ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672
2713 SLC HB 246 (FILE 2) - (FILE 3)

SCS CSHB 246 (L&C)	SB 316
types of agreements typically used by furniture stores.	one and three-fourths and removing the two tiered interest ceiling by raising the $1,000 ceiling to $10,000 and deregulating interest on that part of the balance which exceeds $10,000.
No comparable provision in the bill for retail charge agreements.	Section 4 of the bill increases the effective interest rate interest for retail charge agreements from one and one-half to one and three-fourths percent per month and deregulates interest on balances over $10,000.
Section 5 of the bill removes the ceiling formerly contained in subsection (b) to AS 45.45.010. That ceiling was a limit on interest charged by the express agreement of the parties to five percentage points above the Twelfth Federal Reserve district rate. The bill does not change the rate of interest in state in the absence of an agreement, which remains at 10.5 percent a year, but removes the floating ceiling rate formerly contained in subsection (b) which was the upper limit for the legal rate of interest to be charged when there is an express agreement by the parties.	Section 5 of the bill changes interest ceiling for agreements between parties generally to two percent a month and deregulates loans in which the principal amount is greater than $10,000.
Section 6 merely reenacts the changes deleted in sec. 1 of the bill.	The bill contains no comparable section.
Section 7 undoes the amendments made in sec. 2 of this bill.	The bill contains no comparable section.
Section 8 undoes the amendments made in sec. 3 of this bill.	The bill contains no comparable section.
Section 9 is the first half of the amendment which returns to the original the legal rate of interest language which was changed in sec. 5 of the bill.	The bill contains no comparable section.
Section 10 reenacts the open-end loans statute which is repealed in sec. 14 of the bill.	The bill contains no comparable section.

SCS CSHB 246 (L&C)	SB 316
Section 11 reenacts AS 06.45.060(5)(A)(vi) which is the section dealing with interest rates for credit unions.	The bill contains no comparable section.
Section 12. The addition of subsection (i) to AS 45.45.010 is merely a reinsertion of the language which was formerly contained in AS 45.45.010(b).	The bill contains no comparable section.
Section 13 requires the division of banking to make a report to the legislature on or before March 15, 1985, concerning the effects of this legislation.	The bill contains no comparable section.
Section 14. This section repeals the interest rate ceilings on open-end loans (AS 06.20), credit unions (AS 06.45), and general interest ceiling for private agreements contained in AS 45.45.010(b).	Section 6 of the bill repeals interest rate ceiling for credit unions.
Section 15. This section makes the first five sections of the Act as well as secs. 13 - 15 effective on July 1, 1983.	Section 7 of the bill gives an immediate effective date to the entire bill.
Section 16. This section makes secs. 6 - 12 of the bill effective on July 1, 1985. The intended effect of this section is to return the language to the original by undoing the amendments that were made in the other portions of the bill (with the exception of the amendment made to the interest rate on eminent domain judgments). The statutes would return to their present wording on July 1, 1985 in the absence of further action by the legislature.	

TAS:ljb
26/018

M E M O R A N D U M

June 16, 1983

SUBJECT: Interest rates
(Work Order No. 13-1465)

TO: Senator Richard I. Eliason
Chairman, Senate Labor and
Commerce Committee

FROM: Thomas A. Sofo TAS
Legislative Counsel

You have requested this office to prepare a comparative sectional analysis of SCS CSHB 246 (L&C), hereinafter "the bill" and the attached bill draft, Work Order No. 13-1465, hereinafter "the draft".

SCS CSHB 246 (L&C)	Work Order No. 13-1465
Section 1 of the bill removes the fixed numerical interest rate ceiling on small loans. It allows Alaska small loans lenders a rate as high as can be mutually agreed on by contract.	The draft contains no comparable section.
Section 2 of the bill does the same thing for premium financing agreements by removing the numerical percentage interest ceiling and replacing it with a rate agreed on by contract.	Section 1 of the draft increases the present rate of 15 percent a year to a rate of two percent a month on the first $10,000 and deregulates interest only for that part of the loan in excess of $10,000.
Section 3 of the bill increases the interest paid on eminent domain judgments from six percent a year to five percent above the lawful rate of interest. The lawful rate of interest referred to is the rate set in AS 45.45.010(a) which presently is 10.5 percent a year.	Section 2 of the draft replaces the six percent a year rate with a floating rate set at five percentage points above the federal reserve rate.
Section 4 of the bill removes the interest ceiling from retail installment contracts and replaces it with a rate agreed on by contract. An example of retail installment contracts are the	Section 3 of the draft increases the effective interest chargeable on retail installment contracts by increasing the percentages from five-sixths to

SCS CSHB 246 (L&C)	Work Order No. 13-1465
types of agreements typically used by furniture stores.	one and three-fourths and removing the two tiered interest ceiling by raising the $1,000 ceiling to $10,000 and deregulating interest on that part of the balance which exceeds $10,000.
No comparable provision in the bill for retail charge agreements.	Section 4 of the draft increases the effective interest rate interest for retail charge agreements from one and one-half to one and three-fourths percent per month and deregulates interest on balances over $10,000.
Section 5 of the bill removes the ceiling formerly contained in subsection (b) to AS 45.45.010. That ceiling was a limit on interest charged by the express agreement of the parties to five percentage points above the Twelfth Federal Reserve district rate. The bill does not change the rate of interest in state in the absence of an agreement, which remains at 10.5 percent a year, but removes the floating ceiling rate formerly contained in subsection (b) which was the upper limit for the legal rate of interest to be charged when there is an express agreement by the parties.	Section 5 of the draft changes interest ceiling for agreements between parties generally to two percent a month and deregulates loans in which the principal amount is greater than $10,000.
Section 6 merely reenacts the changes deleted in sec. 1 of the bill.	The draft contains no comparable section.
Section 7 undoes the amendments made in sec. 2 of this bill.	The draft contains no comparable section.
Section 8 undoes the amendments made in sec. 3 of this bill.	The draft contains no comparable section.
Section 9 is the first half of the amendment which returns to the original the legal rate of interest language which was changed in sec. 5 of the bill.	The draft contains no comparable section.
Section 10 reenacts the open-end loans statute which is repealed in sec. 14 of the bill.	The draft contains no comparable section.

SCS CSHB 246 (L&C)	Work Order No. 13-1465
Section 11 reenacts AS 06.45.060(5)(A)(vi) which is the section dealing with interest rates for credit unions.	The draft contains no comparable section.
Section 12. The addition of subsection (i) to AS 45.45.010 is merely a reinsertion of the language which was formerly contained in AS 45.45.010(b).	The draft contains no comparable section.
Section 13 requires the division of banking to make a report to the legislature on or before March 15, 1985, concerning the effects of this legislation.	The draft contains no comparable section.
Section 14. This section repeals the interest rate ceilings on open-end loans (AS 06.20), credit unions (AS 06.45), and general interest ceiling for private agreements contained in AS 45.45.010(b).	Section 6 of the draft repeals interest rate ceiling for credit unions.
Section 15. This section makes the first five sections of the Act as well as secs. 13 - 15 effective on July 1, 1983.	Section 7 of the draft gives an immediate effective date to the entire draft bill.
Section 16. This section makes secs. 6 - 12 of the bill effective on July 1, 1985. The intended effect of this section is to return the language to the original by undoing the amendments that were made in the other portions of the bill (with the exception of the amendment made to the interest rate on eminent domain judgments). The statutes would return to their present wording on July 1, 1985 in the absence of further action by the legislature.	

TAS:ljb
24/022

Alaska State Legislature

Advisory Council Members
Senator Kerttula, Chairman
Senator Bennett
Senator Vic Fischer
Senator Fahrenkamp

Pouch V
State Capital
Juneau, Alaska 99811
Phone: (907)465-3114

SENATE ADVISORY COUNCIL

MEMORANDUM

TO: Sena Pete Jeans

FROM: Pete Jeans

DATE: May 2, 1983

RE: Analysis of SB276 /HB246

SB276 deregulates interest rates on various types of consumer loans that are now regulated by statutes.

Sect. 1. Deregulates the interest rate charged by a licensed "Lender of money" for any sum of money not exceeding $25,000. Any person engaged in the business of making loans of money, credit, etc., must be licensed under the Alaska Small Loans Act. The interest rate must be agreed on by contract.

Sect. 2. Deregulates the interest rate charged by a licensed premium finance company. Any person engaged in this business must be licensed under the Premium Financing Act. The interest rate must be agreed on by contract.

Sect. 3. Deregulates the interest rate charged on funds exceeding those deposited with the court in a civil procedures at the time of the judgment. The judgment shall include lawful interest?

Sect. 4. Deregulates the interest rate charged on retail installment contracts to a rate agreed on by contract.

Sect. 5. Deregulates the interest rate charged on a retail charge agreement, revolving charge agreement or other retail charge agreement to a rate agreed on by contract.

Sect. 6. For interest rates in the state to exceed 10.5 percent a year it must be by express agreement of the parties in a contract or loan commitment.

Sect. 7. Repeals specific interest rates an open-end loans and rates charged by credit unions.

As you can tell by the attached information, many states are looking at the usury question. In 1980, as the prime rate moved past 20 percent, 42 states lifted or eliminated their usure ceilings. Other states took action in 1981 for the first time. Ten states now permit banks that issue credit cards to charge any interest rate. Thirteen states, for all intent, no longer limit the interest rates the banks charge on consumer loans. Several states including Delaware, Nevada and New Mexico have completely wiped out all interest-rate restrictions for all classes of lenders. According to the Division of Banking and Securities, none of the states that have eliminated usury statutes have reenacted them.

If you would like copies of any articles listed in the attached abstract, please circle and return.

I hope this information will be helpful.

Alaska Law currently specifies interest rate ceilings for the following:

1) Bank loans not exceeding $25,000. - AS 45.45.010(b) This is a floating rate, five percentage points above the annual discount rate charged by the 12th Federal Reserve.

2) Credit Unions - AS 06.45.060(5)(A)(vi). This is 15% a year or the rate specified in AS 45.45.010(b).

3) Consumer Finance Companies, such as Household Finance - AS 06.20.230(a). This is for loans not exceeding $10,000. The interest rate is 3% a month, or 36% a year for amounts not exceeding $850., and 2% a month, or 24% a year for amounts not exceeding $10,000. The law also allows for loans not to exceed $25,000., but such loans are not regulated.

4) Car dealers and furniture stores may enter into installment contracts under AS 45.10.120(b). The interest rate is five-sixths of one percent a month, or 10% a year (5/6 X 12) for amounts not exceeding $1000. For amounts exceeding $1000., the interest rate is two-thirds of one percent a month, or 8% a year PLUS 10% for the amount under $1000. Therefore, car dealers and furniture stores can legally charge 18% a year, or 1.5% a month.

5) Credit cards and consumer charge accounts - AS 45.10.120(c) If the balance does not exceed $1000., the interest rate is 1.5% a month or 18% a year. For a balance over $1000., the interest rate is one-twelfth of the annual rate allowed in AS 45.45.010(b), see 1) above.

6) Premium financing - AS 06.40.120(c). This is for large businesses. The interest rate is 15% a year.

7) Eminent domain - AS 09.55.440(a). This is when the government condems someone's property to widen a road, for example. The interest rate paid the forced seller is 6% a year.

8) Everything else - AS 45.45.010(a). This general, non-specific interest rate is 10.5% a year.

Sec. 45.10.120. Extent of service charge. (a) The service charge shall include all charges incident to investigating and making the retail installment contract or charge agreement and for the privilege of making the installment payments under the contract or agreement. No other fee, expense, or charge may be taken, received, reserved, or contracted for investigating and making the contract or agreement, or for the privilege of making the payments.

(b) A seller or holder of a retail installment contract may charge, receive and collect a service charge which shall not exceed the following rates multiplied by the number of months, including a fraction of a month in excess of 15 days as one month, elapsing between the date of the contract and the due date of the last installment,

(1) on so much of the unpaid balance as does not exceed $1,000, five-sixths of one per cent;

(2) if the unpaid balance exceeds $1,000, on so much of the unpaid balance as exceeds $1,000, two-thirds of one per cent;

(3) if the total service charge so computed is less than $12, but if the due date of the last installment of the contract is eight months or less after its effective date, $10.

(c) A seller or holder of a retail charge agreement, revolving charge agreement or other retail charge agreement may charge, receive and collect a service charge not to exceed the following rates computed on the outstanding balances from month to month,

(1) on so much of the outstanding balance as does not exceed $1,000, one and one-half per cent per month;

(2) if the outstanding balance is more than $1,000, one-twelfth of the annual rate permitted under AS 45.45.010(b) per month on the excess over $1,000 of the outstanding balance;

(3) if the service charge so computed is less than $1 for any month, $1;

The service charge may be computed on a schedule of fixed amounts if as so computed it is applied to all amounts of outstanding balances equal to the fixed amount minus a differential of not more than $5 provided that it is also applied to all amounts of outstanding balances equal to the fixed amount plus at least the same differential. (§ 13 ch 141 SLA 1962; am § 1 ch 154 SLA 1966; am § 2 ch 79 SLA 1980)

Cross reference. — As to revolving credit plans, see AS 6.05.208.

Effect of amendment. — The 1980 amendment substituted "one-twelfth of the annual rate permitted under AS 45.45.010(b)" for "one per cent" following "more than $1,000" in paragraph (2) of subsection (c).

Sec. 45.10.130. Insurance. If the cost of insurance is included in the retail installment contract or retail charge agreement and a separate charge is made to the buyer for the insurance,

(2) "goods" means personal chattels purchased primarily for personal, family, or household use and not for commercial or business use, but does not include money or, except as provided in the next phrase, chose in action; "goods" includes but is not limited to merchandise certificates or coupons issued by a retail seller to be used in their face amount instead of cash in exchange for goods or services sold by the seller and goods which, at the time of sale or subsequently, are to be so affixed to real property as to become a part of it, whether or not severable from it;

(3) "official fees" means the amount of the fees set by law for filing, recording, or otherwise perfecting and releasing or satisfying a retained title, lien, or other security interest created by a retail installment transaction;

(4) "person" means an individual, partnership, joint venture, corporation, association, or any other group, however organized;

(5) "principal balance" means the cash sale price of the goods or services which are the subject matter of a retail installment contract less the amount of the buyer's down payment in money or goods or both, plus the amounts for insurance and official fees included in the contract if a separate identified charge is made and stated in the contract for insurance and official fees;

(6) "rate" means the percentage which, when multiplied times the outstanding balance for each month or other installment period, yields the amount of the service charge for the month or period;

(7) "retail buyer" or "buyer" means a person who buys or agrees to buy goods or obtain services or agrees to have services rendered or furnished from a retail seller;

(8) "retail charge agreement," "revolving charge agreement," or "charge agreement" means an instrument (A) entered into or performed in the state which sets out the terms of retail installment transactions which may be made under the agreement from time to time, and (B) under the terms of which a service charge is to be computed from time to time in relation to the buyer's unpaid balance;

(9) "retail installment contract" or "contract" means a contract, other than a retail charge agreement or an instrument reflecting a sale price made under a retail charge agreement, entered into or performed in the state for a retail installment transaction; "retail installment contract" includes (A) a chattel mortgage, (B) a conditional sale contract, and (C) a contract in the form of a bailment or a lease if the bailee or lessee contracts to pay a sum substantially equivalent to or in excess of the value of the goods sold as compensation for their use and if it is agreed that the bailee or lessee is bound to become, or for no other or a merely nominal consideration, has the option of becoming the owner of the goods upon full compliance with the provisions of the bailment or lease;

(10) "retail installment transaction" means a transaction in which a retail buyer purchases goods or services from a retail seller under a retail installment contract or a retail charge agreement which provides for a service charge under which the buyer agrees to pay the unpaid balance in one or more installments;

(11) "retail seller" or "seller" means a person engaged in the business of selling goods or services to retail buyers;

(12) "service charge," however denominated or expressed, means the amount which is paid or payable for the privilege of purchasing goods or services to be paid for by the buyer in installments over a period of time; "service charge" does not include the amount charged for insurance premiums, delinquency charges, attorney fees, court costs, or official fees;

(13) "services" means work, labor, or services of any kind purchased primarily for personal, family, or household use and not for commercial or business use, whether or not furnished in connection with the delivery, installation, servicing, repair, or improvement of goods; "services" includes repairs, alterations, or improvements upon or in connection with real property, but does not include the services of a professional person licensed by the state, or services for which the price charged is required by law to be determined or approved by or to be filed, subject to approval or disapproval, with the United States or a state or a department, division, agency, officer, or official of either as in the case of transportation services;

(14) "time balance" means the principal balance plus the service charge. (§ 1 ch 141 SLA 1962)

Sec. 45.10.230. Short title. This chapter may be cited as the Alaska Retail Installment Sales Act. (§ 23 ch 141 SLA 1962)

Chapter 20. Purchase of Ore.

