committee established with the department and made up of the commissioner or his deputy, the director of division of energy and power development, and the director of division of business loans.

Sec. 45.86.060 shall be added as follows:

Sec. 45.86.060. CONDITIONS APPLICABLE TO PROJECT LOANS. (a) The term of the loan shall not exceed 50 years and the interest rate shall be not less than three, or more than five, percent a year on the unpaid balance. The repayment schedule shall be computed in a manner so that annual payments of principal and interest, termed debt service, are approximately equal over a period not to exceed 40 years. Repayment of the loan, principal and interest, will commence at the date of commercial operation of the project or ten years from the date the loan is made, whichever is sooner.

(b) Loans shall be utilized for feasibility studies, pre-construction engineering including the securing of permits and licenses necessary for construction and operation, design and construction of capital improvement projects.

(c) If, in the opinion of the Water Resources Revolving Loan Fund Committee, feasibility studies or preconstruction engineering establish that the project is not feasible from either a technical, economic or financial viewpoint, the department may not require repayment of loans made for this purpose, provided that repayment of all loans shall be required if design or construction of the project proceeds.

This Act takes effect immediately in accordance with _____.

JUSTIFICATION FOR AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

I. The change in Sec. 45.86.010 is to correctly indicate the proper fund from which the revolving fund would secure revenue for making the loans. When the Water Resources Revolving Loan Fund was first drafted, one of the sources of loan funds was tied to Alaska mineral lease bonus funds. This was passed by the Legislature, but vetoed by the Governor as being unconstitutional. Since then, voter approval of the permanent fund has made possible this vehicle for funding these projects.

Sec. 45.86.040 - the Loan Committee composition as now specified in the Statutes, was a high level group deemed necessary to consider loans for large projects such as the Susitna and Yukon Taiya projects. Projects of this nature would now come under the State Power Authority which, together with Federal support, would finance the large installations.

The formation of a committee within the Department of Commerce would be more appropriate to consider the financing of small hydro and water projects. These would be administered similar to the other business loans the Department handles.

Sec. 45.86.060 - The first draft of HB171 (copy attached) spelled out the conditions of loans consistent with long term low interest. However, it was determined that this type of condition could best be handled by regulatory provisions. As a result, the conditions now being applied to the loans are not in accord with the intent of the Legislation. Loans are for a term of seven years rather than long term of forty to fifty years and interest rates of 6% are hardly low. Interest is due and payable yearly and prior to the project generating revenues or the ability to meet debt service. This burden on small utilities preclude their involvement in the revolving fund.

Subsection (b) spells out the type of activities in the development of the property which would be eligible for loans under the revolving fund. Subsection (c) is an "advance planning fund" provision similar to H.U.D. 701. If the studies indicate the project is not feasible, the repayment of the loans for the studies may not be required. Here again is the intent to alleviate the financial burden for the small communities for those projects which turn out to be a "dry hole" and for which revenues cannot be realized.

II. Basis for the proposed appropriation bill FY 1978 for the Resources Revolving Loan. The proposed appropriations for FY 1978 are based on estimated community requirements for the specified projects over and above the funds made available in the 1977 appropriations. The attached list of funding requirements total \$3,750,000, however, it appears that the applications for FY 1977 will leave a balance of \$230,000 which can reduce the proposed appropriations to \$3,500,000.

DRAFT

A BILL

For an Act entitled: "An Act making a special appropriation to the water resources revolving loan fund; and providing for an effective date."

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

Section 1. The sum of \$ 3,500,000 is appropriated from the general fund to the water resources revolving loan fund.

Section 2. This Act takes effect July 1, 1977.

APPROPRIATION TO WATER RESOURCES REVOLVING LOAN FUND
FISCAL YEAR 1978

SUMMARY OF ESTIMATED PRIORITY FUNDING REQUIREMENTS

<u>COMMUNITY - OWNER</u>	<u>PROJECT NAME</u>	<u>SCHEDULED IN-SERVICE DATE</u>	<u>FUNDING REQUIREMENTS (\$)</u>
PETERSBURG - WRANGELL THOMAS BAY POWER COMMISSION	VIRGINIA LAKE HYDRO	NOVEMBER 1983	300,000
SITKA - CITY AND BOROUGH	GREEN LAKE HYDRO	OCTOBER 1981	1,600,000
KETCHIKAN - CITY	SWAN LAKE HYDRO OR LAKE GRACE HYDRO	JULY 1983	400,000
KODIAK - KODIAK ELECTRIC ASSOCIATION	TERROR LAKE HYDRO	JULY 1983	190,000
ANCHORAGE - MUNICIPALITY	MUNICIPAL WATER SUPPLY		200,000
CORDOVA - CITY	POWER CREEK HYDRO	JULY 1983	380,000
KENAI - BOROUGH	MUNICIPAL WATER SUPPLY		150,000
JUNEAU ALASKA ELECTRIC LIGHT AND POWER COMPANY	AUTOMATING ANNEX CREEK HYDRO		480,000
CRAIG - KLAFOCK - HYDABURG MUNICIPALITIES	BLACK BEAR LAKE HYDRO		30,000
		SUBTOTAL	<u>3,730,000</u>
		LESS SURPLUS FUNDS FY 1977	<u>230,000</u>
		TOTAL	<u><u>3,500,000</u></u>



KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

P. O. BOX 1019 KETCHIKAN, ALASKA 99901

TELEPHONE 907-225-3111

February 11, 1977

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

Representative Oral Freeman
State Capitol
Pouch V
Juneau, Alaska 99811

Subject: Development of Hydroelectric Generating
Plants in Southeast Alaska

Dear Oral:

Mr. N. L. Teague, City-Utilities Manager has requested that I submit to you some pertinent information regarding the advantages to Ketchikan, and Southeast Alaska as a whole, which would be gained by the installation of hydroelectric generating plants. I will use Ketchikan as an example.

We have three (3) small hydroelectric plants. To 1969 we were hydro oriented. Our first base load type diesel was placed in operation in 1970. We now have three (3) such units. I believe that a comparison of cost, hydro versus diesel generation in our system, is pertinent.

In 1976, the average operation and maintenance cost of producing one (1) kilowatt hour at the bus bar by hydroelectric generation was \$.0055 or 5.5 mils.

The average cost of operation and maintenance per kilowatt hour of generation by diesel was \$.0638.

A recap in the same vein, from 1970 to date, clearly points up that hydroelectric power is the greatest hedge against inflation since the Republicans.

