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**Sec. 45.10.030. Contents of contract.** (a) The retail installment contract must contain the names of the seller and the buyer, the place of business of the seller, the residence or other address of the buyer as named by the buyer, and a description or identification of the goods sold or to be sold or services furnished or rendered or to be furnished or rendered. The contract must also contain the following items:

- (1) the cash sale price of each item of goods or services;
- (2) the amount of the buyer's down payment, identifying the amounts paid in money and allowed for goods traded in;
- (3) the difference between items (1) and (2);
- (4) the aggregate amount included for insurance, if a separate identified charge is made for insurance, specifying the types of insurance and the terms of coverage;
- (5) the aggregate amount of official fees;
- (6) the principal balance, which is the sum of items (3), (4), and (5);
- (7) the amount or rate of the service charge;
- (8) any other charges;
- (9) the amount of the time balance owed by the buyer to the seller, which is the sum of items (6), (7), if (7) is stated in a dollar amount, and (8);

(10) except as provided in (c) of this section, the maximum number of installment payments required and the amount of each installment and the due date of each payment necessary to pay the balance.

(b) Additional items may be included to explain the calculations involved in determining the balance to be paid by the buyer.

(c) If the installment payments other than the final payment are stated as a series of equal scheduled amounts and if the amount of the final installment payment does not substantially exceed the scheduled amount of each preceding installment payment, the maximum number of payments and the amount and due date of each payment need not be separately stated, and the amount of the scheduled final installment payment may be stated as the remaining unpaid balance. The due date of the first installment payment may be fixed by a day or date or may be fixed by reference to the date of the contract or to the time of delivery or installation. (§ 4 ch 141 SLA 1962)

**Sec. 45.10.040. Other documents.** (a) A retail installment contract may be contained in more than one document, if one is an original document signed by the retail buyer stated to be applicable to purchase of goods or services to be made by the retail buyer from time to time. In this case the document, together with the sales slip, account book, or other written statement relating to each purchase, must set out all of the information required by AS 45.10.030 and constitute the retail installment contract for each purchase.

(b) On each succeeding purchase under the original document, the sales slip, account book, or other written statement may at the option of the seller constitute the memorandum required by AS 45.10.100. (§ 5 ch 141 SLA 1962)

**Sec. 45.10.050. Catalog sales.** (a) A retail installment contract, or retail charge agreement, negotiated and entered into by mail or telephone without personal solicitation by a salesman or representative of the seller and based upon a catalog of the seller or other printed solicitation of business, if the catalog or other printed solicitation clearly sets out the cash sale prices and other terms of sales to be made through this medium, shall be made as provided in this section. The provisions of this chapter with respect to retail installment contracts and retail charge agreements are applicable to these sales, except that the retail installment contract when completed by the buyer need not contain the items required by AS 45.10.030.

(b) When the retail installment contract is received from the retail buyer, the seller shall prepare a written memorandum containing all of the information required by AS 45.10.030 to be included in a retail installment contract. Instead of delivering a copy of the contract to the retail buyer as provided in AS 45.10.020, the seller shall deliver to the buyer a copy of the memorandum before the due date of the first installment payable under the contract. If the catalog or other printed solicitation does not set out all of the other terms of sales in addition to the cash sales prices, the memorandum shall be delivered to the buyer before or at the time of delivery of the goods or services. (§ 6 ch 141 SLA 1962; am § 1 ch 45 SLA 1978)

**Effect of amendment.** — The 1978 amendment, in subsection (a), inserted "or retail charge agreement" in the first sentence and "and retail charge agreements" in the second sentence and substituted "shall be made" for "may be made" in the first sentence. In subsection (b), the amendment inserted "retail installment" near the beginning of the first sentence.

**Sec. 45.10.060. Signing of incomplete contracts.** The seller may not obtain the signature of the buyer to a contract if it contains blank spaces of items which are essential provisions of the transaction, except as provided in AS 45.10.050. However, if delivery of the goods is not made at the time of the execution of the contract, the identifying numbers or marks of the goods or similar information and the due date of the first installment may be inserted by the seller in the seller's counterpart of the contract after it has been signed by the buyer. (§ 7 ch 141 SLA 1962)

**Sec. 45.10.070. Prepayment.** (a) A retail installment contract must contain a statement that the buyer may pay the total unpaid balance on the contract at any time. A buyer who prepays in full the unpaid balance at any time before its final due date shall, if the contract is not in default more than two months, receive a refund credit of the unearned portion of the service charge for the prepayment.

(b) The amount of the refund credit shall be computed according to the "rule of 78ths"; that is, it shall represent at least as great a proportion of the original service charge over \$25 in case of a retail

installment sale of a motor vehicle, or \$10 in case of a retail installment sales of goods other than a motor vehicle, as (1) the sum of the monthly or other periodic unpaid balances under the schedule of payments in the contract beginning as of the date after the prepayment which is the next succeeding monthly or other periodic anniversary date of the due date of the first installment under the contract, or, if the prepayment is before the due date of the first installment under the contract, then as of the date after the prepayment which is the next succeeding monthly or other periodic anniversary date of the date of the contract bears to (2) the sum of all the monthly or other periodic unpaid balances under the schedule of installment payments in the contract.

(c) If the amount of refund credit is less than \$1, no refund credit need be made. (§ 8 ch 141 SLA 1962)

**Sec. 45.10.080. Delivery and collection charges, and other provisions.** (a) The holder of a retail installment contract may not collect any delinquency or collection charge other than attorney fees, court costs, and disbursements unless the contract so provides. In this case, the charge shall be reasonable, and no attorney fee may be recovered unless the contract is referred for collection to an attorney not a salaried employee of the holder.

(b) The contract may contain other provisions not inconsistent with the purposes of this chapter. (§ 9 ch 141 SLA 1962)

**Sec. 45.10.090. Receipts and requests for statements.** (a) A buyer shall be given a written receipt for any payment when made in cash.

(b) Upon written request of the buyer, the holder of a retail installment contract shall give or forward to the buyer a written statement of the dates and amounts of payments and the total amount unpaid under the contract. This statement shall be given the buyer once without charge; if an additional statement is requested by the buyer, it shall be supplied by the holder at a charge not in excess of \$1 for each additional statement supplied. (§ 10 ch 141 SLA 1962)

**Sec. 45.10.100. Consolidation of contracts.** (a) If, in a retail installment transaction, a retail buyer makes a purchase of goods or services from a retail seller from whom he has previously purchased goods or services under a retail installment contract, and the amount under the previous contract has not been fully paid, the subsequent purchase may, at the seller's option, be included in and consolidated with the previous contract. This chapter, with respect to a retail installment contract, is applicable to the subsequent purchase. In the event of consolidation, the seller shall furnish to the buyer, before the due date of the first installment of the consolidated contract, the items of information under AS 45.10.030 or 45.10.040 and a memorandum setting out

- (1) the outstanding balance of the previous contract or contracts;
- (2) the amount of the time balance owed by the buyer to the seller for the subsequent purchase;
- (3) the consolidated time balance; and
- (4) the revised installments applicable to the consolidated time balance.

(b) The seller shall deliver a copy of the memorandum to the buyer before the due date of the first installment of the consolidated contract.

(c) When the subsequent purchase is made, if the seller has retained title or taken a lien or other security interest in any of the goods purchased under one of the contracts included in the consolidation,

(1) the entire amount of all payments made before the subsequent purchase is considered to have been applied on the previous purchase;

(2) if the amount of each installment payment is not increased in connection with the subsequent purchase, the subsequent payments are considered to be allocated first to the previous purchase;

(3) if the amount of each installment payment is increased in connection with the subsequent purchase, an amount equal to the original periodic payment is allocated first to the previous purchase, and the amount of the increase may, at the seller's option, be considered to be allocated to the subsequent purchase;

(4) the amount of a down payment on the subsequent purchase is allocated in its entirety to the subsequent purchase.

(d) The provisions of (c) of this section do not apply to a case where the previous and subsequent purchases involve equipment, parts, or other goods attached or affixed to goods previously purchased and not fully paid, or to services in connection with goods previously purchased and not fully paid, rendered by the seller at the buyer's request. (§ 11 ch 141 SLA 1962)

**Sec. 45.10.110. Notice of service charge and monthly statement.** (a) At or before the time a retail charge agreement is made, the seller shall advise the buyer in writing on the application form or otherwise, or orally that a service charge will be computed on the outstanding balance for each month (which need not be a calendar month) or other regular period agreed upon, the schedule or rate by which the service charge will be computed, and that the buyer may pay his total unpaid balance at any time. If this information is given orally, the seller shall, upon approval of the buyer's credit, deliver to the buyer or mail to him at his address a memorandum setting out this information.

(b) The seller or holder of a retail charge agreement shall promptly supply the buyer with a statement as of the end of each monthly period (which need not be a calendar month) or other regular period agreed upon in which there is an unpaid balance. The statement must include the unpaid balance under the retail charge agreement and the amount of a service charge for the period. (§ 12 ch 141 SLA 1962)

**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;

(4) 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 41 SLA 1962; am § 1 ch 154 SLA 1966; am § 2 ch 79 SLA 1980)

**Cross reference.** — As to revolving credit plans, see AS 06.05.208.

**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,

(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)

**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;

(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.

Section	Section
10. Claimant in possession considered owner of ores	40. Failure to bring action
20. When purchaser considered owner of ore; nonliability to person subsequently adjudged owner	50. Liability of purchaser to person adjudged owner or entitled to possession
30. Notice to purchaser by claimant or owner out of possession	

**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)

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§ 45.45.010

ALASKA STATUTES SUPPLEMENT

§ 45.45.010

## Chapter 45. Trade Practices.

### Article

1. Interest (§ 45.45.010)
2. Collection of Advance Interest (§ 45.45.080)
5. Regulation of Motor Vehicle Repairs (§ 45.45.240)
6. Motor Vehicle Warranties (§§ 45.45.300 — 45.45.360)

### Article 1. Interest.

#### Section

#### 10. Legal rate of interest

**Sec. 45.45.010. Legal rate of interest.** (a) The rate of interest in the state is 10.5 percent a year and no more on money after it is due except as provided in (b) of this section.

(b) No interest may be charged by express agreement of the parties in a contract or loan commitment which is more than five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District on the day on which the contract or loan commitment is made. A contract or loan commitment in which the principal amount exceeds \$25,000 is exempt from the limitation of this subsection.

(c) *[Repealed, § 3 ch 84 SLA 1973.]*

(d) *[Repealed, § 2 ch 94 SLA 1981.]*

(e) *[Repealed, § 4 ch 146 SLA 1974.]*

(f) No bank, credit union, savings and loan institution, pension fund, insurance company or mortgage company may require or accept any percent of ownership or profits above its interest rate. This subsection does not apply to a loan if the principal amount of the loan is \$1,000,000 or more and the term of the loan is five years or more.

(g) Loan contracts and commitments covering one- to four-family dwellings may be prepaid without penalty, except federally insured loans that require a prepayment penalty.

(h) If the limitations on interest rates provided for in this section are inconsistent with the provisions of any other statute covering maximum interest, service charges or discount rates then the provisions of the other statute prevail. (§ 25-1-1 ACLA 1949; am § 20 ch 143 SLA 1968; am § 2 ch 69 SLA 1969; am §§ 1, 2 ch 94 SLA 1969; am §§ 1, 2 ch 239 SLA 1970; am §§ 1 — 3 ch 84 SLA 1973; am §§ 1 -- 4 ch 146 SLA 1974; am § 1 ch 110 SLA 1976; am § 1 ch 159 SLA 1976; am § 2 ch 107 SLA 1980; am §§ 1, 2 ch 94 SLA 1981; am § 1 ch 56 SLA 1982)

**Cross references.** — As to alternate technology and power resource loans, see AS 45.88.030(e).

**Effect of amendments.** — The 1981 amendment, in subsection (b), deleted "dated after June 4, 1976" following "contract or loan commitment" and substi-

tuted "on the day on" for "that prevailed on the 25th day of the month preceding the commencement of the calendar quarter during" preceding "which the contract" in the first sentence and substituted "\$25,000" for "\$100,000" preceding "is exempt" in the second sentence. The

amendment also repealed subsection (d) which read "Notice of the annual rate charge member banks for advances by the 12th Federal Reserve District prevailing on the 25th day of the month preceding the commencement of each calendar quarter required for the maximum interest rate computation under (b) of this section shall be provided by the Department of Commerce and Economic Development."

The 1982 amendment, in subsection (f), inserted "credit union" in the first sentence and added the present second sentence.

**Editor's notes.** — Section 3, ch. 107, SLA 1980, added a subsection (j) to this section but the provisions of that subsection have been renumbered as AS 09.30.065.

#### NOTES TO DECISIONS

**The purpose of prejudgment interest, etc.**

The purpose of awarding prejudgment interest is not to penalize the losing party, but rather to compensate the successful claimant for losing the use of the money between the date he or she was entitled to it and the date of judgment, and a corollary purpose is to prevent the judgment debtor from being unjustly enriched by the use of that money. *Bevins v. Peoples Bank & Trust Co.*, Sup. Ct. Op. No. 2746 (File No. 7228), 671 P.2d 875 (1983).

**Interest on funds deposited in interpleader actions.** — As a general rule, interest on funds deposited with the court in interpleader actions is not recoverable from the unsuccessful claimant because the funds were not in his or her possession, available for investment; but when an unsuccessful claimant had no legitimate claim to the funds, the court may award interest against the claimant since by filing his suit, the claimant had caused the funds to be interpleaded and thereby deprived the other party of their use. *Bevins v. Peoples Bank & Trust Co.*, Sup. Ct. Op. No. 2746 (File No. 7228), 671 P.2d 875 (1983).

**Application of variable interest rate formula.** — Provision in note for "interest after maturity at the highest lawful contract rate" is sufficient to constitute an express interest agreement setting interest at highest rate sanctioned by application of variable interest rate formula. *Riley v. Northern Com. Co.*, Sup. Ct. Op. No. 2534 (File No. 5754), 648 P.2d 961 (1982).

Where promissory note provided for "interest after maturity at the highest lawful contract rate," award of postjudgment interest at highest rate

allowable on date of maturity, pursuant to interest rate formula in this section, was proper. *Riley v. Northern Com. Co.*, Sup. Ct. Op. No. 2534 (File No. 5754), 648 P.2d 961 (1982).

Rate set forth in subsection (a) is not the highest legal rate formula of interest; only by application of the variable interest rate is it possible to ascertain the highest legal rate of interest. *Riley v. Northern Com. Co.*, Sup. Ct. Op. No. 2534 (File No. 5754), 648 P.2d 961 (1982).

Note provision calling for "highest lawful rate of maturity" indicates intent to be bound by modifications to statutory formula enacted prior to maturity. *Riley v. Northern Com. Co.*, Sup. Ct. Op. No. 2534 (File No. 5754), 648 P.2d 961 (1982).

Where interest provision is intended to establish compensatory damages for detention of money, language in subsection (b) that amended formula applies only to contracts executed after June 4, 1976, does not preclude parties to contract from agreeing to be bound by future modifications in the statutory formula. *Riley v. Northern Com. Co.*, Sup. Ct. Op. No. 2534 (File No. 5754), 648 P.2d 961 (1982).