Sec. 45.20.010. Claimant in possession considered owner of ores. A person in the actual and peaceable possession of a mining claim, under claim or color of title, and engaged in the mining, shipment and treatment, or sale of ore from it, shall, as to all persons purchasing the ore in good faith and without notice as provided in this chapter of the title or claim of title, or ownership of another person to it, be considered to be the lawful owner of the ore. (§ 29-4-1 ACLA 1949)

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

LABOR AND COMMERCE COMMITTEE, CHAIRMAN
RESOURCES COMMITTEE
JUDICIARY COMMITTEE
FISHERIES SUB-COMMITTEE

P.O. BOX 143
SITKA, ALASKA 99835

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4916

M E M O R A N D U M

TO: Senate Labor & Commerce Committee Members

FROM: Senator Dick Eliason, Chair

DATE: February 14, 1984

RE: Deregulation of Interest Rates

I have scheduled a public hearing and teleconference to gather public input on HB 246, "An Act relating to deregulation of interest rates," in Anchorage, March 3, 1984, 16:00 a.m. at the Anchorage Legislative Information Office. We will be taking Anchorage testimony from 10:00-11:00 and statewide testimony via the teleconference network from 11:00 on.

Hopefully you will be able to plan your hectic schedule around this hearing.

Sent to all
Members
2/14/84

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

OFFICIAL BUSINESS

PRESS RELEASE

Senator Eliason, Chair of the Senate Labor and Commerce Committee, has scheduled a public hearing on March 3, 1984, 10:00 a.m. at the Anchorage Legislative Information Office to take public testimony on HB 246, "An Act relating to deregulation of interest rates'. If passed this bill would remove the current interest rate ceiling placed on small bank loans, retail store's revolving charge accounts, and individual credit card companies.

In conjunction with this public hearing a statewide teleconference is scheduled simultaneously. Committee members will hear testimony from those individuals present in Anchorage from 10:00-11:00 and statewide participants via the teleconference network after 11:00 a.m.

All persons desiring to participate are encouraged to attend the hearing in Anchorage or to contact their local teleconference office.

PUBLIC SERVICE ANNOUNCEMENT FOR STATEWIDE TELECONFERENCE

The Senate Labor and Commerce Committee will hold a statewide teleconference on HB 246, "An Act relating to the deregulation of interest rates," on Saturday, March 3, 1984, at 10:00 a.m. If passed this bill would remove the current interest rate ceiling placed on small bank loans, retail store's revolving charge accounts, and individual credit card companies. The exact rate of interest that could be charged would depend on each individual bank, retail store, or credit card companies.

In conjunction with this teleconference a public hearing to discuss HB 246 is schedule simultaneously in Anchorage at the Legislative Information Office. Committee members will hear testimony from those individuals present in Anchorage from 10:00-1[illegible]:00 and statewide testimony via the teleconference network after [illegible]:00 a.m. However, participants via the teleconference network will be able to listen to all of the Anchorage testimony.

All persons desiring to participate are encouraged to contact their local teleconference office.

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

OFFICIAL BUSINESS

February 17, 1984

Mr. Monte Engel
Alaska Legal Service
615 H Street
Anchorage, Alaska 99501

Dear Mr. Engel,

The Senate Labor and Commerce Committee has scheduled a public hearing on March 3, 1984, 10:00 a.m. at the Anchorage Legislative Information Office to take public testimony on HB 246, "An Act relating to deregulation of interest rates". If passed this bill would remove the current interest rate ceiling placed on small bank loans, retail store's revolving charge accounts, and individual credit card companies.

This committee would like to invite you or your representative to testify at this hearing. Your insights on how deregulation of interest rates may affect your clients would be very useful to the committee.

Hope to you see Saturday, March 3rd.

Sincerely,

Senator Dick Eliason

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

OFFICIAL BUSINESS

M E M O R A N D U M

TO: Norman Gorsuch
Attorney General

FROM: Senator Dick Eliason, Chair
Senate Labor and Commerce

DATE: May 25, 1983

RE: Senate Labor and Commerce hearing on HB 246

The Senate Labor and Commerce Committee will be conducting a hearing on HB 246, relating to the deregulation of interest rates, tomorrow at 1:30 p.m. (PST).

The subjects of credit, consumer credit, and interest rate regulation are complicated, and in order for the committee to receive a balanced presentation of the issues it would be desirable if someone working in the area of consumer credit could testify.

Connie Sipe, Chief of your Consumer Protection Section, has been extremely helpful in responding to staff inquiries about how this bill would work, and it seems to me that her explanations of how this bill may affect Alaska consumers would be very useful to the committee.

I'd therefore like to request that she be available to testify before the committee tomorrow. We have arranged a teleconference hookup which will allow her to speak to the committee from her office.

Thank you for your consideration of this request. I hope you have not been inconvenienced by its lateness.

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

OFFICIAL BUSINESS

May 20, 1983

Ralph Knoohuizen, Executive Director
Alaska Legal Services
615 H Street
Anchorage, Alaska 99501

Dear Mr. Knoohuizen:

The Senate Labor and Commerce Committee presently has in committee CS for House Bill 246(L & C), "An Act relating to the deregulation of interest rates."

As this proposed legislation may have an impact on people we represent and serve, the Senate Labor and Commerce Committee requests that Alaska Legal Services study CSHB 246 and present written findings to the committee.

Thank you for your assistance in this matter.

Sincerely,

Sheila Peterson, Senate Aide
Senate Labor and Commerce Committee

enc.

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

OFFICIAL BUSINESS

M E M O R A N D U M

TO: Billy Berrier
Division of Legal Services

FROM: Sen. Dick Eliason

DATE: June 14, 1983

RE: Work order and request for comparative bill analysis

Attached please find copies of CSHB 246(L&C), a section-by-section analysis of that bill, and a copy of legislation introduced in the Senate in 1982.

I would like to have a bill drafted which is modeled on the old proposed legislation (CSSB 750[L&C]/1982). In addition, I would like a section-by-section analysis of the work draft. Finally, I would like a comparative analysis of CSHB 246(L&C) and the work draft modeled on SB 750.

Tom Sofo has been doing the work on HB 246, and provided the attached analysis of that legislation. Not so, as per call 6-17

Thank you for your assistance.

P.S. Anticipate any title problems with new draft assuming title of HB246?

ALASKA STATE LEGISLATURE - SENATE

COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3874

OFFICIAL BUSINESS

October 6, 1983

Willis Kirkpatrick, Director
Division of Banking, Securities
and Corporations
Pouch D
Juneau, Alaska 99811

Dear Mr. Kirkpatrick:

This letter is a formal request for copies of your division's Comparative Report of Small Loans and Corporations. I have the 1980 report, and would like copies from 1981 to the present. A copy of the 1980 report is enclosed so you know exactly what I am referring to.

Thank you so much.

Sincerely,

Rocky Plotnick Weller

Rocky Plotnick Weller, Researcher
Senate Labor and Commerce

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES, SMALL LOANS AND CORPORATIONS
Charles R. Webber, Commissioner
Willis F. Kirkpatrick, Director

COMPARATIVE REPORT OF SMALL LOAN LICENSEES
For Period Ended December 31, 1980

		ASSETS							LIABILITIES		RESERVES	CAPITAL ACCOUNTS			
		Loans		Other	Cash & Due	Furniture	Other	Total	Accounts &	Other	Total	Branch Office	Capital		Total Capital & Liabilities
City & Name of Licensee	Address	Number	Amount	Loans	From Banks	& Fixtures	Assets	Assets	Notes Payable	Liabilities	Reserves	Capital	Stock	Surplus	Accounts
ANCHORAGE															
Beneficial Finance Co.	215 E. 4th Avenue	1,387	1,188,487	244,468	824	2,425	28,059	1,464,263	2,766,975	38,666	123,990	(1,893,610)	5,000	423,242	1,464,263
Beneficial Finance Co.	4101 Mt. View Drive	556	468,942	196,323	635	8,977	26	663,802	6,723	37,946	50,870	568,258	–0–	–0–	663,802
Household Finance Co.	300 36th Avenue	672	778,278	264,274	1,589	–0–	1,372	1,045,513	–0–	–0–	–0–	1,045,613	–0–	–0–	1,045,613
Household Finance Co.	600 E. Northern Lights	681	920,371	319,667	1,648	8,783	604	1,250,863	–0–	–0–	–0–	1,250,863	–0–	–0–	1,250,863
Household Finance Co.	4009 Mt. View Dr.	1,086	1,439,774	302,493	1,077	443	803	1,744,590	–0–	–0–	–0–	1,744,590	–0–	–0–	1,744,590
Household Finance Co.	636 E. 16th Street Gambel Building	–0–	–0–	–0–	–0–	–0–	1,562	1,562	–0–	–0–	–0–	1,562	–0–	–0–	1,562
FAIRBANKS															
Household Finance Co.	536 4th Avenue Parish Building	886	1,424,643	226,881	411	1,678	1,691	1,655,104	–0–	–0–	–0–	1,655,104	–0–	–0–	1,655,104
Beneficial Finance Co.	330 Barnette Street	602	746,201	165,387	45	2,206	12,627	916,466	12,655	27,022	47,088	829,801	–0–	–0–	916,466
KENAI															
Beneficial Finance Co.	Professional Building	437	504,038	28,362	449	2,958	2,361	538,168	2,760	6,770	33,187	495,451	–0–	–0–	538,158
TOTALS		6,107	7,460,634	1,736,835	6,478	27,370	49,004	9,280,321	2,789,003	110,303	255,141	6,697,632	5,000	423,242	9,280,321

*Beneficial Finance Co., Eagle River Road, Alaska office closed 5/1/80. Accounts transferred to Beneficial 215 East 4th Avenue in Anchorage.

HB

246

#3

LAW OFFICES OF

ALASKA LEGAL SERVICES CORPORATION

615 "H" STREET, SUITE 100

ANCHORAGE, ALASKA 99501

TELEPHONE (907) 272-9431

March 15, 1984

Senator Dick Eliason, Chairman
Committee on Labor and Commerce
Pouch V
Juneau, Alaska 99811

Re: H.B. 246

Dear Senator Eliason:

This letter is in response to a telephone call I received from one of your aides requesting that I submit in writing the changes I proposed to H.B. 246. I would like to first restate that it is our position that deregulating consumer interest rates will hurt low income and other consumers in Alaska, will be followed by an increase in consumer interest rates, and will not increase the amount of credit available to low income (or any other) consumers.

However, if the legislature decides to pass some form of interest rate deregulation bill, we feel it should contain the following provisions to protect consumers. First, loans by licensed lenders (AS 06.20.230(a)) should retain an interest ceiling of 3% per month for the first $850.00, and 2% per month for amounts over $850.00 up to $10,000.00. Interest rates for loan amounts over $10,000.00 may be as agreed by the parties.

Second, credit card (AS 45.10.120(c)) providers could choose either a fixed rate or variable rate ceiling. The fixed rate would be set by the statute (possibly at one or two percent per annum higher than the current rates). The credit provider could also impose either: (a) a yearly fee for the card, not to exceed $15.00; or (b) charge interest from the date of the transaction to payoff in the first monthly billing cycle, but not both (a) and (b).

The variable rate should be set at 10 pecentage points above the 12th Federal Reserve District rate charged to member

banks, adjusted semiannually. The credit provider under this option could not charge (a) an annual fee or service charge; (b) interest on transactions when the balance is paid in full in the first billing cycle. Under either the fixed or variable rate, the provider should be prohibited from charging a transaction fee (i.e. a charge imposed each time the card is used). Any change in the option chosen by the provider would have to be preceeded by a Notice to the card holders at least six months before the change takes place.

Third, other loans under $25,000.00 (AS 45.45.010) should be limited to a maximum interest rate of 7 percentage points above the 12th Federal Reservce District rate charged to member banks. Finally, if interest rates are deregulated, there should be a statutory presumption that rates in excess of 37.5% per annum are excessive. This would not be an absolute prohibition on interest rates higher than 37.5%, but would put the burden on the credit provider to prove that higher rates are reasonable in any Court action involving the debt.

I would like to thank you and the other committee members for the invitation to present the interest of our clients in this matter.

Respectfully,

ALASKA LEGAL SERVICES CORPORATION

Monte Engel
Staff Attorney

ME/ljz

LAW OFFICES OF
ALASKA LEGAL SERVICES CORPORATION
615 "H" STREET, SUITE 100
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 272-9431

March 20, 1984

Senator Dick Eliason, Chairman
Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

Re: HB 246

Dear Senator Eliason:

At the March 3, 1984 hearing in Anchorage, one of the committee members requested that I update the information supplied by Robert Hickerson in a position paper dated May 25, 1983. The most current information I have indicates that there have been no changes since then.

If I can be of any further assistance to the committee, please let me know.

Respectfully,

ALASKA LEGAL SERVICES CORPORATION

Monte Engel
Staff Attorney

ME/ljz

AWPC ALASKA WOMEN'S POLITICAL CAUCUS
P.O. Box 1571 • Anchorage, Alaska 99510 • (907) 337-5109

To: Senator Richard Eliason, Chair Senate Labor and Commerce Committee
From: Jean F. Craciun, Chair-Elect The Alaska Women s Political Caucus
RE: Senate Bill 485

TESTIMONY March 3, 1984

The Alaska Women's Political Caucus appreciates the opportunity to testify before this committee. We would like you to know that we oppose SB485 and HB246.

Whereas we can appreciate the attempt being made philosophically, practically we believe it will negatively impact on women and low income people.

While there are many factors that must be considered while making needed adjustments that reflect the market conditions within Alaska. I want to draw the committee's attention to the issue of "competition." Noting that poorer, and less well educated people in Alaska are locked into borrowing competition-free neighborhoods. It is a known fact that: 1) Competition does not exist in low income markets. Retailers and other lenders do not compete over credit rates because frequently there is only one lender. Banks and finance companies do not have branches in poor neighborhoods. There are no department stores and rarely any used car lots. Grocery stores and clothing stores exist but rarely provide credit. Given the size and poverty of the population, the community generally can support only one furniture store. If another opens up, both may go out of business because people do not have enough spending money to keep both profitable. With only one furniture store, that store can charge whatever it wants. 2) Competition is also inadequate because buyers have insufficient information as to rates and availability. From a consumer perspective, competition in the credit market is not like competion in the supermarket. In both cases an informed consumer is the key to a competitive market. But when pricing goods, the cost to the consumer is usually clearly marked on the item and readily comparable. In buying credit, much more is at stake since consumers could lose thair homes and life savings. Moreover, the transaction is infinitely more complicated. This complexity in particular befuddles the low income and unsophisticated borrower. And they will be the target of the unscrupulous lenders. Further, creditors do not advertise rates and many buyers lack the time or stamina to call several different lenders to obtain rate information, Consumers also have false impressions about which institutions will lend to them. Historically, many working class people and minorities were denied credit by banks and so still stay away from banks. Others do not realize that they are eligible for some credit union memberships. Some probably do not think they make enough to qualify for credit cards. Many are probably unaware that savings and loans are now extending consumer credit. A survey by they Federal Reserve Board in 1977, noted that only 30% of potential borrowers shopped around. Most choose lenders based on proximity and familiarity. Familiarity is a very big factor here. So in a small community in Alaska, where there is a limited number of banks and a particular credit card is being offered from a bank who is only taking applications from; existing depositors or the applicant does not make enough money to quality for credit from that card issuer----Competition is meaningless.