TIME PERIOD - January 1, thru December 31, 1970:

Diesel = \$.01249/KWHR

Hydro = \$.00272/KWHR

Differential in cost/KWHR - Diesel greater by \$.00977

Differential in dollars - 2,718,600 KWHR x \$.00977 = \$26,560.72

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Two

TIME PERIOD - January 1, thru December 31, 1971:

Diesel = \$.01689/KWHR

Hydro = \$.00336/KWHR

Differential in cost/KWHR - Diesel greater by \$.01353

Differential cost in dollars = \$174,228.52

TIME PERIOD - January 1, thru December 31, 1972:

Diesel = \$.01476/KWHR

Hydro = \$.00365/KWHR

Differential in cost/KWHR - Diesel greater by \$.01111

Differential cost in dollars = \$143,065.69

TIME PERIOD - January 1, thru December 31, 1973:

Diesel = \$.02144/KWHR

Hydro = \$.00388/KWHR

Differential in cost/KWHR - Diesel greater by \$.01756

Differential cost in dollars = \$226,123.63

TIME PERIOD - January 1, thru December 31, 1974:

Diesel = \$.04125/KWHR

Hydro = \$.00534/KWHR

Differential in cost/KWHR - Diesel greater by \$.03591

Differential cost in dollars = \$462,420.25

TIME PERIOD - January 1, thru December 31, 1975:

Diesel = \$.0430/KWHR

Hydro = \$.0051/KWHR

Differential in cost/KWHR - Diesel greater by \$.0379/KWHR

Differential cost in dollars = \$491,763.87

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Three

TIME PERIOD - January 1, thru December 31, 1976:

Diesel = \$.0638/KWHR

Hydro = \$.0055/KWHR

Differential in cost/KWHR - Diesel greater by \$.0583/KWHR

Differential cost in dollars = \$470,883.27

Note that 1976 differential cost in dollars is slightly less than 1975. This is due to a small hydro-electric plant (Silvis) being returned to service in 1976. The Silvis Plant had been destroyed by a landslide in 1969.

The Silvis hydro plant generated approximately 13% of our electrical system output in 1976. Without the Silvis Plant in operation, our differential cost in dollars would have been approximately \$532,098.00 for 1976.

Look at what is happening in the major item needed for diesel generation. That "NON-RENEWABLE RESOURCE", diesel fuel cost.

Costs for fuel delivered by barge to our S. W. Bailey diesel plant located ashore on Tongass Narrows, for example, are as follows:

<u>Date</u>	<u>Cost per gallon</u>	<u>Cost of fuel oil/KWHR generated</u>
1972	\$.1375	\$.0095
1973	\$.1930	\$.0133
1974	\$.3260	\$.0225
1975	\$.3610	\$.0249
1976	\$.3930	\$.0271
1977 (Feb.)	\$.4190	\$.0289

In a time span of just over four years and two months, our diesel fuel costs have increased 205 percent.

The industrial growth of the lower 48 States and most specifically the Pacific Northwest was made possible by the construction by the U. S. Government of large hydroelectric projects. In addition, it permitted a better living standard for the people at low energy cost.

The technology of transmission line construction permitted transmission line "grids" to be built from the large government projects to all points of the land or load centers.

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Four

Southeastern Alaska does not lend itself to the aforementioned methodology. We are situated in an archipelago that would strain the technology of transmission line construction and be vastly more expensive. It is one thing to serve load centers connected by land, another to serve load centers connected only by water.

It is therefore most logical to construct (large for us) hydroelectric projects as close to the load centers as possible, e.g. our Swan or Grace Lake projects. Short, interconnecting transmission lines could be installed between neighboring islands, e.g. Revillagigedo Island (Ketchikan) and Annette Island (Metlakatla).

Oral, it is safe to say that every power utility in Southeastern Alaska is municipally owned with the exception of Juneau, Alaska. It seems odd to us that Juneau is the only community that has a Federal hydroelectric project "on line" in our part of the State.

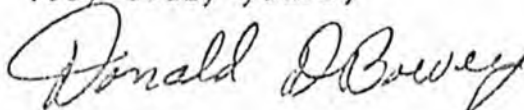
Government seems to speak with forked tongue. They advocate conservation of depletable natural resources and energy, and yet seem to balk at providing the help necessary to alleviate the situation in our portion of Alaska.

Also, Oral, any added expense to the Utilities or cities created by the construction of the hydroelectric projects should be deferred until the projects are "on line". I do not believe any of us can individually carry the burden of cost of generation by our existing means, plus pay any interest or principal payments in case of loans or bonds. Payment deferral is of utmost importance.

I have made this letter far longer than I had intended, Oral, and apologize for taking up so much of your valuable time.

I am attaching certain data that we hope you will find of interest.

Very truly yours,



Donald D. Bowey
Assistant Utilities Manager

cc: N. L. Teague, City-Utilities Manager
Senator Robert Ziegler
Representative Terry Gardiner

11. 10. 1976
 Cost differential, Hydro vs. Diesel
 Part of generation by Prime Mover type and Plant,
 maintenance & operating costs only incl. Poles, fuel, oils, P&I, repair, etc.
DIESEL
YEAR 1976

ACCT. NO'S	KETCHIKAN	JOTEM BIGHT	PAILEY	TOTAL
546	\$ - 0 -	\$ 2,454.98	\$ 4,259.75	\$ 6,714.73
547	2,200.00	21,404.85	181,942.23	205,547.08
548	2,089.19	11,003.24	71,995.64	85,088.07
549	87.55	517.16	3,789.01	4,393.72
551	- 0 -	- 0 -	1,445.90	1,445.90
552	- 0 -	- 0 -	15,408.49	15,408.49
553	7,429.11	7,232.17	185,038.96	199,700.24
554	- 0 -	3,378.11	5,078.78	8,456.89

\$ 11,207.85 \$ 46,020.51 \$ 468,958.76 \$ 526,187.12

HYDRO

	KETCHIKAN	BEAVER FALLS	SILVIA	TOTAL
535	\$ 11,736.34	\$ 4,550.10	\$ 3,373.16	\$ 19,659.60
536	- 0 -	- 0 -	- 0 -	- 0 -
537	11,040.88	6,295.40	4,282.81	21,619.09
538	167,897.24	64,310.82	12,878.83	245,086.89
539	10,077.42	4,168.18	9,534.15	23,779.75
541	293.29	1,961.09	528.14	2,782.52
542	7,248.64	3,137.13	725.64	11,111.41
543	4,529.61	5,936.72	2,449.79	12,916.12
544	5,328.12	8,861.16	13,831.94	28,021.22
545	94.13	- 0 -	- 0 -	94.13
	\$ 218,206.83	\$ 99,223.60	\$ 47,654.46	\$ 365,084.89

<u>HYDRO</u>	<u>GENERATION</u>	<u>M & O COST</u>	<u>COST/KWHR</u>
<u>POWER UNIT</u>	<u>KWHR</u>	<u>DOLLARS</u>	<u>CENTS</u>
KETCHIKAN PLANT	17,693,700	\$ 218,306.83	# .01234
BEAVER FALLS	40,669,000	99,220.60	.00244
SILVIS	10,172,000	47,654.46	.00468
<u>TOTAL</u>	<u>68,534,700</u>	<u>\$ 365,181.89</u>	<u># .00533</u>

AVERAGE COST PER KWHR GENERATED BY HYDRO. 5.3 MIL.