Applied in *Alaska Far E. Corp. v. Newby*, Sup. Ct. Op. No. 2384 (File No. 5238), 630 P.2d 533 (1981); *Land & Marine Rental Co. v. Rawls*, Sup. Ct. Op. No. 2777 (File Nos. 6963-7090), P.2d (1984).

Stated in *Triangle, Inc. v. State*, Sup. Ct. Op. No. 2405 (File No. 4811), 632 P.2d 965 (1981).

Cited in *State v. Alaska Continental Dev. Corp.*, Sup. Ct. Op. No. 2254 (File Nos. 4121, 4122), 630 P.2d 977 (1980); *Mullen v. Christiansen*, Sup. Ct. Op. No. 2482 (File Nos. 4986), 642 P.2d 1345 (1982).

**Article 2. Collection of Advance Interest.****Section****80. Money lenders may collect interest in advance****Sec. 45.45.080. Money lenders may collect interest in advance.**

(a) A lender of money may, either upon the security of personal property or otherwise, charge and receive interest in advance.

(b) In the case of a secured or unsecured instrument loan not exceeding the principal amount of \$10,000 (not including interest) which is repayable in substantially equal installments over a period not exceeding seven years, a lender of money may contract for a charge at a rate not exceeding \$6 a year for each \$100 (true annual interest rate for "add-on method" of computation at a rate not to exceed 11.1 per cent; or true annual interest rate for "discount method" of computation at a rate not to exceed 11.8 per cent) upon the original face amount of the instrument evidencing the loan for the entire period of the loan. This charge may be collected in advance. However, if the unpaid balance outstanding on a loan is paid before maturity, the lender shall give a refund or credit of the unearned portion of the charge, which refund or credit represents at least as great a proportion of the original charge as the sum of the periodical time balances after the date of prepayment bears to the sum of all the periodical time balances under the schedule of payments in the original instrument. The lender is not required to refund or credit any portion of the unearned charge which would result in a net charge on a loan less than the minimum charge provided for in this section, or to make a refund or credit where the amount of the refund or credit computed as set out in this section would be less than \$5 for each loan paid before the maturity date.

(c) No additional amount may be charged or contracted for on or in connection with an installment loan provided for in (b) of this section except the following:

(1) delinquency charges not to exceed five cents for each \$1 of each installment more than 15 days in arrears, except that the total delinquency charges on an installment loan may not exceed \$15, and only one delinquency charge may be made on each installment;

(2) premiums paid by the lender for insurance required or obtained as security for or by reason of the installment loan;

(3) the amounts necessary to reimburse the lender for fees paid to a public officer for filing, recording, or releasing any instrument or lien; and

(4) the actual expenditures, including reasonable attorneys' fees for legal process or proceedings, to secure or collect the installment loan.

(d) Advertising concerning such installment loans which contains a statement of an amount, or rate of charge, shall also contain the percentage rate, either per month or per year, computed on declining

balances of the face amount of the loan instrument to which the charge would be equivalent if the loan were repaid according to contract. This advertising requirement may be complied with by stating the equivalent percentage rate which would earn the charge for a loan repayable in 12 equal consecutive monthly installments, and the stated rate may be closely approximate, rather than exact, if the statement so indicates. This requirement does not apply to an advertisement in which an amount, or rate of charge, is indicated only by a table which contains and is confined to examples of the face amount of the loan instrument, the proceeds to the borrower exclusive of the charge, and the amount, number and intervals of the required payments. (§ 1 ch 48 SLA 1951; am §§ 1, 2 ch 71 SLA 1968)

**Editor's notes.** — This section is set out above to correct a minor error in the main pamphlet.

### Article 5. Regulation of Motor Vehicle Repairs.

#### Section

#### 24C. Definitions

#### Sec. 45.45.130. Repair order.

#### NOTES TO DECISIONS

Cited in *State v. Grogan*, Sup. Ct. Op. No. 2356 (File No. 5199), 628 P.2d 570 (1981).

#### Sec. 45.45.240. Definitions. In AS 45.45.130 — 45.45.240

(1) "customer" includes a person authorized by the customer to act on the customer's behalf;

(2) "motor vehicle" or "vehicle" means a motor vehicle as defined in AS 28.40.100 which is required to be registered under AS 28.10, or with a governmental agency of another jurisdiction performing a similar function;

(3) "motor vehicle repair shop" or "shop" means an individual, corporation, partnership, or other form of business organization engaged in the motor vehicle repair business and includes owners, officers, directors, agents, employees, and representatives but excludes the following:

(A) a shop engaged solely in the business of repairing the motor vehicles of a single commercial, industrial or governmental establishment, or of two or more of these establishments which are related by common ownership or corporation affiliation;

(B) a person repairing his own or a family member's motor vehicle;

(4) "repair" or "repairs" means the improvement, adjustment, replacement, examination, diagnosis, maintenance, servicing, removal or installation of any component or part of a motor vehicle, but does not include towing or the supply of motor fuel to a motor vehicle. (§ 1 ch 146 SLA 1976; am § 21 ch 144 SLA 1977)

**Article 6. Motor Vehicle Warranties.**

<p><b>Section</b>                  300. Repairs required                  305. Replacement or refund                  310. Notice by owner                  315. Exceptions                  320. Presumption                  325. Parts availability                  330. Failure to replace or refund</p>	<p><b>Section</b>                  335. Resale without disclosure prohibited                  340. Other rights and remedies                  345. Repair facilities                  350. Reimbursement of shipping costs                  355. Arbitration or mediation                  360. Definitions</p>
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**Sec. 45.45.300. Repairs required.** If a new motor vehicle does not conform to an express warranty that is applicable to it and the owner of the vehicle reports the defect or condition to the manufacturer of the vehicle or to the manufacturer's or distributor's dealer during the term of the warranty, the manufacturer, distributor, dealer, or a repairing agent shall make the necessary repairs to conform the vehicle to the express warranty. (§ 1 ch 101 SLA 1984)

Revisor's notes. — As enacted, this section contained subsections (b)-(m). They were renumbered in 1984 as AS 45.45.305 — 45.45.360.

**Sec. 45.45.305. Replacement or refund.** If during the term of the express warranty or within one year from the date of delivery of the motor vehicle to the original owner, whichever period terminates first, the manufacturer, distributor, dealer, or repairing agent is unable to conform the motor vehicle to an applicable express warranty after a reasonable number of attempts, the manufacturer or distributor shall accept the return of the nonconforming motor vehicle, and, at the owner's option, shall replace the nonconforming vehicle with a new, comparable vehicle or shall refund the full purchase price to the owner less a reasonable allowance for the use of the motor vehicle from the time it was delivered to the original owner. A refund under this section shall be made to a lienholder of record, if any, and the owner, as their interests may appear. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(b). Renumbered in 1984.

**Sec. 45.45.310. Notice by owner.** In order to claim a refund or replacement under AS 45.45.305, the owner shall give written notice by certified mail to the manufacturer and its dealer or repairing agent

at any time before 60 days have elapsed after the expiration of the express warranty or the one-year period after the date of delivery of the motor vehicle to the original owner, whichever period terminates first, (1) stating that the vehicle has a nonconformity; (2) providing a reasonable description of the nonconformity; (3) stating that the manufacturer, distributor, dealer, or repairing agent has made a reasonable number of attempts to conform the vehicle; and (4) stating that the owner demands a refund or replacement vehicle to be delivered on the 60th day after the mailing of the written notice. Within 30 days after receiving the notice required by this section the manufacturer may make a final attempt to conform the vehicle before a refund or replacement is made under AS 45.45.305. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(c). Renumbered in 1984, also. minor punctuation and word changes were made in 1984.

**Sec. 45.45.315. Exceptions.** An owner may not receive a refund or replacement under AS 45.45.300 — 45.45.360 if the manufacturer or distributor shows that the nonconformity complained of

(1) does not substantially impair either the use or the market value of the motor vehicle; or

(2) is the result of

(A) alteration of the motor vehicle by the owner or a person other than a dealer or repairing agent that is not authorized by the manufacturer or distributor; or

(B) abuse or neglect by the owner or a person other than the dealer or repairing agent. (§ 1 ch 191 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(d). Renumbered in 1984.

**Sec. 45.45.320. Presumption.** A presumption that a reasonable number of attempts have been made to conform a motor vehicle under an applicable express warranty is established if:

(1) the same nonconformity has been subject to repair three or more times by the manufacturer, distributor, dealer, or repairing agent during the term of the express warranty or the one-year period after delivery of the motor vehicle to the original owner, whichever period terminates first, but the nonconformity continues to exist; or

(2) the vehicle is out of service for repair for a total of 30 or more business days during the express warranty term or the one-year period referred to in (1) of this section, whichever period terminates first; any period of time that repairs are not performed for reasons that are beyond the control of the manufacturer, distributor, dealer, or repairing agent is excluded from the 30-day time period referred to in this paragraph. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(e). Renumbered in 1984.

**Sec. 45.45.325. Parts availability.** A manufacturer whose vehicles are sold in the state through an authorized dealer shall provide its dealer or repairing agent with any part necessary to make a repair of a nonconformity covered under an express warranty, as soon as possible, without additional charge for freight or handling, if the part is not in the dealer's or agent's inventory when the nonconforming vehicle is brought to the dealer or repairing agent for repair. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(f). Renumbered in 1984.

**Sec. 45.45.330. Failure to replace or refund.** A manufacturer or distributor who fails to refund the full purchase price of a motor vehicle or replace the motor vehicle when there is a requirement to do so under AS 45.45.300 — 45.45.360 is presumed to have committed an unfair trade practice under AS 45.50.471. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(g). Renumbered in 1984.

**Sec. 45.45.335. Resale without disclosure prohibited.** A motor vehicle returned under AS 45.45.305 may not be resold by the manufacturer or distributor in the state unless full disclosure of the reason for the return is made to the prospective buyer before the resale is concluded. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(h). Renumbered in 1984.

**Sec. 45.45.340. Other rights and remedies.** The provisions of AS 45.45.300 — 45.45.360 do not limit other rights and remedies that may be available to the owner of a motor vehicle under other provisions of law. This section does not create a new cause of action against a dealer or repairing agent who sells or attempts to repair a motor vehicle found to be nonconforming under AS 45.45.300 — 45.45.360. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(i). Renumbered in 1984.

**Sec. 45.45.345. Repair facilities.** A manufacturer or distributor or motor vehicles who authorizes the sale of the manufacturer's or distributor's motor vehicles in the state shall maintain authorized dealership

facilities within the state that are able to perform the service and make the repairs required by the manufacturer's express warranty and by AS 45.45.300 — 45.45.360. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(j). Renumbered in 1984.

**Sec. 45.45.350. Reimbursement of shipping costs.** A manufacturer or distributor who accepts the return of a nonconforming motor vehicle under AS 45.45.305 shall reimburse the owner for any reasonable cost incurred in shipping the vehicle to and from the nearest authorized facility for warranty service and repair of a nonconformity that causes the return of the vehicle. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(k). Renumbered in 1984.

**Sec. 45.45.355. Arbitration or mediation.** If a manufacturer or distributor has established an informal dispute settlement procedure that substantially complies with the requirements of 16 C.F.R. 703, as that section may be amended, or if the manufacturer or distributor, after receipt of notice required by AS 45.45.310, offers in writing to participate in an arbitration or mediation process with the owner and the arbitration or mediation decision is binding on the manufacturer or distributor but not on the owner, and if the informal dispute settlement or arbitration or mediation process is approved by the attorney general, the provisions of AS 45.45.305 concerning refund or replacement or AS 45.45.350 concerning shipping costs do not apply to an owner who has not first resorted to the informal dispute settlement procedure or arbitration or mediation process. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(l). Renumbered in 1984.

**Sec. 45.45.360. Definitions.** In AS 45.45.300 — 45.45.360,

(1) "dealer" means a person who has obtained a franchise from, or is authorized by, a motor vehicle manufacturer to engage in the retail sale and warranty repair of the manufacturer's new motor vehicles in the state;

(2) "distributor" means a person who is authorized by a manufacturer to engage in the wholesale distribution of the manufacturer's new motor vehicles in the state;

(3) "express warranty" or "warranty" means an express written warranty provided by the manufacturer of a new motor vehicle;

(4) "full purchase price" means the total price paid for a motor vehicle by the original owner, including costs added to the retail price, such as original registration fees, transportation fees, dealer preparation, and dealer installed options;

(5) "manufacturer" means a person who by labor transforms raw materials and component parts into motor vehicles for wholesale or retail sale;

(6) "motor vehicle" or "vehicle" means a land vehicle having four or more wheels, that is self-propelled by a motor, is normally used for personal, family, or household purposes, and is required to be registered under AS 28.10; but does not include a tractor, farm vehicle, or a vehicle designed primarily for off-road use;

(7) "nonconformity" means a defect or condition in a motor vehicle caused by a manufacturer, distributor, dealer or repairing agent that substantially impairs the use or market value of a vehicle;

(8) "owner" means a purchaser, other than for resale, of a new motor vehicle, and a person to whom ownership of the motor vehicle is transferred in conformity with AS 28;

(9) "reasonable allowance" means an amount attributable to an owner's use of a motor vehicle; a "reasonable allowance" may not exceed an amount equal to the depreciation in value of the vehicle for the period during which the vehicle is available for use by the owner, calculated by a straight line depreciation method over seven years, plus an amount equal to the depreciation in value of the vehicle that is caused by

(A) any neglect or abuse by the owner; or

(B) body damage not caused by a nonconformity;

(10) "repairing agent" means a person who has been specifically authorized by a motor vehicle manufacturer or distributor to perform warranty repairs in the state on one or more of the manufacturer's or distributor's motor vehicles;

(11) "substantially impairs the market value" means a nonconformity that substantially decreases the dollar value of a vehicle to the owner when compared to the dollar value of a similar vehicle that does not have the nonconformity;

(12) "substantially impairs the use" means a nonconformity that prevents a motor vehicle from being operated or makes the vehicle unsafe to operate. (§ 1 ch 101 SLA 1984)

Revisor's notes. — Enacted as AS 45.45.300(m). Renumbered in 1984.

## Article 10. Miscellaneous.

**Sec. 45.45.900. Indemnification agreements contra to public policy.**

### NOTES TO DECISIONS

**Applicability of section.** — This section became effective on September 23, 1975, and governs contracts executed on or after that date. Contracts executed before

that date are governed by the rule announced in *Burgess Constr. Co. v. State*, 614 P.2d 1380 (Alas. 1980), that an indemnity clause is effective to shift responsibility for an accident where the indemnitee is

negligent and the indemnitor is not. *Stephen & Sons v. Municipality of Anchorage*, Sup. Ct. Op. No. 2368 (File No. 5102), 629 P.2d 71 (1981).