AWPC ALASKA WOMEN'S POLITICAL CAUCUS
P.O. Box 1571 • Anchorage, Alaska 99510 • (907) 337-5109

The testimony of Jean Craciun continued:

Where there is a lack of competition such as the brief examples I have mentioned, there needs to be sufficient safeguards for women(who make only 59¢ for every dollar that man makes)and other low income groups.

The Alaska Women's Political Caucus affirms the need to safeguard the interest of those more vulnerable to unscrupulous lenders. Consequently, we oppose SB485 and HB246, for it will not satisfy this need. Thank you.

Jean J Craciun

ALASKA PUBLIC INTEREST RESEARCH GROUP
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

March 2, 1984

Good morning. My name is Maureen Kennedy; I'm the Director of the Alaska Public Interest Research Group. AkPIRG conducts research and advocacy on economic and social issues of importance to our 400 statewide members. I'd like to thank the members of the committee for holding this teleconference on a weekend so working people could attend.

AkPIRG is opposed to HB 246 and SB 485 and the deregulation of interest rates in general. We understand the complexities of the issue, but argue that the bottom line is quite simple: if rates are deregulated or ceilings lifted, rates will go up, consumers will suffer and banks will needlessly increase profits.

Rates will go up. Studies in states around the country that have deregulated or increased ceilings indicate that rates increase an average 3-4% just after deregulation. An American Bankers Assoc. study published early in 1983 examined installment credit increases in Montana, Mississippi, New Jersey and Ohio. Just after deregulation, rates increased between ½% (Ohio) and 3 3/4% (New Jersey). The bankers argue that rates later came down so it's "not the end of the world for consumers." But by late 1982, rates were still between a ½% and 2 3/4% above their original levels. As you remember, the prime went from a high of 20.5% in 1981 to an average 10.81% throughout 1982, the term of the ABA study.

Overall interest rates in New Jersey increased between 6 and 7% just after ceilings were lifted in 1981--they hadn't come down by mid-1983. In Maryland, interest rates on credit cards went up and stayed up 3% after the ceiling was lifted in '82. In New York, rates on credit cards increased nearly 6% shortly after deregulation. Rates on other types of loans increased as much as 6 1/2%. A "pack mentality" is at work, and even Alaskan bankers agree that increased ceilings will lead to near-term increases on credit cards from 18% to 21%.

Consumers will suffer. Extrapolating from conservative national figures, Alaskan consumers will pay $6.4 million more to lenders for each 1% increase in interest rates on installment credit alone. Assuming rates go up 3%, we're talking about a $19.2 million transfer from Alaskan borrowers to lenders--just on installment credit.

Consumers will not gain greater access to credit through deregulation. The New York State Banking Dept. study found that 93% of commercial banks increased rates substantially after deregulation but did not loosen new-borrower standards. Eighty three percent did not increase access to their OWN customers. The study indicates similar behavior for credit unions, finance companies, S&Ls and retailers.

Banks will needlessly increase their profits. Business Week reported last August that banking nationwide was the 10th best profitmaking industry in the country with a 34% increase in profits over 1982. In December, the magazine reported a 15.2% increase in earnings per share for banks. Consumer installment credit increased by $1 billion between March of '82 and March of '83. Closer to home, Alaska Business reported that the six largest Alaskan banks had profit-to-earnings ratios ranging from 4.73 to 12.00. All the state's banks increased earnings through 1982; many posted record earnings. Total assets and deposits increased more than 25% according to the June issue; Security National doubled its assets while its deposits increased by 137%. The bankers I've spoken with agree that regulatory relief is not necessary now--they want to hedge their bets against a repetition of 1980's economic conditions. Careful adjustments to interest rate laws ARE appropriate when economic conditions demand them. That is clearly not the case now.

We urge you not to pass either HB 246 or SB 485 out of committee. The legislation is not needed now. The legislature should represent the interests of Alaskan citizens, not those of Outside banks--we've passed that period of our state's history. Thank you.

Susan R. Clark 1109 C Street Juneau, Alaska 99801

4 March 1984

Deregulation of interest rates does not make any borrower better off. A stated benefit of the usury bills - increased availability of loans - has not materialized in states that have preceded Alaska in legislation of this sort. Last year the banks testified to you that deregulation "won't increase rates, but will allow a greater flow." The fact is that lenders do not (and should not) lend to high risk borrowers with or without deregulation. In a New York study (December 1982 N.Y. Banking Dept.) 93% of commercial banks raised interest rates but refused to reduce new-borrower qualifications; 83% refused to offer better terms to existing-borrowers. Most savings banks had not liberalized either measure of credit availability. Most of the finance companies had not changed their qualifications though they had raised their rates as far as they legally could. Virtually all of the retailers in the study had kept credit availability unchanged. A preponderance of the auto dealers had also raised interest rates since deregulation, but not changed their credit qualifications. For the most part the higher interest rates have brought almost no new credit. It was suggested at the hearing last spring, however, that we could go ahead and deregulate interest and then have the state pick up the inequities by subsidizing special low-interest loans. In my mind that would mean that the state is subsidizing loans to subsidize the bank's higher interest.

However, the biggest issue I see in not whether or not deregulation takes place, but that strong consumer safeguards precede any attempt at deregulation. Great care must be taken to assure consumer protection when deregulation is contemplated. Alaska does not have a state Truth-In-Lending law nor has any enforcement authority over banks, for example, to protect creditors who are not depositors. Loopholes in the National TILA (Truth-In-Lending Act) allow many lenders to disguise the true cost of consumer credit so that what appears to be low-interest costs is often very expensive credit and comparison shopping is difficult. A car loan today, for example, is legally unlike the car loans of 3 or 4 years ago since provisions which used to be illegal have since been permitted again. Federal and state disclosure laws have simply failed to keep pace in showing many of these differences to borrowers.

Protection is vital against excessive fees and against fees that do not appear in the APR (Annual Percentage Rate) which consumers use to comparison shop. These include unlimited annual fees, transaction fees, and other one-time charges. Protection is vital against abusive creditor remedies on default. Studies have shown that the vast majority of defaults occur due to events beyond the debtor's control due to job loss, illness, and marital trouble. The majority of defaulters default not because they are able to pay and choose not to do so, but because they simply do not have the money .

There are several provisions that should be part of an Alaska TILA before we even consider deregulation:

1. Plain English Requirements need to be assured so that consumers can readily understand the contracts that bind them. They should understand clearly that early payment of the loan incurrs a penality. They need to know up front what creditor remedies may be exercised on default.

2. To enable buyers to rely on the APR, creditors should be prohibited from assessing any charges for the use of credit that do not appear in the APR.
3. The method used to compute the balances to which the APR is applied should be standardized.
4. With variable rate loans, lenders should be required to disclose how much the monthly payment will increase under fixed hypothetical conditions and all lenders should use the same hypotheticals.
5. Contractual language that waives consumers' right to notice or an opportunity to be heard before a judgment is entered against them on default should be prohibited.
6. Lenders should be forbidden to seize a borrower's wages without the basic due-process of a prior notice and a hearing before an impartial decisionmaker.
7. Security interests in household goods also should be prohibited, since interests in household goods are essentially worthless to the creditor. When household goods are actually seized, consumers lives are totally disrupted for minimal or no financial benefits for the creditor. Household goods may have a high psychological or sentimental value to consumers, and be costly to replace, but as used goods they have very low resale value and discharge little, if any, of the debtor's obligation.
8. Some creditors take a blanket security interest in categories of goods rather than specific items which causes confusion or misunderstanding about which possessions may be seized for non-payment. If creditors are allowed to charge unlimited interest rates, they should at a minimum be required to spell out precisely which consumer items may be lost if payments cannot be met.
9. Credit contracts often require borrowers to pay the lender's attorney fees if they default, regardless of whether the borrower has a valid defense to non-payment. Consumers do not bargain for these fees and often are unaware of the liabilities they would assume. Before usury limits are erased, individuals who cannot meet payments should be protected against the assessment of attorneys fees as well.
10. Cosigners often are unaware of the nature and extent of their liability. In order to protect cosignors, who generally receive little if any benefit for assuming substantial liabilities, lenders should be required to furnish them with a statement explaining their potential liabilities before they sign a contract.
11. Individuals who are asked to guarantee debts already in default should be given a three day "cooling off" period to make an unpressured and informed choice to accept or reject cosignor liabilities.*

I urge you to set into place these important consumer protections before you move to deregulate interest rates.

* For a more in depth analysis of TILA additions see the N.Y. Consumers Union testimony before the Committee on Banking, Housing and Urban Affairs of the U.S. Senate. 12 April 1983.

ALASKA PUBLIC INTEREST RESEARCH GROUP
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

August 31, 1983

Rocky Weller
c/o Sen. Eliason
Pouch V
Juneau, AK 99811

Dear Rocky:

Just to update you on interest rate activity--I'm meeting with Josephson and Rodey next week to talk, and Paula at the Bering Straits Fisherman's Assoc. at the end of this week.

Enclosed is a factsheet I put together today; we'll start circulating it. I have to meet with some labor folks in the next few weeks and will mention it then. My Sackett connection is not back from California yet.

I got the backup testimony on the national deregulation bill from Liz Hickerson, though I have to return it this week. To save us copying costs, is there any way I can formally ask you to include that stuff in the file for the record? Otherwise, I'll make copies sometime and send it off to you. Whatever.

Thanks for stopping by last week and I'll let you know what Josephson and Rodey have to say.

Sincerely,

Maureen

Maureen Kennedy

ALASKA PUBLIC INTEREST RESEARCH GROUP
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

September 20,1983

Dear Rocky:

Well, I've talked with both Josephson and Rodey and haven't won over any hearts.

Josephson came right up front and said that the Bankers' Assoc. had asked him to intro. the legislation and he felt that it was an OK idea and wanted to broaden his constituency; that he wasn't just a flaming liberal. We had a serious conversation during which I gave him our draft factsheet and talked about conclusions of some of the testimony heard in DC. He hadn't seen any of that stuff (his repertoire consisted of ABA info.) and I told him I'd forward it to him. In general, he said he'd be willing to reconsider if the facts were convincing enough. We talked about minimal regulation for loan companies and furniture store type places and credit cards--he seemed to think that that type of regulation was probably in order. He sounded like he was looking for a little direction from Eliason and the Senate Advisory Council--apparently he asked them for some info. on the effects of deregulation in Alaska specifically, and wasn't happy with the "well, we don't see anything wrong with it with the limited info. we have" response that he received.

Rodey also thinks that you all have some concrete plans going and is waiting for the signal. Our conversation was a little less serious in the information area--he gave me the line of increased rates equals increased access to credit, I gave him my response and we didn't get too far. He didn't focus down on the concrete facts and figures. He and I also discussed regulating certain portions of the industry eg furniture stores and credit cards, and he seemed amenable to that, but wanted to see what Eliason had to say. Jim Kelley and I are supposed to sit down and discuss all this when he comes to town--is that the guy you said had the hard core bankers' attitude? Rodey did say that the banks were only in this to make money and were willing to stretch their economic theory to add an extra half point to their margin. He also said he didn't think there was much competition in the Alaskan banking industry. So much for consistency. I'll follow up with some written material based on logic and see what happens.

over

National
Consumer
Law Center
Inc.
Eleven Beacon St
Boston, MA 02108
(617) 523-8010

See page 3

September 13, 1983

Rocky Plotnick Weller
Senate Labor & Commerce Committee
Alaska State Legislature-Sentate
Pouch V
~~Juno~~, AK 99811
Juneau.

Dear Ms. Weller,

This is to acknowledge your letter of July 20, 1983, asking for comment on "a bill which would eliminate Alaska's usury statutes". An answer to your policy questions can only be general because almost all of the impact depends on how usury is "eliminated". As we have discussed previously, restrictions on my office's federal funding require that your Committee's interest be expressed over the signature of an elected official. While we are permitted to respond to oral inquiries should time be short, we nevertheless must by law request a written inquiry or confirmation from an appropriate official. I am providing this initial response in expectation of a return request confirming one or more of the Senators who are interested.

I've received the letter, thanks

As I am sure you are aware, the Alaska legislature has many options concerning usury "deregulation". Most states have retained their criminal usury statutes, while liberalizing civil usury, since to do otherwise gives true loan sharks the right to enforce extortionate contracts. Second, virtually no state has actually eliminated their usury statutes, but rather have redefined the usury ceilings. Progressive states have only raised or altered those ceilings, such as establishing a "floating" rate ceiling linked to a money market index. This is the system in the Alaska Constitution. This approach deserves study, especially where many of your credit markets may lack meaningful competition. I gather, for example, that there is only one finance company licensed for consumer business in your entire state, and that many communities lack outlets for consumer lending.

This is not unlike the problem of market breakdown in inner-city Chicago, where used car rates have stabilized at about 50% per annum after the Illinois consumer usury ceilings were removed. Consumer specialist lawyers serving those borrowers report to us that the earlier problem of over-availability of credit (which lower-income borrowers could not repay) is a problem now, just as it was before the rate ceilings were increased; worse, it appears that some buyer-borrowers who could have managed payments under the old rate ceilings

are unable to repay at these extremely high rates, and so lose both their equity and their transportation. The Uniform Consumer Credit Code, a creditor-sponsored consumer credit statute, presumes extortionate credit (that is, loan-sharking) at rates of 45% per annum and up!

Because of situations like this, some states who fail to realize an indexed rate cwiling is enough have avoided foresaking their borrowers completely, by defining the rate ceiling on a contract-by-contract basis, through legislation which replaces a numerical ceiling with the "interest rate agreed" between the borrower and the creditor. Those states have accompanied such legislation by specific disclosure requirements and other protections in order to be sure that the consumer understands what rate is being imposed (there being no bargain or "agreement" in such contracts of adhesion). The three main requirements that appear in the New Jersey Small Loan Law, which was deregulated in this way, include a prohibition of non-actuarial rebates, the elimination of all prepayment penalties, and the application of the United States Rule on Partial Prepayments. In the New Jersey statute, no charges other than interest are permitted, and advance interest may not be taken; in deregulated statutes, these requirements are crucial because the federal Truth in Lending disclosures do not always describe the actual loan cost patterns properly.

Still other legislation is required if variable-rate consumer credit is planned, though it is rarely necessary to change usury ceilings in order to permit those variable rate transactions created in a competetive market. Interest ceilings hinder the enforcement of unconscionable results where variable-rate consumer credit shifts lender management risks to borrowing families. A study done by the Maine Department of Banking pointed out that a innocent-seeming variable rate mortgage for $30,000.00, written in June 1978, started with a monthly payment of $246.81, which had become $419.33 by December of 1980, an increase of 70%! These kind of transactions are extremely dangerous to most borrowers, in part because they are hard to understand and ill disclosed, since the Truth in Lending Law is so weak. Professional bankers might be expected to manage money and adjust their fixed rate portfolios to accomodate future interest rate possibilities, but there is no way that a small householder can make those adjustments like those which a variable rate note forces them to do.