<u>DIESEL</u>			
KETCHIKAN PLANT	55,200	# 11,807.85	# .21123
TOTEM BIGHT	781,000	46,022.51	.05893
S.W. BAILEY	7,240,000	468,959.76	.06477
<u>TOTAL</u>	<u>8,076,900</u>	<u>\$ 526,787.12</u>	<u># .06522</u>

AVERAGE COST PER KWHR, GENERATED BY DIESEL 65.2 MIL

AVERAGE COST PER KILOWATT HOUR OF TOTAL GENERATION

BY DIESEL & HYDRO. (CONGLOMERATE)

TOTAL generated: 76,611,600 KWHR = \$.01164 cents/KWHR.

TOTAL M & O COSTS. \$ 891,969.01 11.6 ^{OR} MIL/KWHR.

COST PER KWHR "SOLD" (GEN. LESS STAT. USE & LOSSES) = \$.0131 cents or 13.1 MIL

Hydro generated 89.46% of total generation

Diesel generated 10.54% of total generation

WATER YEAR WAS EXCEPTED AT

which cost for the year was \$ 1,000,000, or 1000 MIL
 for a cost per KWHR generated of \$.00533 cents, or 5.3 MIL
 per KWHR.

Hydro-Electrics, Inc.

Hydro \rightarrow 68,534,700 KWHR
141.5 KWHR/foot = 4,726,531 gallons of fuel.

4,726,531 gal. \times \$1.41 = \$1,937,876

added to labor, etc of Hydro would \approx \$2,303,058

added to actual diesel generation cost

of generating 8,076,900 KWHR. or,

$\sqrt{\$2,303,058 \text{ plus } 526,287} = \$2,829,845$

$\sqrt{\$2,829,845 \text{ 1140 COSTS}} = 103694 \text{ CENTS / KWHR}$
76,611,600 KWHR, OR

36.9 mil.

The above Hypothesis of all diesel of generation
in 1976 would have meant, $\frac{36.9 \text{ mil}}{11.6 \text{ mil}} = 3.181$

or generation costs, maintenance & generation only
would have been 28% greater than if actually
was by combination, or components, of Hydro
& Diesel.

The above is very conservative as it does
not consider additional stopping which would
have been necessary through generation, if all
generation had been by diesel.

Time & money permits a more in depth analysis.

W. H. H. H.

Terry Gardiner

Box 6092, Ketchikan, Alaska 99901 Pouch V, Juneau, Alaska 99811

March 23, 1977

MEMO

TO: Joe McKinnon

FROM: Terry Gardiner *T.G.*

RE: HB 356, 357

Confirm your having them up for hearing on or about April 4 or 5.

The following Departments and people should be contacted for those hearings:

- 1.0 Department of Commerce
- 2.0 Department of Revenue
- 3.0 Energy Office - McKonkey
- 4.0 Jim Eide - City Manager of Wrangell
- 5.0 Bill Boardman
Mi. 10 North Tongass
P.O. Box 7736
Ketchikan, Ak. 99901
- 6.0 Jeff Currall
c/o Chamber of Commerce
Box 7637
Ketchikan, Alaska 99901
- 7.0 Rocky Guitierrez, City Manager of Sitka
- 8.0 Pat Teague, City Manager of Ketchikan
P.O. Box 10
Ketchikan, Alaska 99901

If you need any assistance in contacting any of these people please call me at any time.

HB

357



THE SOUTHEASTERN CONFERENCE

P. O. BOX 531
WRANGELL, ALASKA 99929

March 11, 1977

Representative Terry Gardiner
Chairman, House Judiciary Committee
Pouch V Mail Stop No. 3100
Juneau, Alaska 99811

Dear Sir: *Terry*

The Southeastern Conference wishes to express their appreciation to you for your interest and efforts in sponsoring legislation of economic importance to Southeast Alaska and those other communities needing support in the development of hydro and other water resource development.

As requested in our meeting held March 1, 1977, we are submitting back up material for the proposed changes in the Water Resources Revolving Loan Fund Act. Enclosed are the suggested changes in the Statutes and proposed appropriations for the next fiscal year, including a revised summary of funding requirements for FY 1978.

Very truly yours,

James R. Eide
James R. Eide
President

JRE/jr

enclosures

President	James R. Eide
First Vice President	William Macomber
Second Vice President	John Halliwell

PROPOSED AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

Sec. 45.86.010. There is established a separate fund, The Water Resources Revolving Loan Fund. Loans from this fund are to be used to develop and conserve in the public interest the water resources of Alaska, using State revenues from the Alaska Permanent Fund (mineral development).

Sec. 45.86.040 (b) is repealed and re-enacted to read:

Sec. 45.86.040 (b) The department shall forward all loan applications it recommends for approval to the Water Resources Revolving Loan Fund Committee established with the department and made up of the commissioner or his deputy, the director of division of energy and power development, and the director of division of business loans.

Sec. 45.86.060 shall be added as follows:

Sec. 45.86.060. CONDITIONS APPLICABLE TO PROJECT LOANS. (a) The term of the loan shall not exceed 50 years and the interest rate shall be not less than three, or more than five, percent a year on the unpaid balance. The repayment schedule shall be computed in a manner so that annual payments of principal and interest, termed debt service, are approximately equal over a period not to exceed 40 years. Repayment of the loan, principal and interest, will commence at the date of commercial operation of the project or ten years from the date the loan is made, whichever is sooner.

(b) Loans shall be utilized for feasibility studies, pre-construction engineering including the securing of permits and licenses necessary for construction and operation, design and construction of capital improvement projects.

(c) If, in the opinion of the Water Resources Revolving Loan Fund Committee, feasibility studies or preconstruction engineering establish that the project is not feasible from either a technical, economic or financial viewpoint, the department may not require repayment of loans made for this purpose, provided that repayment of all loans shall be required if design or construction of the project proceeds.

This Act takes effect immediately in accordance with _____.