## Chapter 50. Competitive Practices and Regulation of Competition.

### Article

1. Trademarks (§ 45.50.010)
3. Authorship (Repealed)
4. Unfair Trade Practices and Consumer Protection (§ 45.50.561)
5. Monopolies; Restraint of Trade (§ 45.50.572)

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**Cross references.** — For transitional provisions related to the 1984 amendment to this chapter, see § 14, ch. 107, SLA 1984 in the Temporary and Special Acts.

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### Article 1. Trademarks.

#### Section

#### 10. Registrability

**Sec. 45.50.010. Registrability.** A trademark may not be registered if it

- (1) consists of immoral, deceptive or scandalous matter;
- (2) consists of matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute;
- (3) consists of the flag or coat of arms or other insignia of the United States, or of a state or municipality, or of a foreign nation, or simulation of any of these;
- (4) consists of the name, signature or portrait of a living individual, except with his written consent;
- (5) consists of a mark which,
  - (A) is merely descriptive or deceptively misdescriptive of the applicant's goods, or
  - (B) is primarily geographically descriptive or deceptively misdescriptive of the applicant's goods, or
  - (C) is primarily merely a surname; however, this does not prevent the registration of a mark used in the state by the applicant which has become distinctive of the applicant's goods; as evidence that the mark has become distinctive, the commissioner may accept proof of

NOTES TO DECISIONS

Stated in *Lebert v. Hammond*, Sup. Ct. Op. No. 2653 (File No. 5954), 661 P.2d 635 (1983).

**Collateral references.** — 48 Am. Jur. 2d, Labor and Labor Relations, § 1 et seq.; 53 Am. Jur. 2d, Master and Servant, § 121 et seq.; 1 and 2 Am. Jur. 2d, Administra-

tive Law, § 1 et seq.; 63 Am. Jur. 2d, Public Officers and Employees, § 22; 72 Am. Jur. 2d, States, Territories and Dependencies, § 62.

55 C.J.S., Manufacturers § 1 et seq.; 98 C.J.S., Work and Labor § 1 et seq.

**Sec. 44.31.020. Duties of department.** The Department of Labor shall:

(1) enforce the laws, and adopt regulations under them concerning employer-employee relationships, including the safety, hours of work, wages, and conditions of workers, including children;

(2) accumulate, analyze and report labor statistics;

(3) operate systems of workers' compensation and unemployment insurance; and

(4) gather data reflecting the cost of living in the various election districts of the state upon request of the director of personnel under AS 39.27.030 — 39.27.040. (§ 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960; am § 2 ch 226 SLA 1970; am § 112 ch 127 SLA 1974)

**Revisor's notes.** — In 1980 the term "workers' compensation" was substituted for "workmen's compensation," pursuant to § 60, ch. 94, SLA 1980.

*Secs. 44.31.100 — 44.31.200. Employment Advisory Commission. [Repealed, § 4 ch 74 SLA 1969.]*

**Chapter 33. Department of Commerce and Economic Development.**

**Article**

1. Organization (§§ 44.33.010 — 44.33.020)
2. Alaska Division of Tourism (§§ 44.33.120 — 44.33.180)
3. Tourism Advisory Board (§§ 44.33.190 — 44.33.230)
4. Child Care Facility Revolving Loan Fund (§§ 44.33.240 — 44.33.275)
5. Areas Impacted by Economic Disaster (§§ 44.33.285 — 44.33.310)
6. Cultural Facilities Grants (§§ 44.33.401 — 44.33.430)
7. Native Art Competitions (§§ 44.33.501 — 44.33.512)
8. Alaska Foreign Offices (§§ 44.33.530 — 44.33.550)
9. Power Development Revolving Loan Fund (§§ 44.33.600 — 44.33.630)

**Article 1. Organization.**

**Section**

10. Commissioner of commerce and economic development
20. Duties of department

**Sec. 44.33.010. Commissioner of commerce and economic development.** The principal executive officer of the Department of Commerce and Economic Development is the commissioner of commerce and economic development. (§ 14 ch 64 SLA 1959; am § 6 ch 186 SLA 1960; am § 95 ch 218 SLA 1976)

**Collateral references.** — 15A Am. Jur. 2d, Commerce, § 1 et seq.; 1 and 2 Am. Jur. 2d, Administrative Law, § 1 et seq.; 63 Am. Jur. 2d, Public Funds, § 1 et seq.; 63 Am. Jur. 2d, Public Officers and Employees, § 22. 15 C.J.S., Commerce, § 1 et seq.; 73 C.J.S. Public Administrative Law, § 1 et seq.

**Sec. 44.33.020. Duties of department.** The Department of Commerce and Economic Development shall

(1) administer the state programs relating to commerce, enforce the laws relating to these programs, and adopt regulations under these laws;

(2) register corporations;

(3) collect corporation franchise taxes;

(4) enforce state laws regulating public utilities and other public service enterprises, banking and securities, insurance, and other businesses and enterprises touched with a public interest;

(5) make veterans' loans;

(6) inspect weights and measures;

(7) promote and develop civil aviation;

(8) furnish the budgeting, clerical and administrative services for regulatory agencies and professional and occupational licensing boards not otherwise provided for;

(9) *[Repealed, E.O. No. 39 § 13 (1977).]*

(10) *[Repealed, E.O. No. 33 (1968).]*

(11) before the commencement of each calendar quarter, furnish lending institutions, title insurance companies, mortgage companies and clerks of the respective superior courts with the 12th Federal Reserve District discount rate that is to be used during that calendar quarter for computing the maximum rate of interest under AS 45.45.010(b);

(12) conduct studies, enter into contracts and agreements, and make surveys relating to the economic development of the state and, when appropriate, assemble, analyze, and disseminate the findings obtained;

(13) provide factual information and technical assistance for potential industrial and commercial investors;

(14) receive gifts, grants, and other aid that facilitate the powers and duties of the department from agencies and instrumentalities of the United States or other public or private sources;

(15) establish and activate programs to achieve balanced economic development in the state and advise the governor on economic development policy matters;

(16) formulate a continuing program for basic economic development and for the necessary promotion, planning and research that will advance the economic development of the state;

(17) cooperate with private, governmental and other public institutions and agencies in the execution of economic development programs;

(18) review the programs and annual reports of other departments and agencies as they are related to economic development and prepare an annual report on the economic growth of the state;

(19) administer the economic development programs of the state;

(20) perform all other duties and powers necessary or proper in relation to economic development and planning for the state;

(21) request tourism-related businesses in the state to provide data regarding occupancy levels, traffic flow and gross receipts and to participate in visitor surveys conducted by the department; data collected under this paragraph which discloses the particulars of an individual business is not a matter of public record and shall be kept confidential; however, this restriction does not prevent the department from using the data to formulate tourism economic impact information including expenditure patterns, tax receipts and fees, employment and income attributable to tourism, and other information considered relevant to the planning, evaluation and policy direction of tourism in the state.

(22) *[Repealed, E.O. No. 47, § 6 (1980).]*

(23) administer the program of state assistance for the construction and development of cultural facilities in accordance with AS 44.33.401 — 44.33.417;

(24) provide administrative and budgetary services to the Real Estate Commission (AS 08.88) as requested by the commission;

(25) operate motor vehicle weighing stations, issue special written permits authorizing the operation of overweight and oversize vehicles, establish fees for the overweight and oversize vehicle special permits, enforce the size, weight, and load limitations adopted by the Department of Transportation and Public Facilities under AS 19.10.060, and establish regulations relating to pilot car services and the enforcement of the size, weight, and load limitations adopted under AS 19.10.060;

(26) administer the Alaska Foreign Offices established by AS 44.33.530. (§ 14 ch 64 SLA 1959; am § 6 ch 186 SLA 1960; am § 2 ch 1 SLA 1961; am § 2 ch 55 SLA 1963; am § 2 ch 70 SLA 1965; am E.O. No. 33 (1968); am § 4 ch 94 SLA 1969; am § 6 ch 207 SLA 1975; am § 1 ch 116 SLA 1976; am § 96 ch 218 SLA 1976; am E.O. No. 39, § 13 (1977); am E.O. No. 40, § 2 (1979); am § 4 ch 62 SLA 1979; am E.O. No. 47, § 6 (1980); am § 33 ch 167 SLA 1980; am § 1 ch 77 SLA 1982; am E.O. No. 57, § 2 (1984); am § 1 ch 120 SLA 1984)

**Cross references.** — As to establishing limitations on weight and load of vehicles, see AS 19.10.060(1).

**Effect of amendments.** — Section 6, E.O. No. 47 (1980) repealed paragraph (22).

Section 33, ch. 167, SLA 1980, added paragraph (24).

The 1982 amendment added paragraph (25).

The first 1984 amendment added paragraph (26).

The second 1984 amendment substituted "Offices" for "Office" in paragraph (26).

**Editor's notes.** — The duties, powers, and responsibilities in respect to the accumulation, analysis, and reporting of commercial and industrial statistics, the

promotion of the economic and tourist development of the state, the granting of industrial tax incentives, the tourist attraction development program, and the tourism advisory board were transferred from the Department of Commerce to the Department of Economic Development and Planning by ch. 159 SLA 1962 (AS 44.45), that was repealed by § 1 ch. 207 SLA 1975.

**Legislative history reports.** — For report on ch. 116, SLA 1976 (SCSHB 730), see 1976 House Journal, p. 696.

*Sec. 44.33.025. Recording. [Repealed, E.O. No. 47, § 6 (1980).]*

*Sec. 44.33.110. Civil Air Patrol. [Repealed, E.O. No. 33 (1968). For current provisions, see AS 26.05.345.]*

**Article 2. Alaska Division of Tourism.**

**Section**

- 120. Alaska division of tourism
- 130. Division contract
- 140. Grants for tourist development
- 145. Grants for promoting conventions and incentive travel

**Section**

- 150. Qualifying for matching money
- 160. Limitations on matching money
- 170. Use of matching money
- 180. Administration of this chapter

**Sec. 44.33.120. Alaska division of tourism.** (a) There is created in the Department of Commerce and Economic Development the Alaska division of tourism.

(b) The Alaska division of tourism shall

(1) cooperate with organizations in the private sector for the promotion and development of tourism and conventions into and within Alaska;

(2) coordinate with municipal, state and federal agencies for the development and promotion of tourism resources and conventions in Alaska;

(3) promote and develop the Alaska tourist and convention industry by publicizing state attractions through such means as display advertising in magazines and newspapers, advertising on radio and television or other advertising media, publishing pamphlets, brochures and other graphic and pictorial materials, or by aiding and assisting representatives of the media to insure greater coverage of Alaska's visitor attractions;

(4) participate in travel shows;

(5) increase the awareness of the citizens of the state at the statewide, regional and community level of the economic importance of the tourist industry;

(6) assist potential investors in creating new tourist facilities;

DEREGULATION OF CONSUMER LENDING IN NEW YORK:  
THE RATES WENT UP BUT NEVER CAME BACK DOWN

a report by  
STATE SENTAOR FRANZ S. LEICHTER  
(28th S.D., Manhattan)

March 23, 1983

Glenn von Nostitz,  
Legislative Counsel

When the Omnibus Banking Act of 1980, which deregulated rates on a broad range of loans, was enacted, it was said by its proponents that free market forces would keep interest rates on consumer loans at a reasonable level in relation to the bank's cost of money and that if the prime rate declined, consumer rates would also decline.

The following statistics show this did not happen:

In November 1980 when Bank deregulation was enacted by the Legislature, the prime rate posted by the major banks as a base for corporate loans was 17.7%. The State Banking Department reported that the interest rate on unsecured personal loans at that time was 13.21%, on credit cards was 12% and on home improvement loans was 12.91%. By January of 1981 the prime rate had climbed to 20.50% and under the new deregulation law, the unsecured personal loan interest rate went up to a New York State average of 18.21%. Credit card rates climbed to 12.6% (they shot up to 18.3% the following month) and home improvement loans went up to 17.91%. Without question, the consumer loan rates charged back in 1980 were artificially low when considering the cost of money to the banks, and it was natural that when deregulation took effect they would increase somewhat.

But by November of 1982 the prime rate had declined to 12%. Nonetheless, in November of 1982 New York City banks were still charging 18.35% on unsecured personal loans and a record 19.21% on credit card balances. The credit card rate actually climbed in September of 1982 despite an ongoing decline in the prime rate and the cost of money to the banks.

The New York State Bankers Association and the Banking Department both said in their January 1983 testimony before the Assembly Banking Committee on extension of deregulation that there exists wide variance in consumer credit charges. They counseled consumers to "shop around" for the best credit deal. Yet in early February the prime rate declined further to 11% and by the end of the month was at 10.50%. Consumer lending rates moderated only slightly, if at all, with the average interest on personal loans declining only about a point.

A survey my office conducted (February 28, 1983) of interest rates on unsecured personal loans to non-customers found uniformly high interest charges still in effect. The survey found a 19% rate at both Chemical and Citibank, 19.5% at Bank of New York, 20% at European American Bank, and a slightly lower rate of 17% at Marine Midland. For bank customers, the rates were generally one point lower.

Only one bank has broken the uniformity of high rates on personal loans: Amalgamated Bank of New York, which is owned and operated by the Amalgamated Clothing and Textile Workers Union. My survey found Amalgamated was charging only 14.75% on unsecured personal loans (although a maximum of \$3,000 is placed on such loans). Loans above \$3,000 must be secured, but the same rate applied. The Wall Street Journal of March 22nd reports that Amalgamated is further reducing the rate to 14.25%. Indeed, last fall Amalgamated published newspaper advertisements criticizing the banking industry for failing to bring down consumer lending rates.

A survey my office conducted on March 8, 1983 found that credit card finance charges are also uniformly high. All of the following New York City banks charge a \$20 annual membership fee for Visa and MasterCard (Chemical charges \$34 if both cards are held):

Marine Midland: 19.8% annual rate

Chase Manhattan: 21%

Manufacturers Hanover: 19.8%

Citibank: 19.8%

Chemical Bank: 19.5%

Turning to savings institutions for lower credit card costs is not realistic since most thrift institutions do not offer credit cards. Some of them do offer a "cash debit card" under which the cost of purchases is deducted from checking account balances, and if there is an "overdraft" an annual rate of 18% is usually charged.

In a report issued in December of 1982, the Banking Department defended the continued high fees and rates on credit cards by citing "continuing increases in labor and other costs due to inflation", increased "losses due to fraud" and "the unprofitability of credit card operations during 1981". The report contained no statistics supporting the "increase in fraud" and "increased costs" assertions. The report did not mention the significantly reduced 1982 inflation rate (under 5%). Also ignored were the substantial increases in bank revenue from the newly authorized (under the 1980 deregulation law) credit card

membership fees. Citicorp's 1981 annual report, for example, revealed that Citibank earned \$55 million "from new bankcard membership fees".

Rates on home improvement loans have tended to be more favorable to consumers than the rates on credit cards and other consumer loans. Nonetheless, the rates found in my survey of March 21st still provide a substantial spread from the cost of funds to the lenders (all rates based on a \$10,000 loan):

Chase Manhattan: 2 to 3 year term: 16%  
 4 years: 16.5%  
 5 years: 17%  
 6 years: 17.5%  
 7 years: 18%

Citibank: 17% for customers, 19% for non customers.