I have enclosed a copy of the Table of Contents from my treatise on Consumer Usury and Credit Overcharges, which can be used as a kind of check-list of legal distinctions and abuses in this area. There is no practical way I can offer particular recommendations without understanding (1) what the problem is specifically that the usury law changes are supposed to meet, and (2) what lender categories are asking for changes. Of those groups whom you mentioned there has historically been no justification for high interest rates in insurance premium finance, few justifications for high retailer interest rates, and only slightly less reasons to grant special usury consideration either to banks or credit card companies. Recent studies by the Federal Reserve Board in their Functional Cost Analysis show that New England bank credit card operations already achieve an effective return of about 27% on

credit card balances, though the stated credit card interest rates in this region are about 18%. (The difference comes from substantial merchant discounts, interchange fees, and from the huge returns generated from annual membership fees.)

Finally, your Committee's expectations that consumer interest rates will rise markedly when your usury ceilings are loosened is essentially correct. What has, to my knowledge, only been studied in New York, is the failure of the usual justification for imposing such costs on your existing borrowers. Lenders had argued in New York, the first state to raise interest rate ceilings to 25%, that increased rates would generate more credit availability in return for the huge cost increases. That did not appear to happen according to a study performed by the Banking Department, and reported in December of 1982. Needless to say, the report understated - and even misstated - this problem, but by and large, credit granting criteria were not liberalized, nor were many new dollars lent to new borrowers though the interest rates went up approximately 6 percentage points. I believe your Committee needs to look very carefully at the different sized groups effected by rate increases: existing borrowers, who already have large balances outstanding, are going to pay the overwhelming majority of new financing costs when rates go up, and very little new borrower debt will be created by comparison. This means that lenders largely increase their returns on people already qualified under earlier, lower interest rates, and perhaps lend them a bit more in the process. The few states that have realized what this problem means have permitted rate increases for entirely new borrowing but not when refinancing old balances.

The major effects of rate "deregulation" will be three: market confusion, reduction in most local purchasing power, because of increased debt-service costs, and increased risk of default with higher rates and variable rate contracts. Unfortunately some states have ignored the problem and only served their lender constituents by legalizing loan-sharking.

Please send me the bill you think is most likely to be heard, and I will attempt to analyze it for you further.

Your sincerely,

Mark Leymaster

cc: Will Obgurn

JCPenney

TELECOPY AND MAIL

Mr. Donald Magnusson
Alaska Retail Association
174 South Franklin Street
#205
Juneau, Alaska 99801

Re: Alaska H.B. 246

Dear Don:

Enclosed, pursuant to our recent discussions, is a proposed amendment (with explanation) modelled on the South Carolina deregulation law. The amendment would require filing of retail rates in excess of 21% and posting of such rates by those who are not already required to disclose them in charge account agreements or retail installment contracts.

Perhaps this approach would alleviate some of Senator Eliason's concerns.

Cordially yours,

John H. Andrew
Western Regional Counsel

JHA/mmj

cc: Robert L. Geltzer, Esq. (w/encl.)
Russell H. Pearson "
Robert J. Devine "
Douglass Heikon "
Joseph M. Morales, Esq. "
Charles P. McKenney, Esq. "
Larry Snider "

Legal Department J.C. Penney Company, Inc., 333 South Hope St., Suite 3720, Los Angeles, CA 90071, Tel: (213) 620-1740

PROPOSED AMENDMENT TO CS FOR ALASKA HOUSE BILL NO. 246:

Sec. __. AS 45.10 is amended to adding a new section to read:

Sec. 45.10.125. FILING AND POSTING OF SERVICE CHARGES. (a) Every seller intending to impose, pursuant to AS 45.10.120, any service charge in excess of 21% per year shall on or before the effective date of this section, and in the case of a seller not making consumer credit sales in this state on that date, on or before the date the creditor begins to make such credit sales in this state, file with the Department of Commerce & Economic Development and, except as otherwise provided in this section, post in one conspicuous place in each of the seller's places of business in this state a rate schedule meeting the requirements set forth in subsections (b), (c) and (d) of this section.

(b) The rate schedule required to be filed by subsection (a) of this section shall contain a list of the service charges, stated as an annual percentage rate, determined in accordance with the Federal Truth-in-Lending Act and Federal Reserve Board Regulation Z that the seller intends to impose on each type of consumer credit transaction in which the seller intends to engage.

(c) The posted notice required by subsection (a) of this section shall conspicuously and plainly set forth the same information required by subsection (b) hereof.

(d) A seller shall not be required to post the notice required by this section if the seller has complied, as appropriate, with the provisions of AS 45.10.030, 45.10.040, 45.10.050, or 45.10.110.

EXPLANATION OF PROPOSED AMENDMENT TO CS FOR ALASKA HOUSE BILL NO. 246:

Subsection (a) of proposed AS 45.10.125 would apply to retail seller's imposing service charges of 21% per year or more in the state. It would require the seller to file a notice of such service charge with the Department of Commerce & Economic Development and to post a notice of its service charge rates in each of its places of business. The proposed amendment is adapted from the South Carolina retail credit rate deregulation legislation which is now in effect.

The filing of rate schedules with the Department would make them subject to public scrutiny and in the preparation of the report to the Legislature mandated by Section 15 of the CS bill. The posting of rates would allow customers to make informed decisions concerning the assumption of credit burdens, based on accurate information concerning the cost of credit.

Credit grantors who already supply rate information in retail installment contracts, retail charge agreements, revolving charge agreements, etc. would be exempt from the posting requirement since they are already required by both state and federal law to provide rate information to their credit customers.

(1) the contract or agreement must state the nature, purpose, and amount of the insurance, and in connection with the sale of a motor vehicle, the contract must state that the insurance coverage ordered under the terms of this contract does or does not include "bodily injury liability," "public liability," and "property damage liability" coverage, as applicable;

(2) the contract or agreement must state whether the insurance is to be procured by the buyer or the seller;

(3) the amount included for the insurance may not exceed the premiums chargeable in accordance with the rate fixed for the insurance by the insurer except where the amount is less than $1; and if the insurance is cancelled or terminated for any reason, the refund for unearned insurance premiums received by the seller or his assignee, together with the unearned portion of the service charge applicable to the insurance, shall be credited to the final maturing installments of the retail installment contract or retail charge agreement, and the remaining balance of the unearned insurance premiums shall be refunded to the buyer; however, no cash refund is required if the amount is less than $1;

(4) if the insurance is to be procured by the seller or holder, he shall, within 45 days after delivery of the goods or furnishing of the services under the contract, deliver, mail, or cause to be mailed to the buyer at his address as specified in the contract a notice that the insurance is procured, a copy of the policy or policies of insurance, or a certificate of the insurance so procured. (§ 14 ch 141 SLA 1962)

Sec. 45.10.140. Agreement not to assert claim. A provision of a retail installment contract or retail charge agreement by which the buyer agrees not to assert a claim or defense arising out of the sale against the seller or an assignee is invalid. (§ 15 ch 141 SLA 1962)

Sec. 45.10.150. Nonwaiver of chapter. No act or agreement of the retail buyer before or at the time of the making of a retail installment contract, retail charge agreement, or purchases under the contract or agreement constitutes a valid waiver of any of the provisions of this chapter or of any remedies granted to the buyer by law. (§ 16 ch 141 SLA 1962)

Sec. 45.10.160. Contracts and agreements executed before 1963. This chapter does not invalidate or make unlawful a retail installment contract or retail charge agreement executed before January 1, 1963. (§ 22 ch 141 SLA 1962)

Sec. 45.10.170. Action by attorney general. The attorney general may bring an action in the name of the state against a person to restrain and prevent a violation of this chapter. (§ 19 ch 141 SLA 1962)

Penalties (existing law):

Sec. 45.10.180. Assurance of discontinuance. (a) In the enforcement of this chapter, the attorney general may accept an

assurance of discontinuance of an act or practice considered in violation of this chapter from a person engaging in or who has engaged in the act or practice. The assurance shall be in writing and be filed with and subject to the approval of the superior court of the district in which the alleged violator resides or has his principal place of business.

(b) Failure to perform the terms of the assurance is prima facie proof of a violation of this chapter for the purpose of securing an injunction as provided in AS 45.10.170, and for the purposes of AS 45.10.190. (§ 20 ch 141 SLA 1962)

Sec. 45.10.190. Barring recovery for noncompliance. A seller who enters into a contract or agreement which does not comply with the provisions of this chapter or who violates a provision of this chapter except as a result of an accident or bona fide error may not recover a service charge, official fee, or a delinquency or collection charge under or in connection with the related retail installment contract or purchases under a retail charge agreement. The seller or holder may nevertheless recover from the buyer an amount equal to the cash price of the goods or services and the cost to the seller or holder of insurance included in the transaction. (§ 18 ch 141 SLA 1962)

Sec. 45.10.200. Penalty for violation of order or injunction. A person who violates an order or injunction issued under this chapter is punishable by a fine of not more than $1,000, or by imprisonment for not more than six months, or by both. (§ 21 ch 141 SLA 1962)

Sec. 45.10.210. Penalty for violation of chapter. A person who wilfully and intentionally violates a provision of this chapter is guilty of a misdemeanor and, upon conviction is punishable by a fine of not more than $1,000, or by imprisonment for not more than six months, or by both. (§ 17 ch 141 SLA 1962)

Sec. 45.10.215. Scope of chapter. For the purposes of this chapter, a retail installment contract or retail charge agreement is entered into in this state, and is therefore subject to the provisions of this chapter, if either the seller offers or agrees to sell to a resident Alaska buyer in Alaska or if a resident Alaska buyer accepts the offer to sell or makes the offer to buy in Alaska, regardless of any specification in the contract as to its situs. (§ 2 ch 45 SLA 1978)

Sec. 45.10.220. Definitions. In this chapter, unless the context otherwise requires,

(1) "cash sale price" means the price for which the seller would have sold or furnished to the buyer and the buyer would have bought or obtained from the seller the goods or services which are the subject matter of a retail installment transaction if the sale had been a sale for cash. The cash sale price may include taxes and charges for transferring vehicle titles, delivery, installation, servicing, repairs, alterations, or improvements;

JCPenney

January 20, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

House Bill No. 246
(Deregulation of Interest Rates)

Dear Senator Eliason:

We are writing to express our continuing interest in H.B. 246, which was heard but not voted on in the Senate Labor & Commerce Committee last session.

We hope that you will give early and favorable consideration to this important piece of legislation.

Please let us know (either directly or through Don Magnusson of the Alaska Retail Assocation) if we can be of assistance in your consideration of this legislation.

Sincerely yours,

John H. Andrew

John H. Andrew
Western Regional Counsel

JHA/mmj

cc: Donald R. Magnusso
Douglas Heiken
Larry Snider

Legal Department
J.C. Penney Company, Inc., 333 South Hope St., Los Angeles, Ca. 90071, Tel: (213) 620-1740

I. INTRODUCTION

In November 1980, the New York State Legislature passed, and the Governor signed into law, the Omnibus Banking Bill. One of its key provisions was the elimination of virtually all interest rate ceilings, except criminal usury, on consumer loans in New York State. However, this deregulation of consumer credit interest rates expires June 30, 1983. Unless the State Legislature acts by that date, the interest rate ceilings that had existed prior to passage of this bill will go back into effect.

In order to provide information to the Legislature on the current and past status of interest rates, charges and fees on consumer loans as well as the availability of consumer credit, the Banking Department undertook a survey of financial institutions and others who extend credit to consumers in New York State.

This is the second such survey by the Banking Department. The first survey was conducted in January-February 1981 to develop information on the initial experience with deregulation under the Omnibus Banking Bill. The major findings of that first survey were that interest rates on consumer credit had risen after passage of the bill since the previous rate ceilings had been unrealistically low; that there was an increase in the availability of consumer credit for New Yorkers; and that banks were offering a wide range of rates and fees, thereby providing consumers with alternative choices which they could take advantage of by shopping for credit.

The second survey was conducted in September 1982 when question-

naires were sent to both State and federally chartered financial institutions in New York State, including commercial banks, savings banks, savings and loan associations, credit unions and licensed lenders. In addition, questionnaires were sent to a sample of retail stores and automobile dealers throughout the State. Responses were received from more than 72% of the financial institutions but from a much lower proportion of retailers and car dealers (Table 1). Among the banking institutions, a higher rate of response was received from those under State charter than those under federal charter.

The questionnaires sought information on the "most common" interest rate or finance charge to borrowers for various types of consumer loans. The "most common" rate or charge was defined as that charged on the largest dollar volume of new loans made in that particular category on the dates indicated on the questionnaire form. In the case of credit cards and other types of revolving credit, data on annual fees or other charges were also requested. In addition, the institutions and firms surveyed were asked to indicate whether the rates, charges and fees were the same at all their offices or places of business in New York State; whether they were the same for all borrowers regardless of whether the applicant had an established relationship with the institution or firm; and whether, since February 1981, there had been any further liberalization of credit standards, increased participation in consumer lending or larger credit lines made available on consumer loans.

Information on rates, charges and fees was sought for three dates: January 2, 1981, which was the final date utilized in the Department's

first questionnaire survey, January 2, 1982 and September 15, 1982. The respondents were also asked to list the effective dates of any changes in these rates, charges or fees since January 2, 1981.

In order to update the findings, a telephone survey was made during November 1982 of a sample of financial institutions, retail stores and car dealers.

TABLE 1

NUMBER OF QUESTIONNAIRES SENT OUT
AND RESPONSES RECEIVED

	Number of Questionnaires Sent Out	Number of Responses Received
Commercial Banks	222	160
Savings Banks	98	92
Savings & Loan Associations	95	65
Credit Unions	105	54
Licensed Lenders	38	31
Retail Stores	80	15
Automobile Dealers	260	58
Total	898	475

II. SUMMARY OF MAJOR FINDINGS

The major findings of the Banking Department's survey are the following:

First, because the Omnibus Banking Bill granted additional consumer lending powers to savings banks and savings and loan associations, the number of banking institutions offering consumer loans has increased substantially (Chart 1). Many thrift institutions are now offering automobile loans on both new and used cars, second mortgage loans and unsecured personal instalment loans. As a result, there is a greater degree of competition in consumer lending and a wider range of choice for consumers among different types of banking institutions.

While the aggregate dollar amount of consumer loans made by thrift institutions is still small relative to the consumer lending activity of commercial banks, they are making inroads into this type of lending and can be expected to increase their market share in the future. Competition and consumer choice can therefore be expected to be further enhanced as time goes on.

Second, the survey revealed that there are wide variations in rates charged by different institutions in the same market area for the same type of loan, thereby providing consumers with alternative choices which they can take advantage of by shopping for credit. This is best illustrated by the results of the telephone survey made in early November 1982 of a sample of large commercial banks in New York City and upstate (Chart 2).

In New York City, for example, the current rate structure on consumer loans indicates that:

- On conventional home improvement loans, different banks are charging rates ranging from 16.5% to 19% for depositors, and 18% to 21% for others.

- On new car loans, the available rates range from 14.5% to 18% for depositors, and from 14.5% to 20% for non-depositors; on used car loans, from 16.5% to 19% for depositors, and 17.25% to 21% for non-depositors.

- On second mortgage loans, the rates range from 14.5% to 17.7% for depositors, and 14.5% to 19% for non-depositors.

- On overdraft checking loans, the rates range from 18% to 19.8%; on other unsecured personal loans, from 17.5% to 19% for depositors, and 19% to 21% for non-depositors.

- On credit cards, rates range from 18% to 19.8%, with annual fees ranging from zero to $20 for depositors, and $12 to $20 for non-depositors.

Substantial variation in rates is also evident in each of the major upstate metropolitan areas. Since a number of New York City banks as well as some of the large upstate banks have branches in various upstate communities, their rates and charges are available in many different parts of the State. As a result, there is a broad range of choices available to the public among banks in every major metropolitan area in upstate New York. For example, in the Albany area, the following range of rates is available from banks with offices there:

- On home improvement loans, rates range from 15% to 19% for depositors, and from 15% to 19.75% for non-depositors.