JUSTIFICATION FOR AMENDMENTS

WATER RESOURCES REVOLVING LOAN FUND ACT

I. The change in Sec. 45.86.010 is to correctly indicate the proper fund from which the revolving fund would secure revenue for making the loans. When the Water Resources Revolving Loan Fund was first drafted, one of the sources of loan funds was tied to Alaska mineral lease bonus funds. This was passed by the Legislature, but vetoed by the Governor as being unconstitutional. Since then, voter approval of the permanent fund has made possible this vehicle for funding these projects.

Sec. 45.86.040 - the Loan Committee composition as now specified in the Statutes, was a high level group deemed necessary to consider loans for large projects such as the Susitna and Yukon Taiya projects. Projects of this nature would now come under the State Power Authority which, together with Federal support, would finance the large installations.

The formation of a committee within the Department of Commerce would be more appropriate to consider the financing of small hydro and water projects. These would be administered similar to the other business loans the Department handles.

Sec. 45.86.060 - The first draft of HB171 (copy attached) spelled out the conditions of loans consistent with long term low interest. However, it was determined that this type of condition could best be handled by regulatory provisions. As a result, the conditions now being applied to the loans are not in accord with the intent of the Legislation. Loans are for a term of seven years rather than long term of forty to fifty years and interest rates of 6% are hardly low. Interest is due and payable yearly and prior to the project generating revenues or the ability to meet debt service. This burden on small utilities preclude their involvement in the revolving fund.

Subsection (b) spells out the type of activities in the development of the property which would be eligible for loans under the revolving fund. Subsection (c) is an "advance planning fund" provision similar to H.U.D. 701. If the studies indicate the project is not feasible, the repayment of the loans for the studies may not be required. Here again is the intent to alleviate the financial burden for the small communities for those projects which turn out to be a "dry hole" and for which revenues cannot be realized.

II. Basis for the proposed appropriation bill FY 1978 for the Resources Revolving Loan. The proposed appropriations for FY 1978 are based on estimated community requirements for the specified projects over and above the funds made available in the 1977 appropriations. The attached list of funding requirements total \$3,730,000, however, it appears that the applications for FY 1977 will leave a balance of \$230,000 which can reduce the proposed appropriations to \$3,500,000.

DRAFT

A BILL

For an Act entitled: "An Act making a special appropriation to the water resources revolving loan fund; and providing for an effective date."

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

Section 1. The sum of \$ 3,500,000 is appropriated from the general fund to the water resources revolving loan fund.

Section 2. This Act takes effect July 1, 1977.

REVISED
3/3/77

APPROPRIATION TO WATER RESOURCES REVOLVING LOAN FUND
FISCAL YEAR 1978

SUMMARY OF ESTIMATED PRIORITY FUNDING REQUIREMENTS

<u>COMMUNITY - OWNER</u>	<u>PROJECT NAME</u>	<u>SCHEDULED IN-SERVICE DATE</u>	<u>FUNDING REQUIREMENTS (\$)</u>
PETERSBURG - WRANGELL THOMAS BAY POWER COMMISSION	VIRGINIA LAKE HYDRO	NOVEMBER 1983	300,000
SITKA - CITY AND BOROUGH	GREEN LAKE HYDRO	OCTOBER 1981	1,600,000
KETCHIKAN - CITY	SWAN LAKE HYDRO OR LAKE GRACE HYDRO	JULY 1983	400,000
KODIAK - KODIAK ELECTRIC ASSOCIATION	TERROR LAKE HYDRO	JULY 1983	190,000
ANCHORAGE - MUNICIPALITY	MUNICIPAL WATER SUPPLY		200,000
CORDOVA - CITY	POWER CREEK HYDRO	JULY 1983	380,000
KENAI - BOROUGH	MUNICIPAL WATER SUPPLY		150,000
JUNEAU - ALASKA ELECTRIC LIGHT AND POWER COMPANY	AUTOMATING ANNEX CREEK HYDRO		480,000
CRAIG - KAWOOCK - HYDABURG MUNICIPALITIES	BLACK BEAR LAKE HYDRO		30,000
		SUBTOTAL	3,730,000
		LESS SURPLUS FUNDS FY 1977	230,000
		TOTAL	<u>3,500,000</u>



KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

P. O. BOX 1019 KETCHIKAN, ALASKA 99901

TELEPHONE 907-225-3111

February 11, 1977

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

Representative Oral Freeman
State Capitol
Pouch V
Juneau, Alaska 99811

Subject: Development of Hydroelectric Generating
Plants in Southeast Alaska

Dear Oral:

Mr. N. L. Teague, City-Utilities Manager has requested that I submit to you some pertinent information regarding the advantages to Ketchikan, and Southeast Alaska as a whole, which would be gained by the installation of hydroelectric generating plants. I will use Ketchikan as an example.

We have three (3) small hydroelectric plants. To 1969 we were hydro oriented. Our first base load type diesel was placed in operation 1970. We now have three (3) such units. I believe that a comparison of cost, hydro versus diesel generation in our system, is pertinent.

In 1976, the average operation and maintenance cost of producing one (1) kilowatt hour at the bus bar by hydroelectric generation was \$.0055 or 5.5 mils.

The average cost of operation and maintenance per kilowatt hour of generation by diesel was \$.0638.

A recap in the same vein, from 1970 to date, clearly points up that hydroelectric power is the greatest hedge against inflation since the Republicans.

TIME PERIOD - January 1, thru December 31, 1970:

Diesel = \$.01249/KWHR

Hydro = \$.00272/KWHR

Differential in cost/KWHR - Diesel greater by \$.00977

Differential in dollars - 2,718,600 KWHR x \$.00977 = \$26,560.72

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Two

TIME PERIOD - January 1, thru December 31, 1971:

Diesel = \$.01689/KWHR

Hydro = \$.00336/KWHR

Differential in cost/KWHR - Diesel greater by \$.01353

Differential cost in dollars = \$174,228.52

TIME PERIOD - January 1, thru December 31, 1972:

Diesel = \$.01476/KWHR

Hydro = \$.00365/KWHR

Differential in cost/KWHR - Diesel greater by \$.01111

Differential cost in dollars = \$143,065.69

TIME PERIOD - January 1, thru December 31, 1973:

Diesel = \$.02144/KWHR

Hydro = \$.00388/KWHR

Differential in cost/KWHR - Diesel greater by \$.01756

Differential cost in dollars = \$226,125.63

TIME PERIOD - January 1, thru December 31, 1974:

Diesel = \$.04125/KWHR

Hydro = \$.00534/KWHR

Differential in cost/KWHR - Diesel greater by \$.03591

Differential cost in dollars = \$462,420.25

TIME PERIOD - January 1, thru December 31, 1975:

Diesel = \$.0430/KWHR

Hydro = \$.0051/KWHR

Differential in cost/KWHR - Diesel greater by \$.0379/KWHR

Differential cost in dollars = \$491,763.87

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Three

TIME PERIOD - January 1, thru December 31, 1976:

Diesel = \$.0638/KWHR

Hydro = \$.0055/KWHR

Differential in cost/KWHR - Diesel greater by \$.0583/KWHR

Differential cost in dollars = \$470,883.27

Note that 1976 differential cost in dollars is slightly less than 1975. This is due to a small hydro-electric plant (Silvis) being returned to service in 1976. The Silvis Plant had been destroyed by a landslide in 1969.