Bankers Trust: 16.5% (four years or less)  
 17% (more than four years)

Marine Midland: 16% basic rate but may be as high as 19.8% depending on location of branch.

A December 15, 1980 American Banker article reported that profits of "big New York retail banks" were expected to "benefit substantially from the end of the usury ceiling just enacted by the Legislature". The article quoted a Shearson Loeb Rhoades bank stocks analyst explaining how the new law would help banks: "The potential boost to 1981 earnings at large New York banking firms is put at 3% to 5%". Another analyst quoted in the article predicted that per share annual earnings could be up as much as 9% to 20% from 1980 because of the State's deregulation. Because they have large retail operations, Chase Manhattan, Citibank

and "especially Irving Trust" were considered to be the major likely beneficiaries, a prediction that seems to have been largely borne out according to statistics in the banks' annual reports. For example, Citicorp's 1981 net income of \$531 million was 6% above the previous year's level, and the \$747 million in 1982 represented another 35% rise. Earnings per share in 1982 rose 31%, and Citicorp's return on equity was the highest since World War II: 16.4%. Citicorp attributed a 26% rise in 1982's revenue in large part to a "drop in interest rates in the second half of the year". Net interest revenue rose 42% over the 1981 level. Chemical Bank's 1982 fourth quarter net income was 38.7% above the 1981 level. The American Banker attributed the good performance to "an unexpectedly healthy net interest margin". The spread on total investible funds rose to 4.09% over the 3.66% spread a year earlier (during which Chemical had also made record profits).

Officials of Amalgamated Bank interviewed by my staff claim their bank earns money in spite of their low consumer interest rates (they also charge substantially less than other banks for checking accounts, money orders and other retail services). Nonetheless, banking industry officials in New York State say their existing rates are fair, necessary and competitive. They argue:

-The cost of the funds which banks borrow and in turn lend to consumers has gone up, a situation exacerbated by the Federal Reserve's strict monetary policies and high interest rates..

-Because of deregulation, banks must pay higher competitive

rates on deposits, increasing the cost of their funds.

-Because of the recession, there are more troubled loans, causing banks concern and keeping rates high.

In response to the argument that borrowed funds are more expensive, it is true that money is costing the banks more than it once did, but it is also true that the rates on most of the major sources of borrowed funds has declined considerably during the past several months. Commercial paper (60 day) was at an 8.5% rate in early March, several points below the year earlier level, and another major source of funds, "federal funds" was at 8.35% on March 14th as compared with 14.2% one year earlier. Two year Treasury notes yielded 9.66% on March 16th, down from 14.14% a year earlier. Generally, the overall cost of all the long-term and short-term money the banks borrow has been under 10% for several months, and with most consumer lending rates at 17% and above, the difference between the cost of the money borrowed by the bank and the money lent to the consumer by the bank has been from 7% to 10%. Traditionally, this gap has been around 4% or 5%.

Thomas Hanley, Vice-President and an analyst of bank stocks at Salomon Brothers was quoted in the October 25, 1982 New York Times as explaining the third-quarter increased bank profits thus:

"The earnings results were substantially bolstered by an abnormally high spread." The article went on to report that the rise in earnings was "because of an unusually large spread -

between interest rates that the banks charged on the loans they made and the interest rates the banks themselves paid for funds." The spread between the cost of funds and the prime rate is larger than normal, according to a February 24, 1983 American Banker article, which found that, "Over the past six years that spread has almost doubled."

Banking industry spokespersons assert that the cost of the deposit base has increased significantly due to deregulation and subsequent introduction of new types of accounts that pay interest on demand deposits (NOW accounts) or that match rates offered by money market funds. But the spread between six month savings certificates at a March 7th rate of 8.61% or money market rate accounts (7.80% on March 7th) and consumer loan rates is still enormous. A difference of 10 points exists between the money market rate and a 17.9% consumer loan.

Moreover the deregulated deposits have resulted in a surge in overall savings deposits at commercial banks, now at the highest level since November 1979, according to the Federal Reserve Board. This new money is being lent out at substantial profit. Additionally, the high rates initially offered on the new money market rate accounts (first authorized last Decemeber) have declined considerably, easing the banks; cost of deposits. Most banks started the accounts with 11% to 12% interest. By mid-March every bank offering the accounts had reduced them to the 8.00% to

8.60% range.

Some bankers claim an increase in the proportion of problem loans has helped keep consumer rates high. But the fact is that in the industry as a whole the proportion of problem loans to total outstanding loans is lower now than just a few years ago. In 1978 the proportion at Chemical Bank stood at 3.1% as compared with 2.4% in 1982. Citibank's problem loans declined from 2.6% to 1.9% over the same period. A February 14, 1982 American Banker article reports: "Most analysts believe that prospects for fewer loan losses at all banks are brighter in 1983 than they were last year". Meanwhile, lower yielding loans (which some bankers consider "problems" because of their low return) are gradually being terminated.

High consumer lending rates continue to have a dampening effect on the economy. According to the Federal Reserve Board, consumers have drastically cut their credit purchases. In the 3rd quarter of 1981, for example, some \$27 billion in consumer credit was outstanding. By the third quarter of 1982 only \$6 billion was outstanding. When rates are lowered, spending does spurt. Housing starts went up 40% in December 1982 above the previous year, attributable by many analysts to declines in mortgage rates. When the automobile makers started offering low-cost financing (General Motors Acceptance Corporation now offers 11.9% financing, compared with 16% still being asked by commercial banks in New York) auto sales advanced.

Eastern Airlines, according to the February 20, 1983 New York Times achieved a 15% increase in sales when it offered interest free financing. The airline now offer 11.9% financing.

It is evident that the promise made by the banks in 1980 that consumers would benefit from deregulation because market forces would keep interest rates competitive and therefore as low as possible has not been kept. Even President Reagan and Treasury Secretary Donald Regan believe consumer lending rates should be lowered. On February 23rd the President said: "There is no reason -I do not think- why the banks could not bring those interest rates down another notch or two". A week earlier Regan had said: "I think...the banks are doing their utmost to keep their earnings up by keeping their interest rates up". And Federal Reserve Chairman Paul Volcker said on February 24th: "I think they they (bank lending rates) could be lower relative to other market rates...they are out of equilibrium".

The Legislature has an obligation to save consumers from being gouged. A Louis Harris poll conducted late last year learned that 68% of the families interviewed used one or more types of credit cards, and 76% of those questioned said they were worried about the high rate of interest charged on credit.

The banking industry has prospered in New York State during the past three years. As the statistics in this report show,

banks are well able to afford lower consumer interest rates. But three years experience with rate deregulation in New York State shows these rates will not significantly decline unless Government acts.

I urge re-regulation of consumer lending rates, with a maximum interest ceiling based on the cost to the banks of the money they lend. The banking Board should be required to quarterly set interest rates on credit cards, personal loans and other consumer loans. These rates can be keyed to the average weekly yield of long-term Treasury bonds (for determining rates on longer term consumer loans) and on the discount rate for Treasury bills (for determining maximum rates on shorter term consumer lending such as credit cards).

# # #

# As with credit, it pays to shop for credit cards

By THOMAS WATTERSON  
The Christian Science Monitor

The news might almost have been overlooked during the currency-transaction controversy that hit the Bank of Boston earlier this month. The bank's credit card operations will soon move from Massachusetts, where there is a ceiling on credit account interest rates, to New Hampshire, where there is none.

When the bank first announced its intention to find another state for this side of its business several months before, the news created quite a stir. But this time, word of the actual move was all but lost in the larger currency story.

Credit cards have become big business for banks, generating millions of dollars in revenue. Being able to charge a few percentage points more for credit card balances can make a big difference in a bank's profits. But as more banks look for ways to charge more on credit cards, more consumers are looking for cheaper ways to borrow money.

Credit cards are probably the easiest way to borrow. You can even go to a bank and "charge" cash up to certain limits. But depending on where the credit card operations are based, you could be paying 20 percent or more a year for the privilege. You can also charge purchases through credit accounts at department stores and mail-order houses, but depending on the state you live in, the cost can be very high here, too. For example, in all but about 20 states, customers of the giant Spiegel mail-order firm face a 23.94 annual percentage rate on outstanding balances.

Meanwhile, banks and savings-and-loans have actually been lowering their interest rates, but credit card and charge account rates have remained stable. Banks' rates are still high compared with a 4 percent inflation rate and a 10 1/2 percent prime rate, but they have begun to inch down. The rate on personal unsecured loans from a savings-and-loan institution is in the 17 to 18 percent range, a rate that is comparable to the lowest rate on credit cards, says Wayne Bengtson, program director for consumer lending at the US League of Savings Institutions.

By shopping around, Bengtson says, you should be able to find a rate one or two percentage points lower, particularly in large, competitive markets. And if you have some sort of security, or collateral, you should be able to get a rate lower than that.

One "monkey wrench" has been thrown into this picture, Bengtson notes. As of March 1, finance companies will not be permitted to accept household goods already owned as collateral. This includes furniture, clothes, appliances, one radio or television set, kitchenware, or personal effects such as wedding rings. While finance companies are usually the most expensive sources of loans, with rates well above those for credit cards, the Federal Trade Commission ruling that brought this about could be expanded to banks and S&Ls, he notes.

Most people, however, do not use these basic items as security for loans, he adds. The car, boat, or stereo purchased with borrowed money serves as its own collateral.

You can also find collateral in some unexpected places. Sometimes, says Dorothea Kaplan, a Chicago lawyer, people with an urgent need for money consider cashing in certificates of deposit early or canceling cash value life insurance.

For example, on a one-year CD earning 10 percent, she notes, you will be penalized \$50 per thousand of investment, which represents six months' interest at 10 percent. For a \$10,000 CD, this represents an immediate loss of \$500. To make that up in an investment, you would have to get a return of at least 15 percent for nine months.

By using the CD as collateral, you avoid the penalty and gain an additional 3 or 4 percent, depending on the rate at which you borrow. Also, you pick up tax-deductible interest payments, while still keeping the CD.

One key to making all this work, Kaplan says, is planning. While using a credit card or charging a purchase over the phone is certainly easy and fast, "it's not hard to walk into a bank and borrow \$5,000. Sometimes, all you need is a checking account." But this requires planning your

Outstanding debt,  
in billions of dollars

1982	\$29.1
1983	38.1

Gross sales charged  
in billions of dollars

1982	\$67
1983	

People who have used either card  
in millions

1982	64.2
1983	68.3

Chicago Tribune Graphic. Source: Special Information Reports Publications

VISA



## Shopping for credit cards

It can pay to shop around for bank credit cards, as some banks are offering more attractive interest rates for Visa or Mastercards than the average of 19.25 percent annual rate. About half of Americans using credit cards pay off their balances each month, and are unaffected by interest rates. They can still avoid an annual fee, as some banks do not charge one.

### BANK CARD CHARGES: SELECTED BANKS

Annual percentage rates and fees

CITICORP, NEW YORK	19.8%
BANK OF AMERICA, SAN FRANCISCO	19.8% \$
FIRST NATIONAL BANK OF CHICAGO	19.8% \$
REPUBLIC BANK, DALLAS	19.6% No \$
FIRST NATIONAL BANK OF ATLANTA	18.0% \$
DOLLAR DRY DOCK SAVINGS BANK, NEW YORK	16.8% \$
RAINIER NATIONAL BANK, SEATTLE	15.0% \$
SIMMONS FIRST NATIONAL BANK, PINE BLUFF, ARK.	13.0% \$

\* Adjustable tied to prime rate

SOURCE: Individual banks, Wall Street Journal

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purchases, shopping around for the best rates, and fitting loans into an overall financial picture.

One of the cheapest places to borrow money is a credit union. Credit unions are now charging 15 to 16 percent, a you can sometimes get the money in less than a day.

Of course, you have to be a member of a credit union which means your employer, or some other group to which you belong, has to have a credit union or belong to overall credit union organization which includes small companies or groups.

Typically, credit unions can write unsecured loans of up to \$2,500. Some may require that you be a member for several months first. You may also be required to keep small amount of money, say \$100, in the account until the loan is paid off.

Then there is life insurance. Although sales of whole life insurance have tapered off in recent years, many people still have outstanding policies that can serve as excellent lending sources, sometimes with interest rates of just 6 to 8 percent.

Over the years, your life insurance has built up permanent cash value and a surrender value. The permanent cash value is slightly smaller, and you can borrow an or all of this money. The interest payments will be added to your premiums, and you can pay back the principal whenever you like.

Finally, Bengtson says, more people are borrowing against the value of their homes. "Lines of credit on home equity have been growing very rapidly," he observes. In many cases, he says, rates on these open-ended lines of credit are only a couple of percentage points above current first-mortgage rates.

# Playing your cards right

Where you get your charge card can make a big difference.



**L**ittle more than a year ago, a well-known American television personality traveling in Europe fell in love with two Ferraris. It was an expensive romance: The pair of cars cost more than \$100,000. But the star simply charged them to his *American Express* card.

Extraordinary charge-card purchases—like the \$5-million jet charged by an Arab sheikh, or the \$100,000-plus hotel tab of a touring rock band in New York City—are the stuff of legend. And for good commercial reason. Legends add to the mystique wrapped around plastic money: Charge cards are fast, powerful, impulsive, sexy, chic, even dangerous—just like the people who use them, of course.

But when you strip away their gold plating and Christie Brinkley allure, major charge cards are really little more than loans. That's an important point to keep in mind, especially if you don't run up six-figure hotel bills. Though people will camp outside a bank waiting for a chance to save half a point on mortgage interest rates, some are glad—even honored—to pay a bank 18 percent, 20 percent, or 22 percent annual interest for the privilege of credit-card debt.

The truth is, charge-card issuers are not doing you a favor by giving you a card. They need you more than you need them. Charge cards are a very big, profitable business. Assuming an average 18 percent interest rate, lenders raked in something like \$12.6-billion in interest on the \$70-billion worth of outstanding consumer revolving credit in 1983.

Issuers of the five major cards—*American Express*, *Carte Blanche*, *Diners Club*, *MasterCard* and *Visa*—collected another estimated \$3.4-billion in annual fees. On top of that, merchants who accept those cards were charged 1 percent to 6 percent of the dollar value of each transaction. On the estimated \$150-billion volume of major card transactions, that amounts to perhaps another \$4-billion.

Most expenses that total \$20-billion a year—or \$235 per U.S. household—would merit some serious bargain hunting. But shopping around for the best charge card deal is not common. Why? Perhaps because of the perception that all of the major charge cards are the same.

All of the major charge cards are not the same. To prepare this report, CU sur-

veyed 133 large and medium-sized banks coast to coast. We asked bank officials about the interest rates, terms, and availability of their charge cards. The results of the survey showed clearly that there are major differences among banks, particularly in the interest rates charged on *Visa* cards and *MasterCards*. The tables that accompany this report point to some of the best—and worst—buys that we found. Here are some of the highlights:

- For *Visa*, *MasterCard* and the *American Express Gold Card*, we found annual interest rates running from a moderate 12 percent to a greedy 22 percent. On a \$700 outstanding balance (about average), selective shoppers could realistically expect to save \$46 a year in interest; on a \$1700 balance, typical for the "premium" *Visa* and *MasterCard* holders, the savings could amount to \$111 a year.