- On new car loans, rates range from 14.5% to 18% for depositors and non-depositors; on used car loans, from 15% to 19% for depositors, and from 15% to 20.5% for non-depositors.

- On second mortgage loans, the rates range from 15.5% to 17% for depositors, and from 16% to 17.5% for non-depositors.

- On overdraft checking loans, the rates range from 18% to 20%; on other unsecured personal loans, from 16% to 19% for depositors, and from 16% to 20.5% for non-depositors.

- On credit cards, rates range from 18% to 19.8% with annual fees ranging from $12 to $20.

Similar patterns of variation in rates are evident among banks in the Utica, Syracuse, Rochester and Buffalo metropolitan areas.

The figures cited actually understate the degree of variation in rates available to the public since they do not include all of the banks with offices in these areas. Moreover, since commercial banks make the bulk of the consumer loans, the telephone survey was limited to those banks and therefore does not include the rates available at thrift institutions as well as at other lenders located in these areas.

Variation in rates is also evident among other types of lenders in the consumer credit field, including thrift institutions, licensed lenders, automobile dealers and retail stores.

Third, as market interest rates have fluctuated there have been changes in rates charged on consumer loans. Rates generally increased for most types of consumer loans during 1981 reflecting the high level of market interest rates throughout most of the year. However, as market rates eased off and then fell sharply during the second half of 1982, many commercial banks, including most of the large banks in New York City and upstate, cut their consumer loan rates during 1982 by an average of up to about 1-1/2% (Charts 3, 4 and 5). This was particularly evident for automobile loans on both new and used cars, home improvement loans, second mortgage loans and unsecured personal loans, although about a dozen banks increased their rates or fees on credit cards during 1982. In addition, many thrift institutions lowered their rates during 1982 on automobile loans, home improvement

loans, second mortgage loans and unsecured personal loans. Some car dealers also cut their rates on new and used car loans during 1982.

Fourth, the more liberal credit standards for consumer lending, the larger credit lines and the greater participation in consumer loan activity by banks which occurred in early 1981, shortly after passage of the Omnibus Banking Bill, has continued since then and further liberalization of, and participation in, consumer lending later in 1981 and in 1982 was reported by a significant number of banks (Charts 6 and 7).

The detailed findings of the survey are set forth in Section III.

ALASKA RETAIL ASSOCIATION
174 S. Franklin St. # 205
Juneau, Alaska 99801
586-6706

Don Magnusson, Executive Director

RETAIL REVOLVING CREDIT RATES

DEREGULATED STATES

States which prior to 1980 did not impose rate ceilings:

1. Kentucky
2. New Hampshire
3. Oregon

States which removed rate ceilings in 1980:

4. Arizona
5. New York (25% criminal usury ceiling)

States which removed rate ceilings in 1981:

6. Delaware
7. Illinois
8. Montana
9. Nevada
10. New Jersey
11. New Mexico
12. Ohio (25%)
13. Utah
14. Wisconsin (effective 1984)

States which removed rate ceilings in 1982:

15. South Carolina
16. South Dakota
17. Virginia (effective April 1, 1983)

States which have removed rate ceilings in 1983:

18. Idaho

May 25, 1983

ANALYSIS OF HB 246
RELATING TO THE DEREGULATION OF INTEREST RATES

The text of CSHB 246 (L&C) is particularly confusing because of the "negative sunset" arrangement. The first six sections of this bill effectively repeal all statutory limitations on interest and service charge rates for a whole range of defined loans in Alaska. By the terms of Section 17 of the bill these sections go into effect on July 1, 1983.

Sections 7 through 14, though, go into effect on July 1, 1987. These sections re-impose all of the statutory rate limitations repealed by the first six sections. This arrangement is instituted in order to "experiment" with this deregulation.

Section 15 requires Legislative Audit to report on "the effects of the amendments made in secs. 1 - 6...on the people of the state and in particular those persons seeking or receiving credit." This information will give the legislature the opportunity to repeal Sections 7-14 and leave the deregulation in place.

SECTIONAL ANALYSIS OF SECTIONS 1 THROUGH 6 AND 16

Sec. 1 Deregulates the interest rate charged by a licensed lending institution. [Beneficial Finance is the only such business now operating in the state.] Interest rates now allowed are up to 36%/year.

Sec. 2 Deregulates interest rates charged by licensed premium finance companies. This type of service is used by businesses and this section has little effect on consumers.

Sec. 3 Removes 6%/year interest rate on money deposited with a court in satisfaction of a judgement after the state or a local government has condemned property and replaces with "lawful" interest of 10.5%. Does not affect consumers.

Sec. 4 Deregulates the interest rate on retail installment contracts. These are those special cases where the seller is also the lender. Examples include furniture stores and car dealers. Interest limit is now 18.5%. The identity between the "lender" and the "seller" means that this is an area where credit is not likely to dry up, as the lender needs to continue to provide credit to continue to sell.

seller and the buyer, and the dependence of the buyer on the goods supplied (e.g., a bush grocery store) creates a situation which is ripe for abuse. If, in fact, the current laws create an interest limit which is below the costs of these services to the seller, then let them be adjusted upwards by enough percentage points to cover the difference, but there is no need to take these ceilings off completely.

3) If an "experiment" in deregulating interest rates is required, apply it only to businesses which can, through equal bargaining power, protect their interests. Do not pass sections 1, 4 and 5 without having a far better understanding of what effects these sections might have on Alaska consumers.

The lender here also has a special security interest in the item sold which allow instant repossession if a payment is missed. This justified by the higher risks involved in these sales. Prices are frequently higher in these stores to reflect the "costs" of providing this kind of credit.

Sec. 5 Deregulates the interest rate on retail charge agreements, revolving charge agreements or other retail charge agreements. This applies to all charge cards and also to charge accounts at stores. This provision will have a special impact on credit customers at bush general stores, cannery stores, fishing gear stores, fuel suppliers, etc. The present allowed interest rate is 18%. This is another situation where selling on credit is an essential part of the business, and credit is not likely to "dry up." Here, and in the section 4 situation, the consumer has almost no bargaining power and is dependent on doing business with these institutions if they need the goods provided. This imbalance in bargaining power was a prime reason for this credit being regulated in the first place, and nothing has happened to relieve the need for consumer protection in these situations.

Sec 6. If interest rates are to exceed 10.5%/year it must be by express agreement of the parties in a contract or loan commitment. This section may have an effect on medical bills, interest on other unpaid bills, etc. If the original contract or agreement of sale contains an interest rate provision this could impose extremely high interest rates.

Sec 16. Aside for adjusting the general usury rate, this section deletes the upper limit for credit union loans. This should not have much effect on consumers as pressure from customer/members should keep these rates reasonable.

ARGUMENTS

1) The Alaska banking community has not demonstrated the need for this legislation. The prime argument in favor of this bill is that it would increase the availability of credit by allowing money to be attracted to the best return. In fact there is no evidence that there has ever been a consumer credit availability problem in Alaska, even when interest rates were far higher.

2) In certain areas the disproportionate power between the

M E M O R A N D U M

July 27, 1983

SUBJECT: Interest rates
(SB 316)

TO: Senator Richard I. Eliason
Chairman, Senate Labor and
Commerce Committee

FROM: Thomas A. Sofo
Legislative Counsel

You have requested this office to prepare a comparative sectional analysis of SCS CSHB 246 (L&C) and SB 316.

SCS CSHB 246 (L&C)	SB 316
Section 1 of the bill removes the fixed numerical interest rate ceiling on small loans. It allows Alaska small loans lenders a rate as high as can be mutually agreed on by contract.	The bill contains no comparable section.
Section 2 of the bill does the same thing for premium financing agreements by removing the numerical percentage interest ceiling and replacing it with a rate agreed on by contract.	Section 1 of the bill increases the present rate of 15 percent a year to a rate of two percent a month on the first $10,000 and deregulates interest only for that part of the loan in excess of $10,000.
Section 3 of the bill increases the interest paid on eminent domain judgments from six percent a year to five percent above the lawful rate of interest. The lawful rate of interest referred to is the rate set in AS 45.45.010(a) which presently is 10.5 percent a year.	Section 2 of the bill replaces the six percent a year rate with a floating rate set at five percentage points above the federal reserve rate.
Section 4 of the bill removes the interest ceiling from retail installment contracts and replaces it with a rate agreed on by contract. An example of retail installment contracts are the	Section 3 of the bill increases the effective interest chargeable on retail installment contracts by increasing the percentages from five-sixths to

SCS CSHB 246 (L&C)	SB 316
types of agreements typically used by furniture stores.	one and three-fourths and removing the two tiered interest ceiling by raising the $1,000 ceiling to $10,000 and deregulating interest on that part of the balance which exceeds $10,000.
No comparable provision in the bill for retail charge agreements.	Section 4 of the bill increases the effective interest rate interest for retail charge agreements from one and one-half to one and three-fourths percent per month and deregulates interest on balances over $10,000.
Section 5 of the bill removes the ceiling formerly contained in subsection (b) to AS 45.45.010. That ceiling was a limit on interest charged by the express agreement of the parties to five percentage points above the Twelfth Federal Reserve district rate. The bill does not change the rate of interest in state in the absence of an agreement, which remains at 10.5 percent a year, but removes the floating ceiling rate formerly contained in subsection (b) which was the upper limit for the legal rate of interest to be charged when there is an express agreement by the parties.	Section 5 of the bill changes interest ceiling for agreements between parties generally to two percent a month and deregulates loans in which the principal amount is greater than $10,000.
Section 6 merely reenacts the changes deleted in sec. 1 of the bill.	The bill contains no comparable section.
Section 7 undoes the amendments made in sec. 2 of this bill.	The bill contains no comparable section.
Section 8 undoes the amendments made in sec. 3 of this bill.	The bill contains no comparable section.
Section 9 is the first half of the amendment which returns to the original the legal rate of interest language which was changed in sec. 5 of the bill.	The bill contains no comparable section.
Section 10 reenacts the open-end loans statute which is repealed in sec. 14 of the bill.	The bill contains no comparable section.

SCS CSHB 246 (L&C)	SB 316
Section 11 reenacts AS 06.45.060(5)(A)(vi) which is the section dealing with interest rates for credit unions.	The bill contains no comparable section.
Section 12. The addition of subsection (i) to AS 45.45.010 is merely a reinsertion of the language which was formerly contained in AS 45.45.010(b).	The bill contains no comparable section.
Section 13 requires the division of banking to make a report to the legislature on or before March 15, 1985, concerning the effects of this legislation.	The bill contains no comparable section.
Section 14. This section repeals the interest rate ceilings on open-end loans (AS 06.20), credit unions (AS 06.45), and general interest ceiling for private agreements contained in AS 45.45.010(b).	Section 6 of the bill repeals interest rate ceiling for credit unions.
Section 15. This section makes the first five sections of the Act as well as secs. 13 - 15 effective on July 1, 1983.	Section 7 of the bill gives an immediate effective date to the entire bill.
Section 16. This section makes secs. 6 - 12 of the bill effective on July 1, 1985. The intended effect of this section is to return the language to the original by undoing the amendments that were made in the other portions of the bill (with the exception of the amendment made to the interest rate on eminent domain judgments). The statutes would return to their present wording on July 1, 1985 in the absence of further action by the legislature.	

TAS:ljb
26/018

The usury bill before you HB 246/SB 276 may have some serious implications to consumers of this state, and I would respectively request that the bill be held over until the next session so that a dialog between legislators and the public may have a chance to take place. I feel that only one side of the issue has been presented as the bill has gone through the process, and before the process is completed much more information, discussion and involvement of consumers must be considered.

Possible benefits of this bill - increased availability of loans - have not seemed to materialize in states that have preceded Alaska in legislation of this sort. The fact is that lenders do not lend to high risk borrowers with or without deregulation. In a New York study 93% of commercial banks raised interest rates but refused to reduce new-borrower qualifications; 83% refused to offer better terms to existing-borrowers. Most savings banks had not liberalized either measure of credit availability. Most of the finance companies hadnot changed their qualifications though they had raised their rates as far as they legally could. Virtually all of the retailers in the New York study had kept credit availability unchanged. A preponderance of the auto dealers had also raised interest rates since deregulation, but not changed their credit qualifications. For the most part the higher interest rates have brought almost no new credit.

The notion of increased credit availability after deregulation may be contrary to a borrower's reality. Higher "prices" may actually deter borrowers who have the option to wait. Since the higher debt-service cost puts a greater strain on disposable borrower income, interest rates should deter borrowers. Increased rates are like increased rents: borrowers have to pay increases just to keep what they already have, and like rent inreases, most interest rate increases are a windfall for lenders and do not represent new availability for borrowers.

Deregulation promises competition, but that has not been born out despite the announced theory. Competition over interest rates does not exist in many consumer credit markets. In a place like Alaska - especially in the bush area - there is no possibility of real competition since only a limited choice of lenders exists. Furthermore if there were sufficient interest-rate competition, consumer interest rates would have dropped sharply from their 1982 levels, since the cost of borrowed funds has dropped sharply; however consumer interest rates have not. Rates should, but have not followed the money market. Competition has also not worked in the example of the Chicago used car market as there are now reports of interest rated in excess of 50% APR (annual percentage rate). In addition lenders could charge unlimited annual fees, transaction fees, or other one-time charges that are never factored into the APR which consumers use to comparison shop. Lenders in search of higher profits are using loansharking techniques to prey upon unsophisticated borrowers.

Great care must be taken to assure consumer protections when deregulation comes into effect. Protection against excessive fees,

fees that do not appear in the APR, and against abusive creditor remedies on default are vital. Plain English Requirements are needed so that consumers can readily understand the contracts that bind them. They should be clearly informed of the loss of home if, due to variable or steep interest rates, they cannot meet payments. They should understand clearly that early payment of the loan incurrs a penality. They need to know up front what creditor remedies may be exercised on default. I would ask you to read the N.Y. Consumers Union testimony before the U.S Senate Committee on Banking, Housing and Urban Affairs, for the author goes into great detail concerning the consumer dangers and protections needed to accompany open legislation of the sort beforeyou.

Credit markets are not the same as buyer and seller bargains for the sale of goods. Unlike buying soap, credit "sellers" with cash available will not loan to every borrower who is willing to "pay the price". There are always those who are economically objectively unqualified to borrow more than they are currently carrving. Increasing interest charges directly decreases borrower qualification, for the higher the risk premium, the better qualified the borrower must be to afford it. The possible outcome of this legislation is that fewer people will qualify for loans, the loans will be increasingly expensive to get, loansharking tactics for repayment may ensue, and competition may more reasonably result in price fixing than in lowering risks and rates to the consumer. Thos hurt most may be the middle and lower income person. 80% of the poor are women.

This country bans thalidomide and laetrile precisely because people are desparate and under such circumstances will take high risks. It is also appropriate to prevent the high risk consumer who is desperate to pay off other debts or to buy goods from getting further over her or his head. Numerous studies show that the vast majority of defaults occur due to events beyond the debtor's control - job loss, illness, and marital trouble. The majority of defaulters default not because they are able to pay and choose not to do so, but because they simply do not have the money.

higher interest

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Win

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AkPIRG Legislative Alert

The State Senate is considering several bills dealing with interest rates. House Bill 246, sponsored by Rep. Bob Bettisworth, passed in the House last session and is now before the Senate. The bill deregulates interest rates on consumer loans under $25,000 in that it allows the rate to be set by contract. (The rates are now 3% a month for loans under $850 and 2% a month between $850 and $10,000.) Service charges, rates on retail installment contracts and charge agreements are similarly deregulated.

Senate Bill 485, introduced this week by Senator Joe Josephson, increases allowable interest rates on credit cards and revolving credit plans from 18 percent to 24 percent per year, and deregulates service charges and other fees.