The Silvis hydro plant generated approximately 13% of our electrical system output in 1976. Without the Silvis Plant in operation, our differential cost in dollars would have been approximately \$532,098.00 for 1976.

Look at what is happening in the major item needed for diesel generation. That "NON-RENEWABLE RESOURCE", diesel fuel oil.

Costs for fuel delivered by barge to our S. W. Bailey diesel plant located ashore on Tongass Narrows, for example, are as follows:

<u>Date</u>	<u>Cost per gallon</u>	<u>Cost of fuel oil/KWHR generated</u>
1972	\$.1375	\$.0095
1973	\$.1930	\$.0133
1974	\$.3260	\$.0225
1975	\$.3610	\$.0249
1976	\$.3930	\$.0271
1977 (Feb.)	\$.4190	\$.0289

In a time span of just over four years and two months, our diesel fuel costs have increased 205 percent.

The industrial growth of the lower 48 States and most specifically the Pacific Northwest was made possible by the construction by the U. S. Government of large hydroelectric projects. In addition, it permitted a better living standard for the people at low energy cost.

The technology of transmission line construction permitted transmission line "grids" to be built from the large government projects to all points of the land or load centers.

Representative Oral Freeman
re: Development of Hydroelectric Generating Plants
February 11, 1977 - Page Four

Southeastern Alaska does not lend itself to the aforementioned methodology. We are situated in an archipelago that would strain the technology of transmission line construction and be vast y more expensive. It is one thing to serve load centers connected by land, another to serve load centers connected only by water.

It is therefore most logical to construct (large for us) hydroelectric projects as close to the load centers as possible, e.g. our Swan or Grace Lake projects. Short, interconnecting transmission lines could be installed between neighboring islands, e.g. Revillagigedo Island (Ketchikan) and Annette Island (Metlakatla).

Oral, it is safe to say that every power utility in Southeastern Alaska is municipally owned with the exception of Juneau, Alaska. It seems odd to us that Juneau is the only community that has a Federal hydroelectric project "on line" in our part of the State.

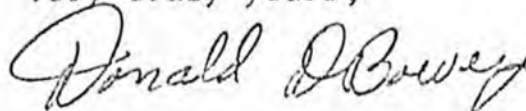
Government seems to speak with forked tongue. They advocate conservation of depletable natural resources and energy, and yet seem to balk at providing the help necessary to alleviate the situation in our portion of Alaska.

Also, Oral, any added expense to the Utilities or cities created by the construction of the hydroelectric projects should be deferred until the projects are "on line". I do not believe any of us can individually carry the burden of cost of generation by our existing means, plus pay any interest or principal payments in case of loans or bonds. Payment deferral is of utmost importance.

I have made this letter far longer than I had intended, Oral, and apologize for taking up so much of your valuable time.

I am attaching certain data that we hope you will find of interest.

Very truly yours,



Donald D. Bowey
Assistant Utilities Manager

cc: N. L. Teague, City-Utilities Manager
Senator Robert Ziegler
Representative Terry Gardiner

H B

668

STATE
of ALASKA

MEMORANDUM

COMMERCE & ECONOMIC DEVELOPMENT

TO: Jim Grandjean, Administrative Asst.
House Commerce Committee

DATE: May 16, 1977

FILE NO:

TELEPHONE NO:

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

SUBJECT: Small Loan Companies
Rate of Interest

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

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

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

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

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE	REVISIONS
MARYLAND Administrator of Loan Laws Bank Commissioner	3% to \$300, 2% to \$500. (rate drops to 6% a year 6 months after maturity.)	30% mos.	No	Yes	\$500	Life, 70¢. Disability. (14-day retro.); \$2.20 - 12 mos. \$3.00 - 24 mos. \$3.80 - 36 mos.	1974 Jan. 11	1946 to 1959 1960 to 1969 1970 to 1973 1974 to 1979 1980 to 1989 1990 to 1999 2000 to 2009 2010 to 2019 2020 to 2029 2030 to 2039 2040 to 2049 2050 to 2059 2060 to 2069 2070 to 2079 2080 to 2089 2090 to 2099 2100 to 2109 2110 to 2119 2120 to 2129 2130 to 2139 2140 to 2149 2150 to 2159 2160 to 2169 2170 to 2179 2180 to 2189 2190 to 2199 2200 to 2209 2210 to 2219 2220 to 2229 2230 to 2239 2240 to 2249 2250 to 2259 2260 to 2269 2270 to 2279 2280 to 2289 2290 to 2299 2300 to 2309 2310 to 2319 2320 to 2329 2330 to 2339 2340 to 2349 2350 to 2359 2360 to 2369 2370 to 2379 2380 to 2389 2390 to 2399 2400 to 2409 2410 to 2419 2420 to 2429 2430 to 2439 2440 to 2449 2450 to 2459 2460 to 2469 2470 to 2479 2480 to 2489 2490 to 2499 2500 to 2509 2510 to 2519 2520 to 2529 2530 to 2539 2540 to 2549 2550 to 2559 2560 to 2569 2570 to 2579 2580 to 2589 2590 to 2599 2600 to 2609 2610 to 2619 2620 to 2629 2630 to 2639 2640 to 2649 2650 to 2659 2660 to 2669 2670 to 2679 2680 to 2689 2690 to 2699 2700 to 2709 2710 to 2719 2720 to 2729 2730 to 2739 2740 to 2749 2750 to 2759 2760 to 2769 2770 to 2779 2780 to 2789 2790 to 2799 2800 to 2809 2810 to 2819 2820 to 2829 2830 to 2839 2840 to 2849 2850 to 2859 2860 to 2869 2870 to 2879 2880 to 2889 2890 to 2899 2900 to 2909 2910 to 2919 2920 to 2929 2930 to 2939 2940 to 2949 2950 to 2959 2960 to 2969 2970 to 2979 2980 to 2989 2990 to 2999 3000 to 3009 3010 to 3019 3020 to 3029 3030 to 3039 3040 to 3049 3050 to 3059 3060 to 3069 3070 to 3079 3080 to 3089 3090 to 3099 3100 to 3109 3110 to 3119 3120 to 3129 3130 to 3139 3140 to 3149 3150 to 3159 3160 to 3169 3170 to 3179 3180 to 3189 3190 to 3199 3200 to 3209 3210 to 3219 3220 to 3229 3230 to 3239 3240 to 3249 3250 to 3259 3260 to 3269 3270 to 3279 3280 to 3289 3290 to 3299 3300 to 3309 3310 to 3319 3320 to 3329 3330 to 3339 3340 to 3349 3350 to 3359 3360 to 3369 3370 to 3379 3380 to 3389 3390 to 3399 3400 to 3409 3410 to 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4189 4190 to 4199 4200 to 4209 4210 to 4219 4220 to 4229 4230 to 4239 4240 to 4249 4250 to 4259 4260 to 4269 4270 to 4279 4280 to 4289 4290 to 4299 4300 to 4309 4310 to 4319 4320 to 4329 4330 to 4339 4340 to 4349 4350 to 4359 4360 to 4369 4370 to 4379 4380 to 4389 4390 to 4399 4400 to 4409 4410 to 4419 4420 to 4429 4430 to 4439 4440 to 4449 4450 to 4459 4460 to 4469 4470 to 4479 4480 to 4489 4490 to 4499 4500 to 4509 4510 to 4519 4520 to 4529 4530 to 4539 4540 to 4549 4550 to 4559 4560 to 4569 4570 to 4579 4580 to 4589 4590 to 4599 4600 to 4609 4610 to 4619 4620 to 4629 4630 to 4639 4640 to 4649 4650 to 4659 4660 to 4669 4670 to 4679 4680 to 4689 4690 to 4699 4700 to 4709 4710 to 4719 4720 to 4729 4730 to 4739 4740 to 4749 4750 to 4759 4760 to 4769 4770 to 4779 4780 to 4789 4790 to 4799 4800 to 4809 4810 to 4819 4820 to 4829 4830 to 4839 4840 to 4849 4850 to 4859 4860 to 4869 4870 to 4879 4880 to 4889 4890 to 4899 4900 to 4909 4910 to 4919 4920 to 4929 4930 to 4939 4940 to 4949 4950 to 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CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATION CONTAINED			40.3 OF LAW									
							1976	1977	1978										
NEW MEXICO Commissioner of Banking	3% to \$150, 2% to \$300, 1% to \$2500; or 1% on entire unpaid balance. (Rate drops to 10% a year one year after maturity, or entry of judgment, or 90 days after a bankruptcy adjudication followed by discharge or 90 days after borrower's death. Installment Loan Law. See opposite page.	None	Precomp	Yes	\$2500	Life, 65¢. Disability (14-day retro.): \$2.35 - 12 months \$3.25 - 24 months \$4.15 - 36 months NAIC	Jan. 2	Jan. 13	Jan. 13	Subject: Limited to 1976	Installment Loan Law								
												None	Add-on	No	None	None	None	None	None
Regulation Z disclosure deemed compliance with sales finance disclosure provisions.																			
NEW YORK Superintendent of Banks	2% to \$100, 2% to \$300, 1% to \$900, 1% to \$2500.	24 mos. to \$300, 36 mos. to \$1400, 48 mos. to limit (by regulation)	Precomp	Yes	\$2500	Life, 44¢-64¢ depending on insurance volume. Disability (14-day retro.): \$2.00 - 12 months \$2.40 - 24 months \$2.65 - 36 months reduced 10, 15 or 20% when annual premiums are \$7500 or more. NAIC	Jan. 7	Jan. 5	Jan. 5	Subject: Limited to 1976	Installment Loan Law								
												Regulatory laws noted herein require compliance with Regulation Z.							
NORTH CAROLINA Commissioner of Banks	3% to \$300, 1% to \$1500. On loans of \$95 or less, optional rate of \$1 for each \$5. (Rate drops to 6% per annum after maturity.) Optional rate: Licensees who do not charge above rates may charge 15% a year "effective rate" (\$10 per loan or \$1 per payment min.) on loans to \$5000. "Motor vehicle" licensees: Add-on rate of \$15 a year per \$100 to \$500, \$11 to \$1000, \$9 to \$1500; 16% a year simple interest on entire amount of loans between \$1500 and \$5000.	25 mos. to \$600, 37 mos. over \$600	No	Yes	\$1500	Life, level term permitted. Disability (14-day retro.): \$2.35 - 12 months	Jan. 12				Installment Loan Law (1976)								
												60 mos.	Yes	Yes	\$5000				Home Mortgage Loan and Credit Card Financing (1976)

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

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

CONSUMER FINANCE AND RELATED LOAN LAWS

STATE AND SUPERVISOR	MAXIMUM RATE	MAXIMUM MATURITY	PRECOMP. ADD-ON DISCOUNT	C&A	LOAN SIZE LIMIT	CREDIT LIFE AND DISABILITY INSURANCE WHERE PERMITTED	DATE LEGISLATURE CONVENES		
							1976	1977	1978
UTAH Commissioner of Financial Institutions	UCCC: 36% a year to \$390, 21% to \$1300, 15% to \$32,500. When this combination yields less, maximum is 18% a year. Revolving credit permitted.	25 mos. to \$390, 37 mos. to \$1300. None over \$1300.	Yes	No	None (Regulation applies up to \$32,500)	Life, 75¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC.	Jan. 12	Jan. 10	Jan. 9 Subjects limited to even years.
VERMONT Commissioner of Banking and Insurance	Add-on: \$14 per \$100 per year.	36% mos.	Add-on	Yes	\$1500	Life only, 44¢-70¢ depending on insurance volume. NAIC.		Jan. 5	
VIRGINIA Commissioner of Banking (Delegated by State Corporation Commission)	2¼% to \$500, 1¾% to \$1500; or add-on rate, \$17 a year per \$100 to \$500, \$13 to \$1000, \$11 to \$1500. (Rate drops to 6% a year 6 months after maturity, or after judgment, or 90 days after borrower's death or bankruptcy.) Rates and ceiling set by Commission.	21 mos. to \$600, 31 mos. to \$1000, 43 mos. to \$1500	Add-on	Yes	\$1500	Life, 78¢. Disability. NAIC	Jan. 14	Jan. 12	Jan. 11
WASHINGTON Supervisor of Banking	3% to \$300, 1¾% to \$500, 1% to \$1000, \$1 per month min.	25¼ mos.	Precomp	Yes	\$1000	Consumer Finance Act: Life only, 60¢.		Jan. 10	
	Industrial Loan Act: 10% per annum discount plus 2% fee (\$2 min. fee) and 50¢ per month.	24 mos.	Discount and fee	Yes	2% of Capital and Surplus	Industrial Loan Act: Life, 60¢. Disability (14-day retro.): \$2.20 - 12 months \$3.00 - 24 months \$3.80 - 36 months NAIC			