How can you take advantage of the better rates? By shopping around in what is rapidly becoming a nationwide marketplace for charge cards. While banks have always been free to issue cards out-of-state, our interviews indicate that more of them are actually doing so now, thanks to the competition for new business set on by bank deregulation.

- Almost 84 percent of the banks in our survey charged annual fees, but 21 banks—located primarily in Texas and Missouri, where such fees are outlawed—charged nothing. Fees ranged from \$15 to \$25 for standard credit cards, and from \$18 to \$55 for premium cards—a bankable difference.

- Our findings suggest that you should look skeptically at cards issued by big, aggressive banks such as Citibank, Bank of America, First Chicago, or Wells Fargo. They tend to charge relatively high rates (roughly 20 percent), while the best rates (12 percent to 17.4 percent) are generally offered by mid-sized banks.

## Plastic money

Charge cards come in three different varieties:

**Credit cards** (*Visa*, *Mastercard*) extend a specified line of "revolving credit" to you, and require you to pay interest on the outstanding balance. Revolving credit is something like a wheel that can roll, say, 10 feet, but no farther. To get the wheel rolling again, you must first push it back toward the starting point by paying off part or all of the debt balance. (When the credit wheel keeps rolling back and forth in the same place for a long time, some borrowers say it starts to look more like a treadmill.)

**Travel & entertainment cards** (*American Express*, *Diners Club*, *Carte Blanche*) require that you pay off the entire balance when your bill arrives. There is normally no interest charge, but there is an annual fee for use of the card. (Some T&E cards, however, do offer certain credit options.)

**Debit cards** (*Visa* debit, *Electron Visa*, *MasterCard* debit) are really plastic checks tied to your checking, savings, or asset-management accounts. You use these in making purchases just like a charge card, but you may spend only as much money as you have in the underlying bank account. There are no interest charges because you are not given a line of credit.

If you are a firm believer in a cash-only life style, you do not actually need any of these cards—despite the hokum about the coming cashless society. However, without one, you may have some trouble renting a car or getting personal checks accepted in some places. For convenience, payment flexibility, or use in emergencies, you may well want one or more charge cards.

But which card should you choose? This report may help you decide.

Today, with some 225 million major charge cards out there, most people who

qualify for a card probably already have one. So card issuers have started fighting with each other to get you to use their card. It's "product differentiation" time.

*Visa* and *MasterCard* have introduced "premium" cards with higher credit lines to appeal to the wealthier set. They are touting such extras as travel insurance and special hotel services. *American Express* has lately added access to 100 health spas around the world to the list of extras offered to *Gold Card* members.

Wells Fargo and Citibank offer users of their *Visa* cards and *MasterCards* "Wells Dollars" and "Citidollars." For each purchase you make with their card, you receive a certain amount of this scrip, which can be applied to reducing the cost of items appearing in Wells Dollar and Citidollar shopping catalogues. The savings, though, are sometimes more imagined than real. For example, 75 Citidollars plus \$1.45 will buy you a *Panasonic* portable stereo cassette player. But you can buy the same player at discount stores or through mail-order catalogs for \$100 or less.

Instead of these sideshows, concentrate on what's important. The single most important factor is the interest cost.

### The lowdown on rates

To realize the potential for interest savings, you must understand where *Visa* cards and *MasterCards* come from. Two organizations, *Visa International* and *MasterCard International*, provide banks with advertising and computer record-keeping services. They do not issue the cards; that is done by some 15,000 individual U.S. banks. Each bank sets its own credit terms and interest rates.

That means you have a wide variety of choices. If one bank charges too high an interest rate, you can get your credit card at a bank that offers better rates.

In our survey of 133 U.S. banks, several offered bargain interest rates. Among those banks that offer cards in all 50 states, some of the lowest rates were at Rainier National Bank in Seattle (15.5 percent), Comerica Midwest in Toledo (16.9 percent), Core States Bank of Delaware in Wilmington (16.9 percent), and National City Bank in Cleveland (17.4 percent). Phone numbers and addresses are shown on page 51.

None of those banks aggressively solicits new customers by massive direct-mail campaigns. But big banks such as Bank of America, Citibank, Chase Manhattan, and First Chicago do, which is why each has several million cardholders nationwide. People are apparently so flattered by testimonials to their credit-worthiness—or so oblivious to interest-rate differences—that they are willing to pay those banks 19.8 percent interest.

Don't wait for a bank to come to you.

Seek out one that will offer you a real deal on a credit card.

Some banks in our survey offered much better than normal rates, but do not issue cards out of state, or do so only in neighboring states. If you live in the appropriate states, shopping around can often pay off handsomely. If you live in Virginia, for example, why should you



pay 21 percent on your Bank of Virginia premium *Visa* card debt when Dominion Bank charges only 13 percent?

You may also find low-interest credit cards at a credit union. "We have no hard statistics, but in general, credit card interest rates are about 16.5 percent at credit unions," says Howard Cosgrove, a spokesman for the Credit Union National Association. "There is usually no annual fee, but there's also no grace period." (Grace periods are discussed below.)

Although T&E cards are not, strictly speaking, credit cards, each of them offers some credit options. With the *American Express Green Card* and *Carte Blanche*, travel tickets are the only thing you can buy on long-term credit. *Diners Club* allows you to apply for a Club Plus credit line that lets you put anything on credit, with a limit that can run as high as \$50,000. *American Express* offers the best rates on these credit options—18 percent vs. 19.8 percent for *Diners Club* and *Carte Blanche*.

With the *American Express Gold Card*, issued to upscale customers for a premium of \$30 over the *American Express Green Card*, you get an additional bank line of credit. The bank credit line (minimum, \$2000) is set by each of the 2100 banks issuing the cards. The bank's credit limit is separate from the limit of how much you can charge on your T&E card. Most of the banks in our survey charged 18 percent.

### A sense of balance

Another factor affecting your borrowing costs is the method of calculating the finance charge. The first item to check is

the grace period. A grace period is the period of time between the date of your credit-card purchase and the date the bank starts charging you interest on the loan. Some banks have no grace period—the interest meter starts running immediately from when you make your purchase—while others extend 30-days' grace. The difference can add up. Assuming an 18 percent interest rate, a 30-day grace period can save you \$7.50 in interest on a \$500 purchase.

The other item to check is the balance-calculation method. There are three commonly used methods. The *adjusted-balance method* subtracts the payments you made during the billing cycle. The *previous-balance method* gives you no credit for payments made during the billing cycle. Finally, the *average daily balance method* adds together your balances at the end of each day, then divides that number by the number of days in the billing period. That number is then multiplied by the monthly interest rate.

If you keep an outstanding balance on your account month after month (as about 50 percent of card users do), then it makes relatively little difference what balance method the issuer uses.

If, however, you usually pay off your balance in full and your card has no grace period, the balance method makes quite a lot of difference. Suppose you have an 18-percent card and run up about \$800 of charges on it over a six-month period. Under the adjusted-balance method or the average-daily-balance method, you'd pay somewhat more than \$14 in interest for the period. But under the previous-balance method you'd pay \$23.44—or 67 percent more.

If you pay in full each month, you may want to consider using a travel-and-entertainment card instead of a bank-issued credit card. For, strange though it seems, banks are devising new tricks to penalize people who pay their credit-card bills promptly. Centerre Bank in St. Louis, Mo., for example, will impose a finance charge of up to \$4 a month if you pay off your balance immediately. Apparently it doesn't like people trying to wriggle out of paying its hefty 22 percent annual interest rate.

CU suggests that you turn down any charge card that requires you to pay a penalty for the sin of paying your bills promptly.

### The vanishing 'free' card

It is possible to find a credit card without an annual fee—but the odds are stacked against you. Of the 133 banks in our survey, 112 charged annual fees, ranging from \$15 to \$55. Only 21 banks charged no fees.

There is no way to escape the annual fee on *American Express*, *Diners Club*,

## How the charge cards differ



### MasterCard International

Type of card	Annual fee	Income [1]	Acceptance [2]	Maximum credit line	Grace period (days) [3]	Interest rate	Cards outstanding	Teller machines [4]
MasterCard Credit	\$0-25	\$5,000-18,500	4,000,000	\$30,000	0-30	12-22%	90,000,000	250
MasterCard Debit	None	None	4,000,000	NA	NA	NA	1,500,000	250
MasterCard Gold	\$0-55	\$25,000-100,000	4,000,000	\$100,000	0-30	12-22%	1,000,000	250



### Visa International

Type of card	Annual fee	Income [1]	Acceptance [2]	Maximum credit line	Grace period (days) [3]	Interest rate	Cards outstanding	Teller machines [4]
Classic Credit	\$0-25	\$5,000-18,500	4,000,000	\$25,000	0-30	12-22%	100,600,000	1,000
Classic Debit	None	None	4,000,000	NA	NA	NA	5,000,000	1,000
Premium Credit	\$18-50	\$22,000-50,000	4,000,000	\$90,000	0-30	13.5-21.6%	1,700,000	1,000
Electron Debit	None	None	130	NA	NA	NA	700,000	1,000

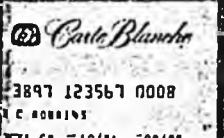


### American Express

Type of card	Annual fee	Income [1]	Acceptance [2]	Maximum credit line	Grace period (days) [3]	Interest rate	Cards outstanding	Teller machines [4]
Green T&E	\$35	\$10,000-15,000	1,050,668	[5]	30-50	18%	16,000,000	3,445
Gold T&E	\$65	\$20,000	1,050,668	[5]	30-50	12-21%	3,000,000	3,445
Platinum T&E	\$250	\$10,000-20,000	1,050,668	[5]	30-50	18%	100,000 [6]	3,445



Diners Club	T&E	\$45	\$18,000	650,000	\$50,000 [5]	30	19.8%	4,500,000 [6]	2000
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Carte Blanche	T&E	\$40	\$18,000	600,000 [6]	[5]	30	19.8%	500,000 [6]	2000
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NA—Not applicable; T&E—Travel and entertainment card.

[1] Minimum income required to get card; there may also be other requirements.

[2] Number of establishments accepting card worldwide.

[3] Days between purchase and the time interest begins to be charged.

[4] No. of automated teller machines taking card.

[5] Flexible limits; see box, page 50.

[6] Estimate.

and Carte Blanche. Since the companies ordinarily charge no interest, those annual fees are an important part of their economic life blood.

Among the commonly issued cards, the American Express Gold Card has the highest annual fee—\$65. (The American Express Platinum Card has a cloud-high annual fee of \$250, but only affluent people who make an average 21 trips a year and charge \$10,000-plus annually get the honor of paying that.)

If you pay off your balance in full every month to avoid interest charges and don't want a T&E card, you may be especially interested in finding a bank that charges no annual fee. Bank Card Holders of America (2025 Eye St., N.W., Suite 1022, Washington, D.C. 20006), a 100,000-member consumer organization,

provides members with educational material about credit cards, including a list of U.S. banks that charge no credit-card fees. But there's a catch. To get the current list, you must join the organization—for an annual fee of \$12. You can, however, get an old list free by sending a self-addressed, stamped envelope.

Even if you find a bank with a "free" card, the deal may not last. No-fee cards are often a marketing device used to draw new customers. For example, in 1981 the Bank of New York widely advertised its no-fee Visa and MasterCard. But in 1983, the bank stuck its customers—including those attracted by the "free" card—with a \$12 annual fee. It's since been raised to \$18.

Two states, Missouri and Texas, prohibit annual fees. But to compensate,

banks there have raised interest rates on credit cards to some of the highest levels in the U.S. We found several Missouri banks charging 22 percent.

### Take my card . . . please

The number and type of establishments accepting each card is another factor to consider. Visa and MasterCard are far and away the most universally accepted of the five major cards. Both are accepted at about 4 million locations worldwide. While each card is accepted in about 160 countries, Visa is more widely accepted than MasterCard in Canada, France, Spain, and Italy. MasterCard, on the other hand, claims an edge in Mexico, Japan, Australia, and some Northern European countries.

Real differences in acceptability can

- be felt with the T&E cards. *American Express* is accepted at more than 1 million locations in 130 countries. *Diners Club* is accepted in far fewer locations—only 650,000. *Carte Blanche* is the least accepted; while it is accepted everywhere in the U.S. that *Diners Club* is honored, overseas *Carte Blanche* is accepted only at major hotels.

Another kind of acceptability—at 24-hour automatic teller machines (ATMs)—might also be considered. *American Express* leads the pack here with a system of 3445 ATMs ready to give you cash or travelers cheq.s.

### Who needs debit cards?

Debit cards offer few advantages to the user (see CONSUMER REPORTS, September 1982). They offer no credit and thus don't boost your cash flow. They draw funds from your checking account as fast as a check (or faster), so you get no benefit from "float." And they provide no protection if you dispute a bill.

If your debit card is stolen, you are worse off than if your credit card is. With credit cards, your liability is ordinarily limited to \$50. With debit cards, that limit applies only if you report the loss



within two business days; otherwise it's \$500.

Debit cards do have at least one advantage. An out-of-state merchant might not take a personal check from you, but the *Visa* and *MasterCard* debit cards are accepted everywhere *Visa* and *MasterCard* credit cards are. Indeed, it is now impossible to tell the credit card from the debit card by appearance alone.

To protect yourself in case you lose your card, it's best to have a debit card attached to a savings account separate from your main checking and savings

accounts. That way your potential losses should be limited to the amount you leave in the account. In theory, overdrafts should bounce.

### Recommendations

Because of the annual fees on most credit cards, we suggest you hold just one—either *Visa* or *MasterCard*, since their acceptability is the same. We recommend you get your *MasterCard* or *Visa* from a bank offering a low interest rate—around 16 percent or lower. Our tables of the best and worst buys we found in our survey may help you start your comparison shopping.

We would not recommend a premium *Visa* or *MasterCard Gold*—unless the bank enticed you with a better rate than you could get elsewhere on a regular card. You can find ample credit lines on the standard cards.

You may also want to carry one travel-and-entertainment card. We would recommend the *American Express Green Card*. With its \$35 annual fee, relatively wide and growing acceptability, and custom-fit charge limits (see box, below), we think the Green card is the best choice among the major T&E cards. ■

## How exclusive is the club?

How hard is it to get a card? We found that banks differ considerably in how much income they require you to have before they will give you a *Visa* or *MasterCard*. So, if one bank rejects your credit application, don't lose heart: Another one may greet you with open arms.

The median annual family income of *American Express* cardholders is about \$30,000. But a \$15,000 annual family income (\$10,000 for students) can qualify you for the *American Express Green Card*, the basic card. For the next step up, \$20,000 is all it takes for the *American Express Gold Card*. (Other factors—credit record, employment history—are also considered.) *Diners Club* and *Carte Blanche*, two other more exclusive cards, look for a minimum income of \$18,000.