The Senate Labor and Commerce Committee will be in Anchorage to hold a teleconference hearing on interest rate issues on Saturday, March 3rd. The hearing will start at 10 AM, and Anchorage residents will testify until 11 AM. After that time, residents in other parts of the state can testify. See the list on the other side of the page for the teleconference center nearest you.

If you cannot make the hearing, write the members of the Senate Labor and Commerce Committee: Richard Eliason, Chair; Bob Mulcahy, Vice Chair; Don Bennett; at Rodey; John Sackett; and Fritz Pettyjohn.

The hearing was scheduled on a weekend to encourage consumer participation--PLEASE ATTEND AND TESTIFY! Call or write us for more detailed information on the issue. Copies of bills are available from the Legislative Information Offices.

INTEREST RATE DEREGULATION FACTSHEET

1. Would deregulation of interest rates increase competition among lenders and thereby keep rates reasonable?

   --No. Competition in any market requires that consumers shop for the good or service and compare prices. A 1977 study by the Federal Reserve Board reveals that only 30% of potential borrowers shop for loans. This figure would be much lower for low-income borrowers--those who have the most to lose under deregulation.

   --The New York State Banking Dept. found little increase in competition there after rates were deregulated in 1980. Ninety-three percent of New York banks surveyed increased their rates after deregulation.

2. Would deregulation allow lenders to give more people access to credit?

   --Again, the New York State Banking Dept. study did not find this to be the case. A very small minority of all lending institutions changed their lending qualifications after deregulation. Consumer Federation of America testimony before the Senate Banking Committee explained that "consumers who are eligible for credit at 25% are the same consumers who were eligible for credit at 18%."

   --A 1981 Purdue University study found that Arkansas residents (where the interest rate ceiling is constitutionally set at 10%) held as much consumer debt as residents of neighboring Louisiana (with a 31% APR ceiling). Lower-income Arkansas residents actually held more debt than similar customers in Louisiana.

3. What other adverse effects would usury deregulation cause?

   --The inevitable artificial increase in rates would be inflationary.

   --The state economy would also suffer as consumers put off major purchases in the face of high interest rates. This impact would be especially noticeable in Alaska, a state of consumers rather than producers.

   --A Consumer Federation of America study found that states with high interest rate levels had a higher rate of bankruptcy--19% higher--than states with rates below the average.

February 16, 1984

Dear AkPIRG member or friend:

The efforts of consumers across the country to delay imposition of telephone access charges paid off--in a way-- last month. Under heavy political pressure from the US Senate, the Federal Communications Commission agreed to delay the access charges on residential consumers until sometime in 1985 (conveniently after the elections). The Senate then voted to table the Telephone Rate Relief Bill by a close margin.

Consumer groups were urging Senators to take up S. 1660 because it contained other provisions advantageous to consumers. Both Sens. Stevens and Murkowski voted against tabling.

MORE GENERAL INFORMATION

State legislators are strongly influenced by letters and Public Opinion Messages (POMs) from their constituents. As few as four or five letters can persuade a legislator to change his or her mind on an issue. Most people don't bother to write, however.

Write your legislator at State Capitol, Pouch V, Juneau, AK 99811 or send a free POM (50 words or less) by calling or stopping by your closest Legislative Information Office:

Anchorage:	1024 W. 6th Ave. 278-3668
Barrow:	Christian Education Bldg. 852-7111
Bethel:	Kuskokwim Inn Annex 543-3541
Delta Jct:	Aurelian Building 895-4236
Dillingham:	Kangiiqutaq Office 842-5319
Fairbanks:	315 Barnette St., #101 452-4448
Juneau:	Rm. 30, State Capitol 465-4648
Kenai:	Cordova Bldg, Spur Hwy. 262-9364
Ketchikan:	111 Stedman St. #100 225-9675
Kodiak:	Borough Building 486-4881
Kotzebue:	Eskimo Building 333 Front St. 442-3880
Mat-Su:	Wasilla Village Ctr. 376-3704
Nome:	State Bldg., 2nd Floor 443-5555
Petersburg:	309 Main St. 772-3741
Sitka:	210 Lake St. 747-6276
Valdez:	State Court and Office Building, #59 835-2111

If a teleconference hearing is scheduled for a bill, you can testify "over the wire" at your nearest teleconference center. The hearings are quite informal; legislators want to hear what the average Alaskan thinks about an issue. Call or write your local Legislative Information Office to get on the mailing list for the weekly schedule of hearings. The Legislature requires only five days' notice for scheduling hearings, so they often come up unexpectedly.

Ambler:	City Hall 445-2151
Anatuvuk Pass:	Mayor's Office 661-3011
Cordova:	Library, City Hall 424-5151
Fort Yukon:	City Conference Room 662-2613
Galena:	Louden Village Council 656-1367
Gambell:	Community Center 985-5433
Haines:	Council Chambers, Muni. Bldg. 766-2885
Homer:	Hillas Building 235-7878
Hoonah:	City Hall Chambers 945-3332
Hooper Bay:	Library 758-4329
Wrangell:	City Council Chambers, 874-3013
Yakutat:	City Hall Conference Rm., 784-3236
Kaktovik:	Community Building
Noorvik:	Council Chamber 636-2213
Pt. Hope:	Community Building 368-2770
St. Paul:	Council Chambers 546-2351
Sand Point:	City Council Chambers 383-4877
Savoonga:	City Hall 984-6434
Selawik:	IRA Council 484-2126
Seward:	City Council Chambers 224-3713
Shishmaref:	City Office Building 649-3041
Unalakleet:	Learning Center 624-3054
Unalaska:	Council Chambers 581-1779
Wainwright:	Telecommunications ctr. 763-2543

ALASKAN INTEREST RATE DEREGULATION FACTSHEET

1. Would deregulation of interest rates increase competition among lenders and thereby keep rates reasonable?

-- No. Competition in any market requires that consumers shop for the good or service and compare prices. A 1977 study by the Federal Reserve Board reveals that only 30% of potential borrowers shop for loans. This figure would be much lower for low-income borrowers--those who have the most to lose under deregulation.

-- The New York State Banking Department found little increase in competition there after rates were deregulated in 1980. Ninety-three percent of New York banks surveyed increased their interest rates after deregulation.

2. Would deregulation allow lenders to give more people access to credit?

-- Again, the New York Banking Department study did not find this to be the case. A very small minority of all lending institutions changed their lending qualifications after deregulation. Consumer Federation of America testimony before the Senate Banking Committee explained that "consumers who are eligible for credit at 25% are the same consumers who were eligible for credit at 18%."

-- A 1981 Purdue University study found that Arkansas residents (where the interest rate ceiling was 10%) held as much consumer debt as residents of neighboring Louisiana (with a 31% APR ceiling). Lower-income Arkansas residents actually held more debt than similar consumers in Louisiana.

3. What adverse effects would usury deregulation cause?

-- The inevitable increase in rates would be inflationary.

-- The state economy would also suffer as consumers put off major purchases in the face of high interest rates. This impact would be especially noticeable in Alaska, a state of consumers rather than producers.

-- A Consumer Federation of America study found that states with high interest rate levels had a higher bankruptcy rate--19% higher--than states with rates below the average.

4. What would the impact be on low-income borrowers?

-- As outlined above, low-income consumers would experience higher rates of interest with no corresponding increase in available credit.

-- Because access to lending institutions is often limited in poorer neighborhoods and in rural areas, residents would not comparison shop for credit.

-- Unscrupulous lenders charging unconscionable rates of interest would operate legally--as long as the borrower could be persuaded to sign a contract.

-- Finance companies, which constitute the primary source of credit for low-income borrowers and which already operate at the legal interest rate limit would rachet their rates upward, further constricting credit availability and buying power for lower-income borrowers.

For more information, call or write AkPIRG, PO Box 1093, Anchorage, AK 99510, 278-3661.

Dear AkPIRG member or friend:

The efforts of consumers across the country to delay imposition of telephone access charges paid off--in a way— last month. Under heavy political pressure from the US Senate, the Federal Communications Commission agreed to delay the access charges on residential consumers until sometime in 1985 (conveniently after the elections). The Senate then voted to table the Telephone Rate Relief Bill by a close margin.

Consumer groups were urging Senators to take up S. 1660 because it contained other provisions advantageous to consumers. Both Sens. Stevens and Murkowski voted against tabling.

MORE GENERAL INFORMATION

State legislators are strongly influenced by letters and Public Opinion Messages (POMs) from their constituents. As few as four or five letters can persuade a legislator to change his or her mind on an issue. Most people don't bother to write, however.

Write your legislator at State Capitol, Pouch V, Juneau, AK 99811 or send a free POM (50 words or less) by calling or stopping by your closest Legislative Information Office:

Anchorage:	1024 W. 6th Ave. 278-3668
Barrow:	Christian Education Bldg. 852-7111
Bethel:	Kuskokwim Inn Annex 543-3541
Delta Jct:	Aurelian Building 895-4236
Dillingham:	Kangiiqutaq Office 842-5319
Fairbanks:	315 Barnette St., #101 452-4448
Juneau:	Rm. 30, State Capitol 465-4648
Kenai:	Cordova Bldg, Spur Hwy. 262-9364
Ketchikan:	111 Stedman St. #100 225-9675
Kodiak:	Borough Building 486-4881
Kotzebue:	Eskimo Building 333 Front St. 442-3880
Mat-Su:	Wasilla Village Ctr. 376-3704
Nome:	State Bldg., 2nd Floor 443-5555
Petersburg:	309 Main St. 772-3741
Sitka:	210 Lake St. 747-6276
Valdez:	State Court and Office Building, #59 835-2111

If a teleconference hearing is scheduled for a bill, you can testify "over the wire" at your nearest teleconference center. The hearings are quite informal; legislators want to hear what the average Alaskan thinks about an issue. Call or write your local Legislative Information Office to get on the mailing list for the weekly schedule of hearings. The Legislature requires only five days' notice for scheduling hearings, so they often come up unexpectedly.

Ambler:	City Hall 445-2151
Anatuvuk Pass:	Mayor's Office 661-3011
Cordova:	Library, City Hall 424-5151
Fort Yukon:	City Conference Room 662-2613
Galena:	Louden Village Council 656-1367
Gambell:	Community Center 985-5433
Haines:	Council Chambers, Muni. Bldg. 766-2885
Homer:	Hillas Building 235-7878
Hoonah:	City Hall Chambers 945-3332
Hooper Bay:	Library 758-4329
Wrangell:	City Council Chambers, 874-3013
Yakutat:	City Hall Conference Rm., 784-3236
Kaktovik:	Community Building
Noorvik:	Council Chamber 636-2213
Pt. Hope:	Community Building 368-2770
St. Paul:	Council Chambers 546-2351
Sand Point:	City Council Chambers 383-4877
Savoonga:	City Hall 984-6434
Selawik:	IRA Council 484-2126
Seward:	City Council Chambers 224-3713
Shishmaref:	City Office Building 649-3041
Unalakleet:	Learning Center 624-3054
Unalaska:	Council Chambers 581-1779
Wainwright:	Telecommunications ctr. 763-2543

The State Senate is considering several bills dealing with interest rates. House Bill 246, sponsored by Rep. Bob Bettisworth, passed in the House last session and is now before the Senate. The bill deregulates interest rates on consumer loans under $25,000 in that it allows the rate to be set by contract. (The rates are now 3% a month for loans under $850 and 2% a month between $850 and $10,000.) Service charges, rates on retail installment contracts and charge agreements are similarly deregulated.

Senate Bill 485, introduced this week by Senator Joe Josephson, increases allowable interest rates on credit cards and revolving credit plans from 18 percent to 24 percent per year, and deregulates service charges and other fees.

The Senate Labor and Commerce Committee will be in Anchorage to hold a teleconference hearing on interest rate issues on Saturday, March 3rd. The hearing will start at 10 AM, and Anchorage residents will testify until 11 AM. After that time, residents in other parts of the state can testify. See the list on the other side of the page for the teleconference center nearest you.

If you cannot make the hearing, write the members of the Senate Labor and Commerce Committee: Richard Eliason, Chair; Bob Mulcahy, Vice Chair; Don Bennett; at Rodey; John Sackett; and Fritz Pettyjohn.

The hearing was scheduled on a weekend to encourage consumer participation--PLEASE ATTEND AND TESTIFY! Call or write us for more detailed information on the issue. Copies of bills are available from the Legislative Information Offices.

INTEREST RATE DEREGULATION FACTSHEET

1 Would deregulation of interest rates increase competition among lenders and thereby keep rates reasonable?

--No. Competition in any market requires that consumers shop for the good or service and compare prices. A 1977 study by the Federal Reserve Board reveals that only 30% of potential borrowers shop for loans. This figure would be much lower for low-income borrowers--those who have the most to lose under deregulation.

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--A Consumer Federation of America study found that states with high interest rate levels had a higher rate of bankruptcy--19% higher--than states with rates below the average.

NFIB National Federation of Independent Business

The Guardian of Small Business

February 13, 1984

The Honorable Richard I. Eliason
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

Small business continues to be the largest generator of new jobs in the United States, however, the number of jobs which are created often are significantly effected by state legislative actions. To ensure that legislators have the benefit of knowing how existing law and proposed legislation affects small business, the National Federation of Independent Business has been working with, not only the Alaska Legislature, but state legislatures nationwide for several years.

In Alaska, NFIB currently has a membership in excess of 3,600 which means that we usually represent a significant majority of the retail and service businesses in each city in Alaska. Each year we send a ballot to all of our members requesting their input on issues of current interest in Alaska. This ballot permits each member to express their feelings on these issues and gives me direction regarding which issues should be pursued legislatively. I do not take a position on an issue for NFIB unless the members have voted on it and a majority favor the position being taken.

Enclosed for your information is a copy of our 1983 State Ballot showing the vote of the membership on the various issues. The issues which received strong support are ones which I will be discussing with legislators during this and subsequent legislative sessions.

If I can provide you any additional information on NFIB or if you would like to know our position on a particular issue, feel free to contact me.

Very truly yours,

Gary L. Jenkins, Director
Governmental Relations/Alaska

NFIB/ALASKA
Legislative Office
P.O. Box 194
Auke Bay, AK 99821
907/586-4100

NFIB
National Federation
of Independent Business

1984 Alaska
STATE BALLOT

Dear NFIB Member:

This Ballot is solicited by NFIB Research and Education Foundation to gather information pertaining to small business issues in your state.

Your answers are valuable and will enhance the survey.

Please return the entire Ballot. Thank you.

Very truly yours,

John E. Sloan, Jr., President
NFIB Research and Education Foundation

GENERAL BUSINESS

Interest Rates

1. Should interest rate ceilings be repealed on: (vote on each)

a. Bank loans of $25,000 or less

32% (1) Favor 60% (2) Oppose 8% (3) Undecided (11)

b. Savings and loan association loans of $25,000 or less

34% (1) Favor 58% (2) Oppose 8% (3) Undecided (12)

c. Retail installment contracts

36% (1) Favor 54% (2) Oppose 10% (3) Undecided (13)

d. Retail open-ended charge accounts

34% (1) Favor 56% (2) Oppose 10% (3) Undecided (14)

e. Credit card revolving accounts

33% (1) Favor 58% (2) Oppose 9% (3) Undecided (15)

f. State chartered credit unions

35% (1) Favor 55% (2) Oppose 10% (3) Undecided (16)

g. Small loan finance company loans of $10,000 or less

33% (1) Favor 58% (2) Oppose 9% (3) Undecided (17)

BACKGROUND: HB 246, presently in the Senate Labor and Commerce Committee proposes to remove all limitations on all types of credit in Alaska. The measure would permit each financial institution and all businesses extending credit to charge whatever interest rate they wish, subject only to competition of the marketplace and negotiation with each individual customer.