KIND OF LAW

Uniform Consumer Credit Code

Installment Loan Law (section of usury law)

Bank Credit Cards

Industrial Loan Companies Act

Bank Consumer Loan Law (section of usury law)

Revolving Loan Law

Home Mortgage Loan Law

Insurance Premium Financing Law

Industrial Loan Act

General Interest Law

Insurance Premium Financing Law

CONSUMER FINANCE AND RELATED LOAN LAWS

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

KIND OF LAW

Installment Loan Law (section of Maryland Law)

Industrial Loan Company Law

Home Mortgage Loan Law

Bank Consumer Law

Revolving Loans

Short-Term Consumer Act

Insurance Premium Financing

Uniform Consumer Credit Code

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

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

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

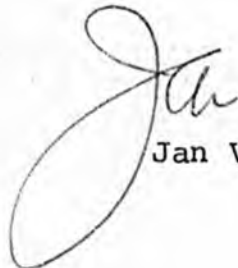
TEL. 586-2210
AREA CODE 907

March 18, 1977

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

Dear Mr. McKinnon:

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



Jan Van Dort

JVD:md
enclosure
cc: Terry Gardiner
Richard Urion

HOUSEHOLD FINANCE CORPORATION

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

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

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

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

HERBERT L. FAULKNER (1882-1972)
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LAWRENCE T. FEENEY

JAN VAN DORT
CHARLES N. DRENNAN
TOM BATCHELOR

F. M. DOOGAN
OF COUNSEL

March 24, 1977

TEL. 586-2210
AREA CODE 907

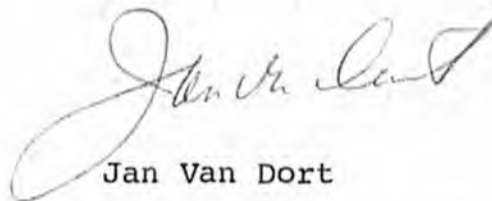
File HB 388

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

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

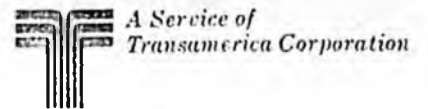
Dear Representative McKinnon:

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


Jan Van Dort

JVD:md
enclosure
cc: Terry Gardiner
Rick Urion

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



Pacific Finance Loans

MAR 23 1977

F. B. D. G. & H.

3-21-77

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

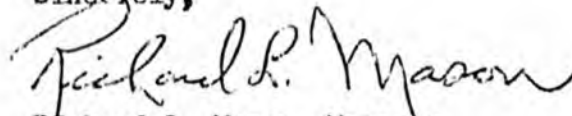
Mr. Van Dort,

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

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

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

Sincerely,


Richard L. Mason, Manager

cc; Sig Anderson, District Manager

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

HERBERT L. FAULKNER (1882-1972)
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TOM BATCHELOR

TEL. 586-2210
AREA CODE 907

March 30, 1977

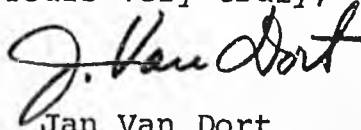
Representative Joseph McKinnon
Chairman, House Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: House Bill No. 388

Dear Representative McKinnon:

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

Yours very truly,



Jan Van Dort

JVD: db
Enclosures

cc: Representative Richard Urion
H. Kirk Henry



HOUSEHOLD FINANCE

Corporation
AND SUBSIDIARY COMPANIES

Prudential Plaza • Chicago, Illinois 60601

March 22, 1977

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

Dear Mr. Van Dort:

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

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

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

Sincerely yours,

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

D. D. Wesselink
Assistant Director of Research

bjf

cc: H. K. Henry

PERSONAL LOAN RECEIVABLES

Gross Amounts in Thousands of Dollars

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

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

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

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

(4) Net Amount.

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

BENEFITS OF HB 668

1. For the Consumer:

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

2. For the Industry:

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

ALASKA

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

*Dilution of
Rate*

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

	0 to \$400	\$400 to \$800	over \$800
Principal Reduction	\$ 400	\$ 400	\$ 700
1375	400	400	575
1250	400	400	450
1125	400	400	325
1000	400	400	200
875	400	400	75
750	400	350	-
625	400	225	-
500	400	100	-
375	375	-	-
250	250	-	-
125	125	-	-
Action of the Principal	\$ 9750	\$ 4350	\$ 3075
% to Total Principal	44.62%	31.54%	23.84%
Rate in Bracket	x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned in Bracket	= 1.36%	= .64%	= .24%
		plus	plus
			<u>2.24%</u>

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

	0 to \$400	\$400 to \$800	over \$800
Principal Reduction	\$ 400.00	\$ 400.00	\$ 400.00
4583.33	400.00	400.00	3783.33
4166.67	400.00	400.00	3366.67
3750.00	400.00	400.00	2950.00
3333.33	400.00	400.00	2533.33
2916.67	400.00	400.00	2116.67
2500.00	400.00	400.00	1700.00
2083.33	400.00	400.00	1283.33
1666.67	400.00	400.00	866.67
1250.00	400.00	400.00	450.00
833.33	400.00	400.00	33.33
416.67	400.00	16.67	-
Action of the Principal	\$32,500.00	\$ 4800.00	\$ 416.67
% to Total Principal	14.77%	13.59%	71.64%
Rate in Bracket	x 3.04167%	x 2.02778%	x 1.01389%
Monthly Rate Earned in Bracket	= .45%	= .27%	= .73%
		plus	plus
			<u>1.45%</u>

ALASKA

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

Dilution of Rate
AT 1/3 CONTRACT
LENGTH

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

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

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

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

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

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

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

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

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

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

365 DAY BASIS - ALASKA

Mb.