Issuers of the standard *Visa* and *MasterCard* look for anywhere from \$5000 to \$18,500 in income. To get a premium *Visa* or *MasterCard*, you need income ranging from \$22,000 to \$100,000.

### How high the limit?

As with income requirements, credit lines vary in size from bank to bank. At the high end of our survey, *MasterCard* offered a slightly fatter credit line than *Visa*: \$30,000 vs. \$25,000 on the regular card and \$100,000 rather than \$90,000

on the premium card.

The T&E card issuers claim they have no set spending limit. That might lead some people to believe they can charge anything within reason. But the key word is *no set limit*.

What is the real limit? "That's one of our most closely guarded secrets," says *American Express* senior vice president John Sutphen. CU anonymously telephoned *American Express* cardmember services in New York—the people who handle this sort of thing—and asked them. The system works like this: computers keep close track of your growing monthly balance. When you charge a purchase that doesn't fit your "normal" monthly pattern, *American Express* will want identifying information from you and will probably ask your bank for more data about your ability to pay. Keep that in mind in case you're thinking of charging a car to your *American Express* card.

### Premium cards

Premium cards, the latest innovation among bank cards, offer two main attractions: a higher credit limit and a status symbol. Those cards also offer a host of ancillary features, such as higher travel-accident insurance and special hotel services. For the most part, however, these

should be considered frills. After all, if you need insurance, you can always talk to an insurance agent.

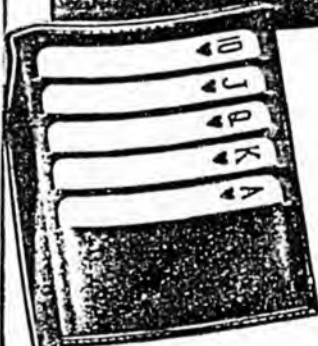
The ultimate in premium cards—for the moment, at least—is the *American Express Platinum Card*. Its \$250 annual fee dwarfs all the others. Worth it? Not at that price, in our view.

The high credit limits on premium cards sound like an attraction. But think about it: Do you really want to borrow a lot of money at charge-card rates? Borrowing \$500 at 18 percent or 20 percent is expensive enough; borrowing \$55,000 at that rate—except for short periods—would be imprudent, to say the least. For purchases that large, you can probably obtain a personal loan or an installment loan from a bank at a substantially cheaper rate.

With a premium card, you may well be able to find a lower-than-normal interest rate. Just as a creditworthy business pays less to borrow money than a shaky business does, so you—if you are a good credit risk—may qualify for a lower rate. Premium cards, we believe, make sense chiefly for those users who maintain high balances and can therefore benefit from a lower rate—which offsets the extra annual fee. Absent a break on the rate, we don't think premium cards are worth the money.

## Who has the best rates?

The seven banks below offered the best interest rates on *Visa* and *MasterCard* of the 133 banks in CU's survey. Cards available nationwide listed first; otherwise listed in order of interest rate on standard cards.



Bank	Standard card rate		Premium card rate		Cards offered				Address, phone
	Standard card rate	Standard card fee	Premium card rate	Premium card fee	Visa Classic	Visa Premium	MasterCard	MasterCard Gold	
Rainier National Bank <input type="checkbox"/>	15.5%	\$18	15.5%	\$50	✓	✓	-	-	Bank Card Services, P.O. Box C-340 18 Seattle, Wash. 98124, Attn: Credit Dept. (206-621-4111)
Comerica Midwest <input type="checkbox"/>	16.9	20	-	-	✓	-	✓	-	P.O. Box 2926, 3450 W. Central Ave. Toledo, Ohio 43606 (1-800-841-0012)
National City Bank <input type="checkbox"/>	17.4	18	17.4	35	✓	-	✓	✓	Customer Service, P.O. Box 5570-N Cleveland, Ohio 44101 (216-575-2000)
Core States Bank of Delaware <input type="checkbox"/>	18.9	18	16.9	50	✓	✓	✓	-	P.O. Box 8920 Wilmington, Del. 19899 (215-629-3100)
Central National Bank <input type="checkbox"/>	19.0	20	15.3	35	✓	-	✓	✓	800 Superior, Cleveland, Ohio 44114 (216-344-3000)
Bank of California <input type="checkbox"/> <input type="checkbox"/>	12.0	20	-	-	✓	-	✓	-	P.O. Box 45000 San Francisco, Calif. 94145 (415-765-0400)
Dominion Bank <input type="checkbox"/>	18.0	15	13.0	36	✓	✓	-	-	Bank Card Center, P.O. Box 13287 Roanoke, Va. 24041 (703-563-7000)

Available nationwide.

Not issued to out-of-state residents, or only limited issue in neighboring states.

Rate applies only in Washington State; California and Oregon rate is 21 percent.

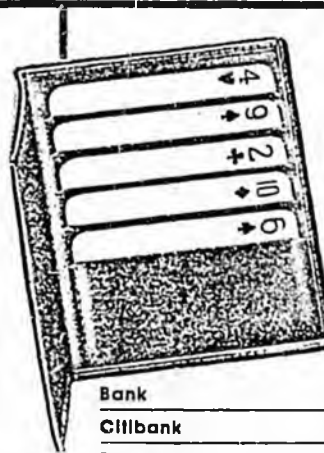


## Who has the worst rates?

The banks shown below had the highest interest rates on standard *Visa* and *MasterCard* of the 133 banks in CU's survey.

Bank	State	Interest rate	Annual fee
Missouri banks <input type="checkbox"/>	Missouri	22.0%	none
Bank One	Ohio	21.6	\$25
Huntington National Bank	Ohio	21.6	20
South Carolina National	S. Carolina	21.5	none
Frost National Bank	Texas	21.1	none

Six banks, all charging 22.0 percent: United Missouri Bank; Boatmen's Bank; Mercantile Bank; First National Bank Charter Corp; Centerre Bank; Commerce Bank.



## Biggest isn't always best

Below are the interest rates on *Visa* and *MasterCard* at the nation's 10 largest banks

Bank	Interest rate	Annual fee	
		Standard card	Premium card
Citibank	19.8%	\$20	\$40
Bank of America	19.8	18	36
Chase Manhattan	19.8	20	45
Manufacturers Hanover Trust	19.8	20	40
Chemical Bank	19.5	20	45
Continental Illinois	19.8	15	20
Security Pacific	20.4 <input type="checkbox"/>	15	45
First Chicago	19.8	12-20 <input type="checkbox"/>	NA
Wells Fargo	20.0	15	45
Mellon National	18.8	15	50

NA-Premium card not available.

Premium card rate 17.4%.

Fee varies depending on cardholder's state of residence.

**GECC ISSUES MONSANTO PRIVATE-LABEL CARD.** Following similar programs for Apple Computer, IBM, John Deere and others, General Electric Credit Corp. will pay retailers and bill customers for credit-card purchases of Monsanto's "Wear-Dated" carpets. Salespeople can approve opening credit lines of \$1,500 covering most carpet purchases if customers have lived in the same place for one year and present a valid driver's license and bank card. Carpets were the only durable goods without a widely available credit line according to Monsanto research which showed that 80% of carpet sales were paid for with cash. Steve Hajtun is Marketing Mgr. of Home Furnishings at GECC, (203) 357-4207. See issues 313, 308, 266, 245, 240, 225.

**SECRET SERVICE FRAUD JURISDICTION.** Although now authorized to investigate credit-card fraud by the Counterfeit Access Device and Computer Fraud and Abuse Act of 1984 (issue 343), the Secret Service has no jurisdiction until the Attorney General and Secretary of the Treasury decide exactly what that role will be. Discussions are underway.

**BANK CARD (Continued from page 1)...** being charged by Simmons First of Pine Bluff, Arkansas which charges five points above the discount rate. Year-end 1983 averages were \$16 for fees and 18.8% for interest. The trend in 1985 will be for interest rates to go up and annual fees to go down. No matter what the interest rate, consumers are less likely to apply for a card if they consider the annual fee too high in relation to cards they currently carry or others being offered to them. Most banks will continue charging up-front fees of \$15 to \$25 per year just to make sure "convenience" users who pay up within 30 days and make up one-third of their card base are paying their share of overhead -- and that's the way it should be. But local banks that have to compete with out-of-state bank cards will have difficulty keeping cardholders if they charge over \$15 per year for standard cards and over \$25 per year for premium cards. To compensate for lower fee income, banks should adjust their interest rates upward and those banks operating in states with low ceilings will have to think about moving elsewhere to remain competitive.

To be profitable, big banks should maintain a spread of at least 6% between what they charge cardholders and the prime rate--which is generally 200 basis points (2%) more than their direct internal cost of funds to finance receivables. Small to medium-sized banks that are generally less profitable should add another 2% on top of that. Bank-card interest at 18% to 21% makes credit-card operations at most banks a lot more profitable than automobile loans at 15% or second mortgages at 13% even though bank cards carry an entirely different set of risks and expenses in the form of credit losses, bankruptcies, reserves for fraud and counterfeiting, and administrative costs. Legislators are being egged on by consumer action groups to press for lower credit-card interest rates just because the cost of money is temporarily down, but when the current prime rate of 10-3/4% goes back up to 12-3/4% by this time next year, any rate less than 19% will be too low. Banks like Shawmut and Bank of Boston that recently lowered their rates from 18% to 17% are finding that other banks are not interested in their private price war, nor are customers flocking to them as benefactors.

BANK	
Annual Fee	Bank
\$24	Bank
\$21	South Barn Bay B Sun B Bank
\$20	Bank Harri Citiba First Chase Chem Manu First Euro First Michi State Assoc Dolla Simm
\$18	North Benefi Sunwe Bank Norwe BancC Fifth Maryl Conn Phila Seattle Rainle Wacho
\$16	Crock

The 71 banks list

**BANK OF BOSTON CREDIT CARDS HEAD OUT-OF-STATE.** Applications are in to set up limited-purpose subsidiary banks in either New Hampshire or Delaware where Bank of Boston can increase interest rates if necessary to cover costs of a planned credit-card expansion into New England and the Southeast. New Hampshire is the preferred location for card operations targeted to start out-of-state by year-end. Bank of Boston has issued 180,000 Visa cards, 395,000 MasterCard, plus 17,000 "Preferred" MasterCard gold credit cards. John Parker is VP, (617) 434-4352.

**AFI ACQUIRES ATM TECH'S GAS TERMINAL.** Manufacturer of "ATM 500" card-activated fuel control system described in issue 322 is being purchased by Addressograph Farrington Inc. and will operate as a separate division in Beaverton, Oregon where ATM Technologies started in mid-1982. Their "ATM 300" ticket/voucher terminal is also card-activated and can be interfaced with AFI/Datatrol's RS 7100 retail-management system as well as other POS terminals. Robert Axline is VP Corporate Development at AFI, (617) 963-8500. Sam Bosch is President at ATM Technologies, (503) 643-4000. See issue 322 on ATM 500 and issue 340 on AFI.

**FEES AND INTEREST RATES**

**Regular Cards Only - Ranked by Highest Fees**

	State	Interest	Regular Cards
England	Mass.	18.0%	85,000
	Fla.	18.0%	923,000
	Fla.	18.0%	746,000
	Mass.	18.0%	470,000
	Fla.	18.0%	465,000
	Mass.	18.0%	456,000
	Ohio	21.6%	1,560,000
	Ill.	21.0%	734,000
	N. Y.	19.8%	6,164,000
go	Ill.	19.8%	3,850,000
lan	N. Y.	19.8%	3,702,000
k	N. Y.	19.8%	3,698,000
s Hanover	N. Y.	19.8%	2,781,000
querque	N. Mex.	19.8%	194,000
erican	N. Y.	19.7%	347,000
Wilmington	Del.	18.7%	35,000
onal	Mich.	18.0%	1,389,000
ank	Mass.	18.0%	718,000
ational	Calif.	18.0%	670,000
k Savings	N. Y.	18.8%	88,000
t	Ark.	13.5%	79,000
a National	N. C.	24.0%	847,000
sional	Del.	24.0%	847,000
	N. Mex.	19.9%	194,000
ica	Calif.	19.8%	7,761,000
	Iowa	19.8%	631,000
	Ohio	19.8%	439,000
ank	Ohio	19.8%	309,000
onal	Md.	18.8%	654,000
E T	Conn.	18.0%	578,000
ational	Penn.	17.0%	753,000
	Wash.	15.0%	1,167,000
al	Wash.	15.0%	503,000
k	N. C.	(1)	297,000
al	Calif.	21.0%	1,127,000

Annual Fee	Bank	State	Interest	Regular Cards	
\$15	Valley National	Ariz.	21.0%	561,000	
	Oregon Bank	Ore.	21.0%	55,000	
	United Bank of Arizona	Ariz.	21.0%	41,000	
	Security Pacific	Calif.	20.4%	1,830,000	
	Home Savings of America	Calif.	20.4%	72,000	
	Wells Fargo	Calif.	20.0%	1,655,000	
	Marine Midland	N. Y.	19.8%	2,292,000	
	Indiana National	Ind.	19.8%	905,000	
	California First	Calif.	19.8%	294,000	
	New Jersey National	N. J.	19.8%	180,000	
	Great Western S & L	Calif.	19.8%	53,000	
	Lincoln First	N. Y.	19.5%	595,000	
	Home Federal S & L	Calif.	19.5%	69,000	
	U. S. National of Oregon	Ore.	19.3%	315,000	
	First Interstate	Calif.	18.0%	2,584,000	
	Bank of Virginia	Va.	18.0%	970,000	
	First Wisconsin	Wis.	18.0%	751,000	
United Virginia Bank	Va.	18.0%	550,000		
Mellon Bank	Penn.	18.0%	513,000		
\$14	Shawmut	Mass.	17.0%	234,000	
	Colorado National	Colo.	21.0%	1,821,000	
	United Bank of Denver	Colo.	21.0%	499,000	
	Central Trust	Ohio	21.0%	225,000	
	First American	Tenn.	21.0%	162,000	
	Bank of New York	N. Y.	18.0%	826,000	
	Citizens & Southern	Ga.	18.0%	497,000	
	Trust Co. of Georgia	Ga.	18.0%	195,000	
	FREE	Mercantile Bank	Mo.	21.1%	768,000
		Republic Bank Dallas	Tex.	21.1%	750,000
First of Atlanta		Ga.	21.0%	778,000	
Avco National		Calif.	19.8%	483,000	
Valley National		N. J.	18.0%	69,000	
Imperial S & L		Calif.	17.0%	91,000	
Bank of the Southwest		Tex.	16.5%	1,448,000	
First City National		Tex.	16.5%	1,328,000	
First of Omaha		Neb.	(2)	844,000	

(1) Rate 5% over prime rate to banks.

(2) Depends on Wall Street Journal quotation.

These represent 54% of the 129.7 million U. S. bank cards in circulation at the close of 1984.