Current law limits banks and savings and loan associations to a maximum interest rate of 5% over the federal discount rate in effect at the time of the loan on any loan of $25,000 or less. There are no interest rate limitations on loans in excess of $25,000. During the past few months, the federal discount rate has been 8.5%, thereby setting the maximum allowable interest rate at 13.5%.

A retail business selling merchandise on a retail installment contract is presently limited to a maximum interest rate of 10% per year on the first $1,000 of credit extended, and 8% on credit in excess of $1,000. However, for retail businesses as well as credit card companies extending open-ended revolving charge accounts, the maximum interest rate is 18% per year on the first $1,000 of credit extended and the federal discount rate plus 5% on credit in excess of $1,000. A state chartered credit union is presently limited to 15% or 5% over the federal discount rate, whichever is higher on loans of any amount. Small loan finance companies can now levy a maximum interest rate of 36% per year on the first $850 of credit extended and 24% on credit up to $10,000.

Proponents of the removal of all interest rate limitations argue that many financial institutions and businesses lost money on their credit transactions during the period of very high interest rates and, further, the limits are no longer necessary. If the limitations were removed, the marketplace, i.e., competition for the financing, would set the rates at reasonable levels in line with the risks inherent in the particular credit transaction.

Opponents argue that Alaska does not have a well developed marketplace and there are many communities where no competition exists either for banking or retail credit. The removal of all limits would permit the charging of unreasonably high rates. Further, it has also been pointed out that in the case of consumer loans and small business loans under $25,000, the marketplace seems to react very slowly when interest rates are falling in general. For example during the first few months in 1983 in California, where there are no interest rate limitations, interest rates being charged on small loans by banks were running at 20% to 25%, while rates in Alaska were about 14%.

Interest Rates

2. Should interest rates on balances of $1,000 or less that are limited to a maximum, such as the 18% for business credit or credit card companies, be modified so the maximum rate could be increased with the federal discount rate, once the federal discount rate reached a pre-set level?

39% (1) Favor 52% (2) Oppose 9% (3) Undecided (18)

BACKGROUND: Proponents of this concept feel that businesses extending financing and credit should not be so limited in the rates they charge that they lose money; therefore, the limitations should be allowed to rise when interest rates are generally high. It has been proposed that the maximum rate on accounts with balances of $1,000 or less be set at 18%, or 6% over the federal discount rate, whichever is higher.

Opponents argue that the federal discount rate does not necessarily indicate the cost of funds to financial institutions or businesses. A variety of other factors affect the cost of funds to a particular entity. They argue, therefore, that it is more appropriate to remove all limitations and let market conditions establish the rates.

Bad Check Penalties

3. Do you favor or oppose increased civil and/or criminal penalties as an effective deterrent to the writing of bad checks?

95% Favor (1) 4% Oppose (2) 1% Undecided (3) 19

BACKGROUND: It is well established that bad checks are a problem that every business must deal with to some degree. However, the question has been raised whether the laws of Alaska are presently adequate to deal with the problem. It has been suggested that either or both the civil or criminal penalties should be made stronger to attempt to reduce the impact of this problem.

Bad Check Civil Penalties

4. Should legislation be adopted to require that bad-check writers repay not only the face value of the check and any court costs incurred by the receiver but also civil damages of $100 (minimum) or triple the amount of the check?

86% Favor (1) 10% Oppose (2) 4% Undecided (3) 20

BACKGROUND: Law enforcement officials frequently do not pursue those who write bad checks for small amounts. Thus, the only deterrent to writing a bad check is the receiver's (merchant) collection efforts. Checks written for small amounts, which together may represent a deep cut in a business's profit, frequently cost more to collect than they are worth.

If the merchant was allowed to collect from the bad-check writer a minimum of $100 or triple the amount of the check as damages, in addition to the base value of the check and any court costs incurred, there would be a real incentive for the merchant to collect and a deterrent to bad-check writing.

Check Information

5. Should financial institutions be required to number checks on new accounts beginning at #101 and display on the face of the check the month and year the account was opened?

41% Favor (1) 49% Oppose (2) 10% Undecided (3) 21

5A. Should banks be allowed to disclose to merchants the bank account information of those who issue checks which are returned because of insufficient funds? Such information might include account status, current address, phone number, and history of returned checks.

66% Favor (1) 33% Oppose (2) 1% Undecided (3) 22

BACKGROUND: In the United States, approximately 400,000 worthless checks are written every day. Eighty percent of those checking accounts are six months old or less. Numerical listing and date of account opening would alert merchants to new accounts and to take care in deciding whether to accept those checks. Additionally, several states have given financial institutions permission to disclose account information to either law enforcement officials or merchants who receive a worthless check.

Opponents of the numbering system believe it would create problems for individuals and businesses who for continuity purposes want to continue to number checks from where the old account left off.

LABOR

Mandatory Overtime Wages

6. Should existing law be repealed which requires a business with four or more employees to pay overtime to an employee who works more than 8 hours in one day, but does not work over 40 hours per week?

73% Favor (1) 24% Oppose (2) 3% Undecided (3) 23

BACKGROUND: Most small businesses require that a particular job be accomplished within a certain period. This may require an employee to work more than 8 hours on a particular day. However, the employee is given time off on other days of the week so as not to work more than 40 hours that particular week. Proponents of a change say that law is particularly unfair to smaller businesses whose workload is heavy at certain times and slack on other days of the week. This flexibility of worker time should not impose an additional financial burden on smaller businesses.

Opponents to changing the law argue that employees working more than 8 hours in any one day should be given extra compensation in the form of overtime pay, whether they worked voluntarily or were required to do so by their employer. They feel daily overtime pay should be independent of the requirement to pay overtime to an employee who works more than 40 hours a week.

GOVERNMENT

Permanent Fund Income

7. Should the unused portion of the income from the Permanent Fund not allocated to the Dividend Program be authorized for the following?

a. The Longevity Bonus Program for the elderly

41% Favor (1) 51% Oppose (2) 8% Undecided (3) 24

Municipal Assistance Program

24% Favor (1) 66% Oppose (2) 10% Undecided (3) 25

BACKGROUND: During the 1983 Legislative Session bills were introduced which would require that part of the income of the Permanent Fund be held to finance the Longevity Bonus program and/or finance the municipal revenue sharing program. In the past, funding for such programs has been from the state's General Fund.

Proponents of using the income from the Permanent Fund to provide funds for these programs contend that this would not violate the intent of the Permanent Fund financing activities to benefit the maximum number of residents of the state. They argue that programs like the municipal assistance program are helping all communities of the state directly and thus benefit the residents of the various communities indirectly by reducing local taxation and providing needed services.

Opponents argue that the Legislature is merely looking for new sources to fund the expensive programs they have created the past few years which they do not want reduced in levels of funding, now that General Fund revenues are declining. Obviously, the most enticing source for funds is the Permanent Fund. They strongly argue that the income of the Permanent Fund should be kept for the original purposes established when the program was created and not used to fund other programs of the Legislature. They state that the Legislature should be required to fund all programs of the state from General Fund revenues or from revenues other than the Permanent Fund.

Government Competition

8. Does the State of Alaska maintain operations which are in direct competition with your business?

29% YES (1) 56% NO (2) 15% DON'T KNOW (3) 26

BACKGROUND: Past Alaska State Ballots have asked whether the state should desist from activities which directly compete with private enterprise. The membership has always strongly supported this concept. However, the question has been raised about how much competition there actually is. This question is intended to determine the present level of competition by state agencies.

Answer "Yes" only if you are specifically aware of significant areas of state competition in your type of business. Answer "No" if you are reasonably certain that the state does not compete with your business. If you "don't know", please so indicate. If you are aware of specific areas of competition, please list them in the Comments section of this Ballot.

Interest Payment On Overdue Bills

9. Do you favor or oppose legislation to require local governments to pay interest on their unpaid bills after 30 days?

92% Favor (1) 5% Oppose (2) 3% Undecided (3) 27

BACKGROUND: During 1983, legislation was nearly enacted which would mandate state agencies to pay interest on bills not paid within 30 days of receipt of invoice. It has been suggested that the prompt pay legislation should have been applicable to local governments as well as state agencies. The problem of local governments not paying bills on time should be addressed in future legislation.

Opponents of prompt pay say that local governments frequently need to have extended periods to pay their bills and should not be penalized with interest that amounts to taxpayer dollars.

Equal Access to Justice

10. Should the state enact legislation authorizing courts to require state agencies to reimburse reasonable attorney fees and court costs to small businesses who prevail over an agency in civil actions relating to alleged violations of governmental regulations?

96% Favor (1) 2% Oppose (2) 2% Undecided (3) 28

BACKGROUND: Aggressive agency regulatory enforcement frequently result in what is considered unwarranted fines and citations. The intent of the proposed act is to remedy the imbalance of power and legal resources between government and small businesses by giving small business the means to challenge if their position is justified.

Proponents of this legislation believe that making agencies responsible for attorney fees and court costs will discourage unnecessary actions against small businesses and reduce bureaucratic interference with business. Costs and fees would be reimbursed from the agency's operating budget if the courts finds an agency acted unreasonably in pressing a claim or punitive action against a small business.

Opponents say such legislation will unduly tie the hands of regulators. (Please use the Comment section to cite instances where you paid a fine in order to avoid the cost of litigation.)

COMMENTS:

NFIB

National Federation
of Independent Business

Research and Education Foundation
150 West 20th Avenue, San Mateo, CA 94403

1984 ALASKA STATE BALLOT

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Mail To:

NFIB

National Federation of Independent Business
Research and Education Foundation
150 West 20th Avenue
San Mateo, CA 94403

LAW OFFICES OF
ALASKA LEGAL SERVICES CORPORATION
615 "H" STREET, SUITE 100
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 272-9431

POSITION PAPER: House Bill No. 246 - "An Act relating to the deregulation of interest rates; and providing for an effective date."

AT THE REQUEST OF: Senator Richard Eliason, Chairman of Senate Labor and Commerce Committee

FOR MORE INFORMATION CONTACT: Robert Hickerson

DATE: May 25, 1983

HB 246 proposes to deregulate all interest rates and financial charges in the State of Alaska from July 1983 until July 1987. After this five year period, this bill purports to reinstate the current existing regulations.

BRIEF ANALYSIS:

It appears from testimony submitted to U.S. S.B. 730 which proposed preemption of state authority over consumer credit transactions that the proposed Alaska HB 246, which would eliminate state interest regulations would adversely affect the ability of Alaskans to obtain credit, as well as burdening future Alaskan debtors with increased interest rates and repayment plans. Moreover, there has been no apparent [illegible] data or alternative premises introduced which would justify the deregulation of interest rates. Rather this bill seems aimed at increasing the short term profitability of money lenders at the expense of the consumers.

1) The premise that Alaska is not competitive with other states for ascertainment of credit is misleading.

a) Only six states (New York, New Jersey, Montana, South Dakota, Delaware and Arizona) have adopted deregulatory bills similar to the proposed HB 246. Additionally, both New York and New Jersey have buffered the consumer impact of deregulation by adopting criminal usury ceiling-statutes of 25% and 30% respectively.

b) Eleven states (Alabama, Illinois, Michigan, Missouri, New Hampshire, North Dakota, Pennsylvania, Tennessee, and Wisconsin) have floating interest ceilings which are tied to the Federal Reserve Discount Rates.

c) The UCCC States of Idaho, Indiana, Iowa, Kansas, Maine, Oklahoma, South Carolina, Utah and Wyoming have inflationary provisions written into their regulation-

d) The remainder of the twenty-two states including Alaska have statutorially increased the maximum interest rates allowable.

It appears that the availability of credit in Alaska is no less competitive than the majority of the states. If studies show that Alaska is uncompetitive, alternative statutory provisions could be substituted rather than adopting the radical approach of complete deregulation.

2) The premise that HB 246 will expand credit to Alaskan consumers is misleading because it appears that the credit market place is not a competitive market.

a) The proported premise that high risk debtors will be able to obtain credit has been proven fallacious in New York. In New York (a deregulated state) such debtors were still turned down 3 to 1 despite increased interest rates.

b) There is no evidence that interest rates for lower risk debtors would decrease. Apparently in New York debtors eligible for 18% financing are still required to pay the upper ceiling at 25% rates.

3) Additionally, the effects of the deregulation of interest rates would be unduly burdensome to the consumer because of the following:

a) Financial charges and interest rates would increase.

b) Additional "hidden" fees would be added to the financing contract which would make comparison shopping very difficult.

4) The effects of deregulation of interest rates would be burdensome to creditors because of the following:

a) It would decrease the consumer consumption of goods because an individual could only absorb a certain amount of credit and interest rates; increased interest rates would proportionately reduce the amount of goods purchased.

b) Incidents of bankruptcy are likely to increase as a result of increased interest rates. Statistics have shown that the rate of bankruptcy increases proportionately to the rate of interest rates.

5) Lastly, it is suggested that if a deregulation bill was to be passed, additional measures should be taken simultaneously which would provide the consumer with full disclosure protections of a financing contract. These include:

a) A Plain English Statute;

b) Expansion of the truth in Lending and Fair Debt Collection Statutes;

c) Prohibition of Wage Assignments;

d) Prohibition of non purchase money security interests in household goods;

e) Prohibition of blanket security interests, and increasing the specificity of goods included under a security agreement; and

f) Expansion of laws protecting co-signers which would include more information and a cooling off period.

CONCLUSION:

It appears from the available material that HB 246 would not achieve the purported purposes and seriously hinder consumer financing. It is suggested that this Bill be reexamined and alternative options be presented which would either provide potential debtors with additional disclosure protections or in the alternative provide less drastic remedies to resolving the purported Alaskan Credit Problem.

ALASKA PUBLIC INTEREST RESEARCH GROUP
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

May 23, 1983

Richard Eliason, Chair
Senate Labor and Commerce Committee
Pouch V
State Capitol
Juneau, AK 99811

Dear Sen. Eliason:

The Alaska Public Interest Research Group is strongly opposed to HB 246, which would deregulate interest rates in the State. Deregulation of interest rates will not increase competition in lending, will not increase access to credit, or revive the State's economy, and it will most certainly harm consumers seeking credit.

1. Interest ceilings were established to protect consumers from unscrupulous lenders charging unconscionable rates of interest. The present law does just that. The ceilings are above the present market rate, so fair and honest lenders are not adversely affected by the law. In deregulating interest rates, this Legislature would be aiding those lenders who gouge consumers seeking credit. Caveat emptor cannot apply in an industry well-known for misleading statements, fine print and waiver-of-defense clauses.

2. Lifting interest rate ceilings will artificially increase interest rates. Usury ceilings in New Jersey were lifted from 21% to 30% in 1980. The average interest rate increased from 6 to 7% just after the new ceiling went into effect and has not come down. These lenders were not reflecting the market when they increased rates, they were exercising oligopolic control of interest rates. If interest rates were to increase artificially, both consumers' disposable income and consumer demand would constrict, restraining growth in the Alaskan economy.

3. We can't rely on the marketplace forces to set interest rates because the lending industry is not competitive. Many consumers, especially lower-income and less-educated consumers, don't shop for credit. Even with the yardsticks made possible by the Truth in Lending Act, consumers rely on family,

merchants and the lenders themselves for information when making credit decisions. Credit and interest rates are perceived as a "take it or leave it" proposition, with the lender in control.

4. The lending industry doesn't need increased rates, and when it does, the Legislature can simply increase the ceiling appropriately. The inflation rate has decreased by two thirds over the last two years, the prime rate has decreased by nearly one half, and the rate at which banks pay for their money--the money market rate--has declined substantially to around 9%. These pressures have not brought about a corresponding decrease in the consumer loan rates, the banks' profit margins (at least on their loan portfolios) have just increased. The financial pressures to increase rates which we experienced several years ago no longer exist.