ANN. ~~100~~

Yield by
Graduated Ra

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

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

Annual % Rate
26.24

INST MO.	INTEREST				MONTHLY		CUMULATIVE		PRINC	UNPAID	BALANCE
	1ST BRKT	2ND BRKT	3RD BRKT	4TH BRKT	INT	YIELD	INT	YIELD	REDUC	MONTHLY	CUM
	3	2	1							1500.00	1500.00
1	12.17	8.11	7.10	0.0	27.38	1.83	27.38	1.83	53.61	1446.39	2946.39
2	12.17	8.11	6.55	0.0	26.83	1.85	54.21	1.84	54.16	1392.23	4338.62
3	12.17	8.11	6.00	0.0	26.28	1.89	80.49	1.86	54.71	1337.52	5676.14
4	12.17	8.11	5.45	0.0	25.73	1.92	106.22	1.87	55.26	1282.26	6958.40
5	12.17	8.11	4.89	0.0	25.17	1.96	131.39	1.89	55.82	1226.44	8184.84
6	12.17	8.11	4.32	0.0	24.60	2.01	155.99	1.91	56.39	1170.05	9354.89
7	12.17	8.11	3.75	0.0	24.03	2.05	180.02	1.92	56.96	1113.09	10467.98
8	12.17	8.11	3.17	0.0	23.45	2.11	203.47	1.94	57.54	1055.55	11523.53
9	12.17	8.11	2.59	0.0	22.87	2.17	226.34	1.96	58.12	997.43	12520.96
10	12.17	8.11	2.00	0.0	22.28	2.23	248.62	1.99	58.71	938.72	13459.68
11	12.17	8.11	1.41	0.0	21.69	2.31	270.31	2.01	59.30	879.42	14339.10
12	12.17	8.11	0.81	0.0	21.09	2.40	291.40	2.03	59.90	819.52	15158.62
13	12.17	8.11	0.20	0.0	20.48	2.50	311.88	2.06	60.51	759.01	15917.63
14	12.17	7.28	0.0	0.0	19.45	2.56	331.33	2.08	61.54	697.47	16615.10
15	12.17	6.03	0.0	0.0	18.20	2.61	349.53	2.10	62.79	634.68	17249.78
16	12.17	4.76	0.0	0.0	16.93	2.67	366.46	2.12	64.06	570.62	17820.40
17	12.17	3.46	0.0	0.0	15.63	2.74	382.09	2.14	65.36	505.26	18325.66
18	12.17	2.13	0.0	0.0	14.30	2.83	396.39	2.16	66.69	438.57	18764.23
19	12.17	0.78	0.0	0.0	12.95	2.95	409.34	2.18	68.04	370.53	19134.76
20	11.27	0.0	0.0	0.0	11.27	3.04	420.61	2.20	69.72	300.81	19435.57
21	9.15	0.0	0.0	0.0	9.15	3.04	429.76	2.21	71.84	228.97	19664.54
22	6.96	0.0	0.0	0.0	6.96	3.04	436.72	2.22	74.03	154.94	19819.48
23	4.71	0.0	0.0	0.0	4.71	3.04	441.43	2.23	76.28	78.66	19898.14
24	2.39	0.0	0.0	0.0	2.39	3.04	443.82	2.23	78.60	0.06	19978.20

21.96
23.2
24.
M
26.7

ALASKA

HFC CHARGE-OFF FOR 1975, 1976, 1977

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

BENEFICIAL FINANCE CHARGE-OFF FOR 1975, 1976, 1977

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

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

My file on
HB668

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 668

Title Relating to the Small Loans Act

Requested by _____

Date 1/20/78

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Public Protection

Budget Request Unit(s) Affected Banking & Securities

EXPENDITURES (Thousands of Dollars)

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

FUNDING (Thousands of Dollars)

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

POSITIONS

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

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

IV. DATE 1/24/78

PREPARED BY _____

Julius J. Brecht
Julius J. Brecht, Director

AGENCY Banking & Securities, Small Loans & Corporations



File
HB668

HOUSEHOLD FINANCE
Corporation
AND SUBSIDIARY COMPANIES

February 23, 1978

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

Dear Representative McKinnon:

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

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

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

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

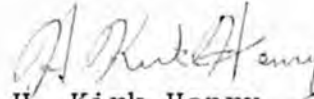
I am still interested in seeing that a thirty and one-half month maximum maturity be retained for loans between \$500 and \$1000 in section 8 on page 5. I am also enclosing a summary of the 1977-78 HFC Customer Survey for your files or the use of your staff. The original questionnaires which were used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

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

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

Sincerely,

HOUSEHOLD FINANCE CORPORATION



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

HKH:mis

Encl.

cc: J. Brecht
T. Findley
D. Bisbee

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

ALASKA CUSTOMER QUESTIONNAIRE

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

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

Yes 85% No 15%

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

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

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

(Circle one)

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

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

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

Yes 91% No 9%

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

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

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

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

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

1977-78 HFC CUSTOMER SURVEY

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

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

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

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

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

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

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

376 Questionnaires were mailed (4 x 94)

107 Questionnaires were returned

28.4% The Response Rate

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

MAXIMUM LOAN SIZE QUESTIONS

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

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

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

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

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

CREDIT INSURANCE QUESTIONS

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

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

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

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

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

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

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

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

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- a) \$2,500 - ~~37%~~ b) \$5,000 - 31% c) \$7,500 - 4% d) \$10,000 9%
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4) Currently HFC is permitted to offer credit life insurance. This pays the balance and the unearned interest to the estate in the event of the death of the primary wage earner.

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

Yes 91% No 9%

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

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

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

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

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

MAXIMUM CONSUMER LOAN LAW LIMITS

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

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

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

PERSONAL LOAN RECEIVABLES

(Gross Amounts in Thousands of Dollars)

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

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

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

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

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

(5) Net amount.

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



HOUSEHOLD FINANCE
Corporation

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

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

Dear Mr. Findley:

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

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

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

Sincerely yours,

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

mk

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

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

This was down 1.09% of loan account from 1976.

Salaries increased .54% of loan account.

Branch expenses increased 1.15% of loan account.

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

Net Operating Income (Before interest & taxes)	\$ 442,581
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Interest cost was 6% of loan account .06 x \$4,466,00 =	\$ 267,960
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Before Federal Income Tax	\$ 174,621
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$\$174,621 \div 2 = \$87,310 = \text{Net income after Federal Income Tax}$

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

Comparison of Present Rate + Proposed Rate

\$1,500	3 years	\$71.28	\$1.98 per mo
\$1,500	2 years	\$44.88	\$1.87 per mo
\$1,000	3 years	\$41.76	\$1.16 per mo
\$1,000	- 2 years	\$25.44 inc	\$2.12 per mo
\$500	- 2 years	\$4.80 inc	\$0.20 per mo

H.B. 668

SAVINGS THROUGH LOAN CONSOLIDATIONS

(Based on loans with 24-month maturities.)

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

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

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

SAVINGS THROUGH LOAN CONSOLIDATIONS

(Based on loans with 36-month maturities.)

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

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