# Monday marketplace

Minneapolis Star and Tribune

Monday  
January 28/1985

1M

DEPT. 765 W  
FEB 25 1985

*Handwritten notes:*  
New Car  
to stock  
proposal  
rule book  
Harrison  
Jordan  
McLennan



**Dick  
Youngblood**

## Credit sales are a cost for retailers

I've been a union man most of my working life, but damn it, there are times when I think that no one can ignore economic reality with more contrary, wrongheaded predictability than a labor leader bent on saving us all from corporate greed.

One of those times came a few days ago when Minnesota's major retailers asked the Legislature to raise the interest-rate ceiling on consumer credit from 16 percent, lowest in the nation, to 18 percent a year.

Far from trying to swell their profits on charge accounts, the retailers said, what they'd sort of like to do is cut down a mite on the millions of dollars in losses they post on consumer credit each year.

Their blandishments didn't faze Bernard Brommer, secretary-treasurer of the powerful Minnesota AFL-CIO, whose knees began to jerk almost immediately: "We've opposed (a higher rate ceiling) historically," he grumped. "Increasing interest rates for consumers and working people ... I just don't think it's very wise."

The way he sees it, apparently, retailers can afford to absorb those credit losses a whole lot easier than us working stiffs. Unfortunately, this is yet another example of Big Labor's enduring effort to rewrite the economics textbooks, which assure us that there is no such thing as a free lunch.

There sure isn't: My exhaustive investigation uncovered no retailing executives who are taking pay cuts to offset their employers' losses on consumer credit. Ditto for shareholder dividends.

Instead, the credit losses are being translated into higher retail prices paid by the very working people the AFL-CIO aims to protect, including the 20 to 30 percent of us who rarely or never use credit cards.

Actually, Brommer isn't the only one jerking his knees. Our resident populist, who manages at times to overcome his rather extensive economics training, began muttering about the avarice of retailers who try to raise interest rates even as a declining prime rate cuts their cost of money.

"What about the poor guy who has to buy on credit?" he demanded.

Let's go through this economics lesson just once more: Just as Social Security isn't designed to lift the elderly out of poverty and commodity programs cannot save the small farmer, retailers shouldn't be expected to solve the problem of the low-income consumer. These are issues best addressed by sharply focused programs that eliminate as many middlemen as possible.

My colleague had a point about timing, however — interest rates have fallen a couple of points in the past year. I sought an explanation from Dayton Hudson Corp., a solid corporate citizen with a reputation for sensitivity to the needs of the consumer. (It has a no-questions-asked policy on merchandise returns, and its Target chain spends \$750,000 a year testing toys and other products for safety.)

What I got from James Dirlam, vice president of credit sales at Dayton's, were some impressive numbers: In Minnesota during 1983, the combined credit operation of Dayton's and Target spent \$8.3 million for operating expenses (payroll, postage, supplies), \$2.7 for bad debts and \$17 million for interest on the cash used to finance accounts receivable.

Customer finance charges raised just \$18.4 million, however, leaving their Minnesota credit operations \$9.6 million in the red!

Even if the interest ceiling had been 18 percent instead of 16, Dirlam said, the increased revenue from finance charges would have trimmed the loss only to \$7.3 million.

Moreover, the 1983 loss was calculated on the basis of a 12 percent interest rate on the cash used in credit operations, he said. Even if the rate had been 10 percent, one-half point below the current prime rate, the loss still would have been about \$4.5 million.

That strikes me as quite a lot to ask a retailer to pay for the privilege of granting us credit.

RETAIL REVOLVING CREDIT  
FINANCE CHARGE CEILINGS

Current Ceilings In States Which Removed Break Points Between  
1980 and 1985

<u>State</u>	<u>Current Ceiling</u>
Arizona	Deregulated
Delaware	Deregulated
District of Columbia	24%
Iowa	19.8%
Kansas	21%
Maryland	24%
Massachusetts	18%
Mississippi	21%
Missouri	18%
New Jersey	Deregulated
New Mexico	Deregulated
New York	Deregulated
Puerto Rico	20.4%
South Carolina	Deregulated
Texas	Variable between 18% and 21%
Vermont	21%
Wisconsin	18%; to be deregulated in 1985

RETAIL REVOLVING CREDIT  
FINANCE CHARGE CEILINGS

States Imposing A Lower Rate Above A Break Point Prior to 1980

<u>State</u>	<u>Rates and Break Point</u>
Alaska	18% to \$1,000; 12% above
Arizona	18% to \$1,000; to 12% above
California	18% to \$1,000; 12% above
Delaware	18% to \$1,000; 12% above
District of Columbia	18% to \$500; 12% above
Iowa	18% to \$500; 15% above
Kansas	21% to \$300; 18% over \$300 to \$1,000; 14.4% above \$1,000
Maryland	18% to \$700; 12% above
Massachusetts	18% to \$500; 12% above
Mississippi	18% to \$800; 15% over \$800 to \$1,200; 12% above \$1,200
Missouri	18% to \$500; 9% over \$500
Nebraska	18% to \$500; 12% above
New Jersey	18% to \$700; 12% above
New Mexico	18% to \$500; 16% above
New York	18% to \$500; 12% above
Puerto Rico	18% to \$250; 12% above
South Carolina	18% to \$1,000; 12% above
Texas	18% to \$500; 12% above
Vermont	18% to \$500; 12% above

RETAIL REVOLVING CREDIT  
FINANCE CHARGE CEILINGS

States Imposing A Lower Rate Above A Break Point As of January 1, 1985

<u>State</u>	<u>Rates and Break Point</u>
Alaska	18% to \$1,000; 5% plus Federal Discount Rate (now 8.5%) above \$1,000
California	19.2% to \$3,000; 12% above
Nebraska	21% to \$500; 12% above
West Virginia	18% to \$750; 12% above

April 2, 1985

Mr. M. Mike Miller  
Chairman, House Judiciary Committee  
Pouch V  
Juneau, Ak. 99811

Re: HB 217

Dear Mr. Miller

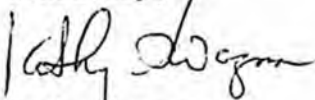
I support and encourage passage of HB 217. The rates of interest paid by banks on deposits and the rates charged on loans were both previously regulated by legislation. Federal deregulation has removed ceilings from interest rates to the benefit of the consumer by allowing banks to pay higher rates of interest on smaller deposits. I feel that the same deregulation should be allowed to banks on loan rates.

The banks' working capital comes from the difference between their cost of funds (interest on deposits) and their income (loan interest rates). A reasonable spread must be maintained between the two to allow banks the income needed to continue operation. Without the passage of this bill, maximum allowable rates would be too low. This could result in several possible problems for the consumer:

1. Banks would need to tighten credit standards to avoid losses or discontinue loans to consumers because they are not profitable. Consumers would be forced to other markets that already charge a higher rate,
2. Credit card facilities could be moved out of state where more competitive rates are allowed. This would result in loss of jobs to Alaskans.

I feel that we should allow the free market system to work in the banking industry as well as other industries. Loan rates would not necessarily rise to the new limits. Banks must be competitive or lose customers. I believe that the consumer will shop for the best loan rates just as he does for the best interest rates.

Sincerely,



Kathy Swagman  
503 Targhee Ln  
Eagle River, Ak. 99577.

cc: Randy Phillips  
Eagle River

1513 Crescent Avenue  
Anchorage, Alaska 99508

April 2, 1985

Representative M. Mike Miller  
Chairman, Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

Re: HB-217

Dear Representative Miller:

I am a 58 year resident of the State of Alaska having been born and raised in Anchorage.

I urge passage of HB-217 so that we may have a safe, sound and viable financial community. And also have reasonable equality between the various financial institutions doing business in Alaska. By keeping the interest rate unreasonably low on credit cards it forecloses the opportunity for marginal credit risks to receive credit cards issued by Alaskan banks. There are other financial institutions headquartered outside of Alaska that offer credit at a rate that is either higher or equal to the rate proposed in this bill. The effect of unrealistically low credit card interest rates is to force these marginal credit risks to financial institutions doing business outside the state of Alaska, therefore, reducing the number of jobs in Alaskan banks' credit card departments.

It is also unfair to allow different types of financial institutions to charge different rates of interest on similar loans. Credit Unions and banks doing business outside of the State of Alaska, as well as small loan companies in Alaska, can charge higher rates of interest than a commercial bank. Under the "Most Favored Lender" doctrine, national banks are permitted to charge the same rate on a loan as any other lender in the state. Some national banks currently operate under this doctrine. It has not been clearly established that a state bank can operate under the "Most Favored Lender" doctrine. As the situation now exists national banks can charge a higher rate of interest than state banks. HB-217 would correct this inequity.

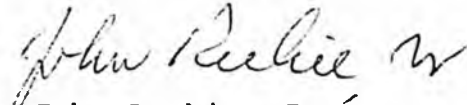
There has been some question raised by certain consumer groups that to lift the interest rate on small loans would cause financial institutions to charge the maximum rate permissible. This is not true because national banks now operating under the "Most Favored Lender" doctrine have been able to charge much higher rates than they are currently charging. Competition will prevent financial institutions from charging unreasonably high rates.

Representative M. Mike Miller  
Page 2  
April 2, 1985

Government regulatory agencies have stopped regulating interest paid to depositors and this allows competition to set that rate. On the other side of the equation there is no logical reason to have legislation that controls the interest rate that a borrower pays. Artificially low interest rates on loans deprives marginal credit risks from receiving loans from Alaskan financial institutions.

Please share my comments with other members of your committee.

Very truly yours,

  
John Reekie, Jr.

CC:  
Representatives:  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor



**NFIB** National Federation  
of Independent Business

The Guardian of Small Business

TO: NFIB/ALASKA MEMBERS

March 1985

FROM: GARY L. JENKINS, DIRECTOR OF GOVERNMENTAL RELATIONS

SUBJECT: SPECIAL BALLOT

The issues on this ballot are ones which the legislature is considering during this session. It is very important that you complete this ballot as soon as possible and immediately mail it to NFIB/Alaska, P. O. Box 210194, Auke Bay, Alaska 99821.

1. INTEREST RATES

Should interest rate ceilings be raised on: (Vote on each one)

- a. Bank loans of \$25,000 or less  

<u>11%</u>	Yes	<u>88%</u>	No	<u>1%</u>	Undecided
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- b. Retail charge accounts  

<u>19%</u>	Yes	<u>78%</u>	No	<u>3%</u>	Undecided
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- c. Credit card revolving accounts  

<u>17%</u>	Yes	<u>81%</u>	No	<u>2%</u>	Undecided
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**BACKGROUND:** Legislation (HB 217) is currently pending in the House Judiciary Committee which proposes to raise the limits on the interest rates which may be charged for certain types of credit. The legislation would permit any business or credit card company to charge up to 18% on the unpaid balance of any business charge account or credit card account. Further, it would permit any financial institution except a state chartered credit union to charge up to 24% for any loans made of \$25,000 or less.

Current law limits business charge accounts and credit card companies to a maximum rate of 18% on the first \$1,000.00 due and 5 percentage points over the federal discount rate on the balance over \$1,000.00. At the present time, the federal discount rate is 8%, so the current maximum rate on balances over \$1,000.00 is 13%.

Financial institutions are presently limited to the federal discount rate plus 5 percentage points on loans of \$25,000.00 or less. At the present time, the federal discount rate is 8%, so the current maximum rate is 13%. However, it should be noted that some financial institutions are currently charging interest at rates higher than 13%. They are doing this based on a 1981 Attorney General opinion which states that under Federal regulations banks are permitted to follow what is commonly known as the "most favored lender doctrine". This doctrine purportedly provides that financial institutions may charge the highest rate permitted under state

law on loans of the same amount. In the case of Alaska, the Alaska Small Loan Act permits small loan companies to charge up to 3% per month or 36% per year on loans up to \$850.00; up to 2% per month or 24% per year on loans over \$850.00 but not more than \$10,000.00; and at any rate mutually agreeable to the parties for loans over \$10,000.00 but not more than \$25,000.00.

Proponents for raising the rate limitations argue that many businesses and credit card companies are losing money on their credit transactions because of the current limitations. They argue that permitting a maximum rate of 18% on the unpaid balance without a limitation as to the account balance, will allow them to then make a reasonable return on their credit transactions. Those supporting increasing the rate limitation for financial institutions to 24% argue that since many banks are charging rates higher than 13% at the present time, to prevent any confusion regarding what is the proper maximum rate, the proposed limitation should be adopted. They further argue that no financial institution will immediately raise their rates up to 24%. Rather competition in the marketplace will be the controlling factor as to what rates will be charged for the various types of loans.

Opponents argue that Alaska does not have a well developed marketplace and there are many communities where no competition exists for either banking or retail credit. Raising the present limits to the proposed levels would permit charging unreasonably high rates. Further, many studies from other states have shown that, for loans of less than \$25,000.00, when a state does not have an interest rate limit or has a very high interest rate limit, the marketplace tends to react very slowly when interest rates are falling in general. For example, during the first few months of 1983 in California, where there are no interest rate limitations, rates being charged on small loans by banks were running from 20% to 25%, while rates in Alaska were averaging about 14%.

## 2. AUTOMOBILE RECORD KEEPING REQUIREMENTS

Should the Alaska Legislature urge Congress to repeal the automobile record keeping requirements which were adopted as part of the 1984 Tax Reform Act?

96% Yes      3% No      1% Undecided

BACKGROUND: Legislation (SJR 19) is currently pending in the Senate Finance Committee and would urge Congress to repeal the new record keeping requirements and the related limitations on deducting automobile expenses. The resolution urges a return to the previous law which was effective up to December 31, 1984.

Proponents of this resolution argue that the new record keeping requirements are far too burdensome and time consuming for businesses, especially in light of the limited additional revenues which the requirements will generate for the U. S. Treasury. Further, they argue that the limitations on deducting automotive equipments expenses will discourage businesses from investing in additional equipment.

Opponents argue that deductions taken for automobile use for business purposes has been severely abused in the past and the new law is the only effective way to bring this problem under control.

# Alaska State Legislature



## House of Representatives House Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4990

Contents - HB 217  
April 9, 1985

CSHB 217

HB 217

Fiscal note - Commerce & Economic Development

House Special Committee on State Loans committee report  
dated 3/14/85

3/10/85 letter to Representative Sund from AKPIRG

3/13/85 letter to Representative Sund from AKPIRG

2/14/85 Memo from Theresa Bannister to Representative Duncan  
Sectional Analysis

1/2/81 AG opinion re deregulation and monetary act of 1980

AS 06.20 - Alaska Small Loans Act

AS 06.40 - Premium Financing Act

AS 06.45 - Alaska Credit Union Act

AS 36.90 - Miscellaneous Provisions

AS 45.10 - Alaska Retail Installment Sales Act

AS 45.45. - Trade Practices

"Retail Banking in New York State: Customer Beware" article  
dated 5/83 A report by State Senator Franz Leichter

"Deregulation of Consumer Lending in New York: The Rates  
Went Up But Never Came Back Down" a report by State Senator  
Franz Leichter dated 3/23/83

Anchorage Daily News 4/3/85 article: "As with Credit, It  
Pays to Shop for Credit Cards"

"Playing Your Cards Right" article in Consumer Reports 1/85

"Credit Sales Are a Cost for Retailers" 1/28/85 article in  
Minneapolis Star and Tribune

# Alaska State Legislature



## House of Representatives House Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4990

HB 217 Contents cont.