5. Lifting the ceilings will not open credit up to borrowers previously unable to obtain credit. A recent New York Banking Department study bears this out, according to testimony presented by the Consumer Federation of America before the Senate Banking Committee earlier this year. In 1980, New York raised its interest ceiling substantially and opened lending up to new classes of institutions. While there is a theoretical argument that lenders then could charge new high risk borrowers a commensurately higher rate of interest, this did not happen. Few lending institutions raised their credit limits and even fewer opened up their loan standards. As the C.F.A. testimony concludes, " . . . consumers who are eligible for credit at 25% are the same consumers who were eligible for credit at 18%." The primary change has been an increased cost of credit to the borrower and increased earnings to the lender.

We urge you to recognize the faults in HB 246, and not pass the bill out of Committee.

Moreover, HB 246 should be of great importance to Alaska's consumers, yet it has received little publicity or attention outside the lending industry. We urge the Committee to hold a teleconference in the evening with plenty of notice on this issue.

Sincerely,

Maureen Kennedy

Maureen Kennedy
Director

ATTACH 3 —

FEB

NFIB® National Federation of Independent Business

The Guardian of Small Business

February 13, 1984

The Honorable Rick Uehling
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

Small business continues to be the largest generator of new jobs in the United States, however, the number of jobs which are created often are significantly effected by state legislative actions. To ensure that legislators have the benefit of knowing how existing law and proposed legislation affects small business, the National Federation of Independent Business has been working with, not only the Alaska Legislature, but state legislatures nationwide for several years.

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If I can provide you any additional information on NFIB or if you would like to know our position on a particular issue, feel free to contact me.

Very truly yours,

Gary L. Jenkins, Director
Governmental Relations/Alaska

NFIB/ALASKA
Legislative Office
P.O. Box 194
Auke Bay, AK 99821
907/586-4100

NFIB
National Federation
of Independent Business

1984 Alaska
STATE BALLOT

Dear NFIB Member:

This Ballot is solicited by NFIB Research and Education Foundation to gather information pertaining to small business issues in your state.

Your answers are valuable and will enhance the survey.

Please return the entire Ballot. Thank you.

Very truly yours,

John E. Sloan, Jr., President
NFIB Research and Education Foundation

GENERAL BUSINESS

Interest Rates

1. Should interest rate ceilings be repealed on: (vote on each)

   a. Bank loans of $25,000 or less

   32% (1) Favor 60% (2) Oppose 8% (3) Undecided (11)

   b. Savings and loan association loans of $25,000 or less

   34% (1) Favor 58% (2) Oppose 8% (3) Undecided (12)

   c. Retail installment contracts

   36% (1) Favor 54% (2) Oppose 10% (3) Undecided (13)

   d. Retail open-ended charge accounts

   34% (1) Favor 56% (2) Oppose 10% (3) Undecided (14)

   e. Credit card revolving accounts

   33% (1) Favor 58% (2) Oppose 9% (3) Undecided (15)

   f. State chartered credit unions

   35% (1) Favor 55% (2) Oppose 10% (3) Undecided (16)

   g. Small loan finance company loans of $10,000 or less

   33% (1) Favor 58% (2) Oppose 9% (3) Undecided (17)

BACKGROUND: HB 246, presently in the Senate Labor and Commerce Committee proposes to remove all limitations on all types of credit in Alaska. The measure would permit each financial institution and all businesses extending credit to charge whatever interest rate they wish, subject only to competition of the marketplace and negotiation with each individual customer.

Current law limits banks and savings and loan associations to a maximum interest rate of 5% over the federal discount rate in effect at the time of the loan on any loan of $25,000 or less. There are no interest rate limitations on loans in excess of $25,000. During the past few months, the federal discount rate has been 8.5%, thereby setting the maximum allowable interest rate at 13.5%.

A retail business selling merchandise on a retail installment contract is presently limited to a maximum interest rate of 10% per year on the first $1,000 of credit extended, and 8% on credit in excess of $1,000. However, for retail businesses as well as credit card companies extending open-ended revolving charge accounts, the maximum interest rate is 18% per year on the first $1,000 of credit extended and the federal discount rate plus 5% on credit in excess of $1,000. A state chartered credit union is presently limited to 15% or 5% over the federal discount rate, whichever is higher on loans of any amount. Small loan finance companies can now levy a maximum interest rate of 36% per year on the first $850 of credit extended and 24% on credit up to $10,000.

Proponents of the removal of all interest rate limitations argue that many financial institutions and businesses lost money on their credit transactions during the period of very high interest rates and, further, the limits are no longer necessary. If the limitations were removed, the marketplace, i.e., competition for the financing, would set the rates at reasonable levels in line with the risks inherent in the particular credit transaction.

Opponents argue that Alaska does not have a well developed marketplace and there are many communities where no competition exists either for banking or retail credit. The removal of all limits would permit the charging of unreasonably high rates. Further, it has also been pointed out that in the case of consumer loans and small business loans under $25,000, the marketplace seems to react very slowly when interest rates are falling in general. For example during the first few months in 1983 in California, where there are no interest rate limitations, interest rates being charged on small loans by banks were running at 20% to 25%, while rates in Alaska were about 14%.

Interest Rates

2. Should interest rates on balances of $1,000 or less that are limited to a maximum, such as the 18% for business credit or credit card companies, be modified so the maximum rate could be increased with the federal discount rate, once the federal discount rate reached a pre-set level?

   39% (1) Favor 52% (2) Oppose 9% (3) Undecided (18)

BACKGROUND: Proponents of this concept feel that businesses extending financing and credit should not be so limited in the rates they charge that they lose money; therefore, the limitations should be allowed to rise when interest rates are generally high. It has been proposed that the maximum rate on accounts with balances of $1,000 or less be set at 18%, or 6% over the federal discount rate, whichever is higher.

Opponents argue that the federal discount rate does not necessarily indicate the cost of funds to financial institutions or businesses. A variety of other factors affect the cost of funds to a particular entity. They argue, therefore, that it is more appropriate to remove all limitations and let market conditions establish the rates.

Bad Check Penalties

3. Do you favor or oppose increased civil and/or criminal penalties as an effective deterrent to the writing of bad checks?

95% Favor (1) 4% Oppose (2) 1% Undecided (3) 19

BACKGROUND: It is well established that bad checks are a problem that every business must deal with to some degree. However, the question has been raised whether the laws of Alaska are presently adequate to deal with the problem. It has been suggested that either or both the civil or criminal penalties should be made stronger to attempt to reduce the impact of this problem.

Bad Check Civil Penalties

4. Should legislation be adopted to require that bad-check writers repay not only the face value of the check and any court costs incurred by the receiver but also civil damages of $100 (minimum) or triple the amount of the check?

86% Favor (1) 10% Oppose (2) 4% Undecided (3) 10

BACKGROUND: Law enforcement officials frequently do not pursue those who write bad checks for small amounts. Thus, the only deterrent to writing a bad check is the receiver's (merchant) collection efforts. Checks written for small amounts, which together may represent a deep cut in a business's profit, frequently cost more to collect than they are worth.

If the merchant was allowed to collect from the bad-check writer a minimum of $100 or triple the amount of the check as damages, in addition to the base value of the check and any court costs incurred, there would be a real incentive for the merchant to collect and a deterrent to bad-check writing.

Check Information

5. Should financial institutions be required to number checks on new accounts beginning at #101 and display on the face of the check the month and year the account was opened?

41% Favor (1) 49% Oppose (2) 10% Undecided (3) 21

5A. Should banks be allowed to disclose to merchants the bank account information of those who issue checks which are returned because of insufficient funds? Such information might include account status, current address, phone number, and history of returned checks.

66% Favor (1) 33% Oppose (2) 1% Undecided (3) 22

BACKGROUND: In the United States, approximately 400,000 worthless checks are written every day. Eighty percent of those checking accounts are six months old or less. Numerical listing and date of account opening would alert merchants to new accounts and to take care in deciding whether to accept those checks. Additionally, several states have given financial institutions permission to disclose account information to either law enforcement officials or merchants who receive a worthless check.

Opponents of the numbering system believe it would create problems for individuals and businesses who for continuity purposes want to continue to number checks from where the old account left off.

LABOR

Mandatory Overtime Wages

6. Should existing law be repealed which requires a business with four or more employees to pay overtime to an employee who works more than 8 hours in one day, but does not work over 40 hours per week?

73% Favor (1) 24% Oppose (2) 3% Undecided (3) 23

BACKGROUND: Most small businesses require that a particular job be accomplished within a certain period. This may require an employee to work more than 8 hours on a particular day. However, the employee is given time off on other days of the week so as not to work more than 40 hours that particular week. Proponents of a change say that law is particularly unfair to smaller businesses whose workload is heavy at certain times and slack on other days of the week. This flexibility of worker time should not impose an additional financial burden on smaller businesses.

Opponents to changing the law argue that employees working more than 8 hours in any one day should be given extra compensation in the form of overtime pay, whether they worked voluntarily or were required to do so by their employer. They feel daily overtime pay should be independent of the requirement to pay overtime to an employee who works more than 40 hours a week.

GOVERNMENT

Permanent Fund Income

7. Should the unused portion of the income from the Permanent Fund not allocated to the Dividend Program be authorized for the following?

a. The Longevity Bonus Program for the elderly

41% Favor (1) 51% Oppose (2) 8% Undecided (3) 24

Municipal Assistance Program

24% Favor (1) 66% Oppose (2) 10% Undecided (3) 25

BACKGROUND: During the 1983 Legislative Session bills were introduced which would require that part of the income of the Permanent Fund be held to finance the Longevity Bonus program and/or finance the municipal revenue sharing program. In the past, funding for such programs has been from the state's General Fund.

Proponents of using the income from the Permanent Fund to provide funds for these programs contend that this would not violate the intent of the Permanent Fund financing activities to benefit the maximum number of residents of the state. They argue that programs like the municipal assistance program are helping all communities of the state directly and thus benefit the residents of the various communities indirectly by reducing local taxation and providing needed services.

Opponents argue that the Legislature is merely looking for new sources to fund the expensive programs they have created the past few years which they do

not want reduced in levels of funding, now that General Fund revenues are declining. Obviously, the most enticing source for funds is the Permanent Fund. They strongly argue that the income of the Permanent Fund should be kept for the original purposes established when the program was created and not used to fund other programs of the Legislature. They state that the Legislature should be required to fund all programs of the state from General Fund revenues or from revenues other than the Permanent Fund.

Government Competition

8. Does the State of Alaska maintain operations which are in direct competition with your business?

29%(1) YES 56%(2) NO 15%(3) DON'T KNOW (16)

BACKGROUND: Past Alaska State Ballots have asked whether the state should desist from activities which directly compete with private enterprise. The membership has always strongly supported this concept. However, the question has been raised about how much competition there actually is. This question is intended to determine the present level of competition by state agencies.

Answer "Yes" only if you are specifically aware of significant areas of state competition in your type of business. Answer "No" if you are reasonably certain that the state does not compete with your business. If you "don't know", please so indicate. If you are aware of specific areas of competition, please list them in the Comments section of this Ballot.

Interest Payment On Overdue Bills

9. Do you favor or oppose legislation to require local governments to pay interest on their unpaid bills after 30 days?

92%(1) Favor 5%(2) Oppose 3%(3) Undecided (17)

BACKGROUND: During 1983, legislation was nearly enacted which would mandate state agencies to pay interest on bills not paid within 30 days of receipt of invoice. It has been suggested that the prior legislation should have been applicable to local governments as well as state agencies. The problem of local governments not paying bills on time should be addressed in future legislation.

Opponents of prompt pay say that local governments frequently need to have extended periods to pay their bills and should not be penalized with interest that amounts to taxpayer dollars.

Equal Access to Justice

10. Should the state enact legislation authorizing courts to require state agencies to reimburse reasonable attorney fees and court costs to small businesses who prevail over an agency in civil actions relating to alleged violations of governmental regulations?

96%(1) Favor 2%(2) Oppose 2%(3) Undecided (18)

BACKGROUND: Aggressive agency regulatory enforcement frequently result in what is considered unwarranted fines and citations. The intent of the proposed act is to remedy the imbalance of power and legal resources between government and small businesses by giving small business the means to challenge if their position is justified.

Proponents of this legislation believe that making agencies responsible for attorney fees and court costs will discourage unnecessary actions against small businesses and reduce bureaucratic interference with business. Costs and fees would be reimbursed from the agency's operating budget if the court finds an agency acted unreasonably in pressing a claim or punitive action against a small business.

Opponents say such legislation will unduly tie the hands of regulators. (Please use the Comment section to cite instances where you paid a fine in order to avoid the cost of litigation.)

COMMENTS: _____

May 26, 1983

Senator Richard Eliason
Chairman, L & C Committee
State Capitol
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

HB 246(L&C) which you will hearing this date, has been brought to my attention. I find that Sections 4 & 5 of this bill has potential to directly affect fishermen and I am concerned.

Credit is a funny situation. Even when you have cash available, you are forced to buy on time or charge an account at a business in order to establish credit just to get a telephone installed in your home. In other words, you are forced to use the system. Unfortunately, in these trying times most fishermen do not have a pocketful of cash. We find ourselves living from "hand-to-mouth".

This bill is experimenting with what is going to happen to interest rates if deregulated for four years. We, the consumer, will be the ones paying the costs. Fishermen can little afford the extra strain. Major purchases such as a diesel engine or auxillary will fall under the catagory of Section 4, and everything else from gear, groceries, ice and bait will fall under Section 5 of this bill. All too often fishermen are trapped by the "company store" situation. This is especially true of areas found along the coast of Alaska, such as Pelican, Elfin Cove, Craig. We are currently struggling with inflated prices (and often inferior products) which the sellor justifies because of "freight" charges. I would hate to see us saddled with inflated interest rates on these accounts also, just because we are forced to do business and have no other choice.

Unless you can see a real need for this legislation that is hidden from me, I urge you to <u>oppose it</u>. I thank you for your time to read this and consider it with other testimony.

Sincerely,

Jeri Museth

Jeri Museth
Elfin Cove, AK 99825

cc: Labor and Commerce Committee members

UNITED FISHERMEN OF ALASKA

319 Seward Street, Suite #208
Juneau, Alaska 99801-1188
(907) 586-2820

Cass M. Parsons
Executive Director

May 26, 1983

Honorable Dick Eliason
Chairman
Senate Labor and Commerce
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

The Senate Labor and Commerce Committee is scheduled to hear House Bill 246 today. There are a couple of concerns I would like to bring to your attention.

Sections of House Bill 246 deregulate interest rates retail establishments are allowed to charge customers. These sections could have a very negative impact on the fishing communities in Alaska. As you know, fishermen throughout the State buy supplies pre-season on credit. The processors in turn, open charge accounts at lumber companies, groceries and hardware shops for their fishermen and their own necessities. This way of doing business has been going on for decades in Alaska. If the limit is taken off the interest rates these establishments can charge, the entire industry would suffer. Fishermen and processors alike require these pre-season purchases, and in most communities there are no other stores to compete. Most coastal communities support one grocery and one hardware store only.

Thank you for your attention. I urge you and the members of your committee to consider very carefully the effect this legislation will have on rural and coastal communities and the Alaskan consumer.

Sincerely,

Cass M. Parsons

Cass M. Parsons
UFA Executive Director

CMP/jb
cc: All members, Senate Labor and Commerce Committee

5/19/83, JUNE, ANC LIO, MSNG 19145

TO: SENATORS ELIASON, MULCAHY, BENNETT, SACKETT, AND RODEY

FROM: LOUISE HUNTER, 223 NORTH HOYT #4, ANCHORAGE, AK 99504
H- 277-3783

CCHB 246 (DEREGULATE INTEREST RATES) CAN BE DETRIMENTALTO THE FINANCIAL HEALTH OF THE POOR AND OF WOMEN WHO ARE STRUGGLING AS IT IS. PLEASE DON'T SUPPORT IT.

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