### Letters:

Alaska Credit Union League  
Kathy Swagman  
Johna Turcic  
Kathleen Knowles Scott  
Jim Payne  
Debbie Kara  
Micheal  
Patricia Benz  
Grace Young  
Sandi Stillman  
James O'Connell  
Nancy Ashwill  
Frank Dahllee  
Brent Ulmer  
Kate Mills  
JoAnn Shore  
Benjamin Barrera  
John Reekie, Jr.

COMMITTEE REPORT  
HOUSE

7/15

(5)

FURTHER: JUDICIARY

2/20/85

Date: 3/14/85

Mr. Speaker:

The Committee on HOUSE SPECIAL COMMITTEE ON STATE LOANS has had HB 217

"An Act relating to interest rates; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 217 (Loans)  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS:

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

COTTEN [Signature]

SUND [Signature]

FULLER [Signature]

USHLING [Signature]

[Signature]

CHAIRMAN



# ALASKA CREDIT UNION LEAGUE

2509 EIDE STREET, SUITE 4  
ANCHORAGE, ALASKA. 99503  
(907) 278-4949

19 March 1985

*SHARON STUKROCK  
576-3592*

Honorable Mike Miller  
Behrends Building, Room 220  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

We are writing on behalf of both the federal and state chartered credit unions in Alaska. Section 3 of H.B. 217 revises AS 06.45.060(5)(A)(xi). This amendment would have the effect of putting a 15% limit on loans charged by state credit unions.

We believe this would harm our two state chartered institutions as well as make credit less available to their members. Such a change would put state credit unions at a disadvantage with banks and savings and loans as well as federally chartered credit unions.

Members of state chartered credit unions deserve competitive rates on their deposits. It is not possible to pay market rates on deposits if there is an artificial ceiling on loan rates.

We believe Section 3 discriminates against state chartered credit unions. To insure the viability of the state chartering system for credit unions and to allow state chartered credit unions to be competitive with other financial institutions, we request that Section 3 of H.B.217 be deleted.

Sincerely,

David L. Chatfield  
Governmental Affairs Committee Chairman

cc: Representatives Sund, Gruenberg  
Taylor, Clocksin, Pettyjohn and Phillips



April 2, 1985

APR 6 1985

Representative M. Mike Miller  
Chairman, Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

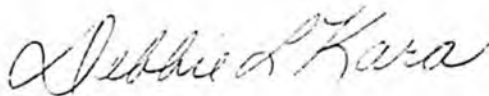
Dear Representative Miller:

Re: HB-217 An Act Relating to Interest

I support the passage of HB-217.

I feel consumers should be able to shop for  
low cost loans the same way they shop for  
high paying deposits.

Very truly yours,



Debbie Kara  
9599 Brayton Drive #494  
Anchorage, Alaska 99507

CC:

Representatives:  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

4/2/85  
2830 Concord Dr  
Chapel Hill NC 27514

APR 3 1985

Rep. Mike Miller  
Blackburn  
P.O. Box 99811  
James City VA 22901

Re 91B 217 - on cost relating to interest.

Dear Representative Miller:

I am writing in support of the above referenced bill. There has been discussion of how to pay the benefits of higher interest rates on my deposits in banks and other financial institutions. I feel strongly that one cannot deregulate one side of a bank's operation, deposits, and not the other. The other current regulation of maximum interest rates on loans likely impairs the ability to pay me the highest rate possible on my deposits.

I am in support of H.R. 217 and would appreciate your vote in favor of this law.

Respectfully

Michael P. In / comm

Voter # 05479373

- Rep. Clay C. Thibault
- Rep. Dave Pearce
- Rep. John F. Bond
- Rep. Max Baucus
- Rep. John Dingell
- Rep. Dan Claitor
- Rep. Frank Lautenberg
- Rep. Dan Rostenkowski
- Rep. Robert C. Darden

2608 Kona Lane  
Anchorage, Alaska 99503

APR 6 1985

April 2, 1985

The Honorable Mike Miller  
Chairperson, Judiciary Committee  
State of Alaska, House of Representatives  
Pouch V  
Juneau, AK 99811

Re: House Bill 217

Dear Mr. Miller:

I am writing to urge your support for House Bill 217 relating to interest rates.

As a stockholder in the National Bank of Alaska, I am concerned that the value of my investment is clouded by a State law which hampers the bank's ability to make a reasonable return on small loans.

As a consumer I would hate to see the banks quit making small loans. My understanding from sources in the financial community is that it is quite possible that small loans will become scarce as profits are squeezed.

It is in the best interest of all of us for the price of money to be set by the marketplace.

I again urge your support for House Bill 217.

Sincerely,

Patricia Jelley Benz

sc

cc: The Honorable John L. Sund  
The Honorable Max Gruenberg, Jr.  
The Honorable Robin Taylor  
The Honorable Don Clocksin  
The Honorable Fritz Pettyjohn  
The Honorable Randy Phillips

April 2, 1985

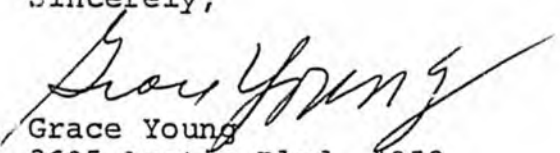
Representative M. Mike Miller  
Chairman, Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

I support and encourage passage of HB 217.

Consumers should be encouraged to shop for  
low cost loans the same way they shop for high  
paying deposits.

Sincerely,



Grace Young  
3605 Arctic Blvd. #953  
Anchorage, Alaska 99503

CC:  
John L. Sund , Vice Chairman  
Max F. Gruenberg, Jr.  
Robin L. Taylor  
Don Clocksin  
Fritz Pettyjohn  
Randy Phillips

April 4, 1985

APR 5 1985  
8 1985

Representative M. Mike Miller  
Chairman of House Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

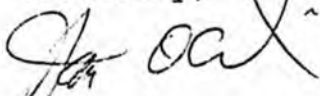
Re: HB-217

Dear Representative Miller:

Rates of interest on the deposit taking side of banks, savings and loans, credit unions, etc. are deregulated. Rates on the loan side of these institutions are regulated under Alaska law. Several states where the cost of doing business is considerably less than Alaska, are allowed to charge much higher rates than Alaska usury rates currently allow. I see evidence of that through credit card offerings out of places such as South Dakota and California. Rates of interest offered are in the 19% area.

I support HB-217.

Sincerely,



James O'Connell  
2203 Vanderbilt Cr.  
Anchorage, AK. 99508

CC:  
H. A. Boucher  
Virginia M. Collins  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

APR 8 1985

April 3, 1985

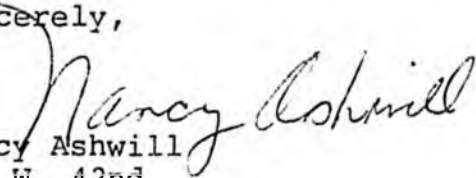
M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Miller:

I would like to express my firm support of HB 217.

It is not right to regulate the interest rates the financial institutions can charge and not the rates they pay. The market will establish the rates charged and, by the nature of competition, they will fall in line with the rates paid. Thank you.

Sincerely,

  
Nancy Ashwill  
603 W. 42nd  
Anchorage, Alaska 99503

cc: Don Clocksin  
Max Gruenberg  
Fritz Pettyjohn  
Randy Phillips

APR 8 1985

The Honorable M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

April 3, 1985

House Bill 217

My dear Mr. Miller:

I support passage of HB 217.

The rate of interest the banking industry pays on deposits is going through deregulation. The allowable price charged in putting those funds to use through lending must also be deregulated!

Sincerely yours,

David R. Dahlke  
David R. Dahlke  
2321 Belmont Drive  
Anchorage, Alaska 99503  
276-7358

April 3, 1985

Representative Mike Miller  
Chairman, Judiciary Committee  
House of Representatives  
Pouch V  
Juneau, Alaska 99811

APR 8 1985

Re: HB-217

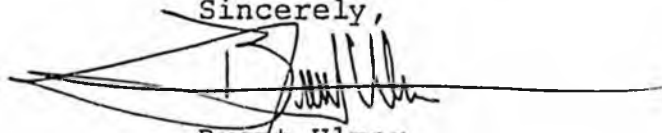
Dear Representative Miller:

I understand that the above referenced bill, which deals with the modification of Alaska's usury law, is currently before your committee. The current law places restrictions on the rate of interest that can legally be charged by our State's financial institutions, which makes the present law somewhat unique. I'm not aware of any other laws that restrict the price a business might charge for its products.

The trend in recent years has been towards de-regulation of nearly all industries. Recent de-regulation in the transportation industry is a good example. I am a firm advocate of the free market system that lets supply and demand establish prices. I would urge you and your committee to approve HB-217, which would allow the financial community the same freedom to set price as is now enjoyed by the rest of the business community.

Thank you for your support.

Sincerely,



Brent Ulmer  
3649 Mary Ann Ct.  
Anchorage, Alaska 99502

CC:  
Representatives:  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

APR 8 1985

April 3, 1985

Representative Alyce A. Hanley  
Pouch V  
Juneau, Alaska 99811

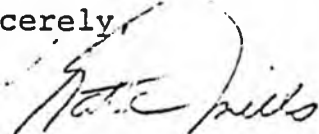
Dear Representative Hanley:

It was a pleasure to meet you during my recent visit to Juneau.

I am writing to you to request your support of HB 217. Banking is a business like any other. The product is money. Limiting the price at which banks can sell their product could create an unprofitable banking environment. As in any business, the market place should establish the selling price, in this instance the interest rates.

I strongly encourage passage of this bill and appreciate your support. Thank you.

Sincerely,



Kate Mills  
3400 W. 86th #21  
Anchorage, Alaska 99502

cc: Representative M. Mike Miller ✓  
Representative Marco Pignalberi  
Representative Randy Phillips  
Representative Drue Pearce

April 3, 1985

APR 8 1985

Representative M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

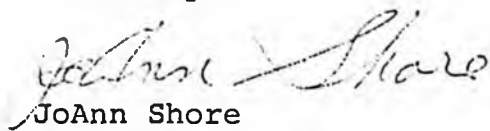
I am writing to express my support of HB 217, an act relating to interest rates.

Now that the banking industry has some experience regarding the effects of deregulation on cost of funds, we have seen how the economic law of supply and demand keeps rates at a reasonable, competitive level. The consumer is becoming smarter and is shopping for the best rate for his money.

If the banking industry is not given the opportunity to respond to market needs regarding interest rates on loans, the consumer will be forced to seek other markets.

Please work to encourage passage of HB 217.

Sincerely,



JoAnn Shore  
4860 Mills Drive  
Anchorage, AK 99508

cc: Representative John L. Sund  
Representative Randy Phillips  
Representative Fritz Pettyjohn  
Representative Don Clocksin  
Representative Robin L. Taylor  
Representative Max F. Gruenberg, Jr.  
Senator Arliss Sturgulewski

Mr Mike Miller  
Pouch U  
Juneau, Alaska 99811

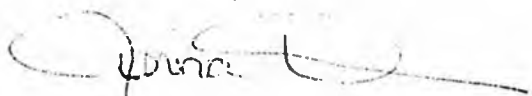
Dear Mr Miller;

I support HB 217. Financial institutions should be allowed to set lending rates which are competitive within the market area. If this bill is defeated, many financial institutions within the state will close their doors in favor of more favorable states. I have personally worked for a bank who moved their credit card department to Yankton, So. Dakota. This resulted in a loss of over 60 jobs and much revenue for the state.

The government should no longer regulate the banking industry. Competition and the consumer will set the rates.

Thank you for your consideration,

Sincerely



Johna Turcic

CC: John L. Sund  
Max F. Gruenburg, Sr.  
Robin L. Taylor  
Don Clocksin  
Fritz Pettyjohn  
Alyce A. Hanley

Address:  
130 Meadow Creek  
Eagle River, Alaska 99577

Kathleen Knowles Scott  
P.O. Box 4-211  
Anchorage, Alaska 99502

April 2, 1985

The Honorable Mike M. Miller  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

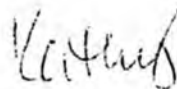
Dear Representative Miller:

I would like to express my opinion regarding HB 217 which is before the Judiciary Committee.

I know that this is not a popular bill to vote for, however, I think, as legislators, you must do what is best for everyone. If you restrict the interest rate you will restrict the supply of money. The marketplace should be establishing the rate.

Thank you for your consideration of this matter.

Very truly yours,



Kathleen Knowles Scott

APRIL 2, 1985

DEAR REPRESENTATIVES:

I SUPPORT AND ENCOURAGE THE PASSAGE OF HOUSE BILL 217!

AS YOU KNOW THE BANK INDUSTRY IS GOING THROUGH A DEREGULATION ON ITS COST OF FUNDS. WHILE THIS PERIOD IS, AND MUST BE, A REAL CHALLENGE TO ALL BANKS, I THINK THE ALASKAN BANKS HAVE DONE AN EXCELLENT JOB IN PROVIDING SERVICES. I AS A DEPOSITOR AND LOANER, CUSTOMER DEMAND MORE FOR MY DEPOSITS IN THE FORM OF THE HIGHEST POSSIBLE RATES. EQUALLY, I THINK MY BANK AND ALL BANKS SHOULD BE ABLE TO EARN A FAIR PROFIT.

I THINK THE STATE LEGISLATURE SHOULD STOP TRYING TO REGULATE THE PRICE OF THE BANKS PRODUCT IN A DEREGULATED ENVIRONMENT. LET OUR FREE MARKET SYSTEM WORK! CUSTOMERS WILL SHOP FOR THE LOWEST COST LOANS IN THE SAME WAY THEY SHOP FOR THE HIGHEST RATES ON DEPOSITS. I THINK THE TOUGH COMPETITIVE MARKET IS ALL THE PROTECTION, IF YOU WILL, MYSELF AND OTHER CUSTOMERS NEED. AFTER ALL WE DON'T HAVE TO BORROW FROM THE BANK, OR ANY LENDER, WHO CHARGES THE HIGHEST.

HIGHER LOAN RATES DON'T FRIGHTEN ME, BUT A POSSIBLE PROBLEM IN GETTING A LOAN WHEN I WANT AND NEED THE FUNDS DOES! IN MY OPINION, THE RATES BEEN PROPOSED AS A MAX, 24%, IS NOT TOO HIGH. AS THE APERS HAVE STATED, APPROX. SEVEN STATE BANKS COULD CHARGE HIGHER NOW, BUT WHY - COMPETITION!

PLEASE PASS HB 217.

CC: W. MIKE MILLER

JOHN L. SUNO

GILWENBERG, TAYLOR, CLOCKSON, JETTER, JOHN, PHILLIPS

J. Lindome  
1027 BENCH COURT  
ANCHORAGE, AK 99504

April 2, 1985

APR 2 1985

Representative M. Mike Miller  
Chairman, Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

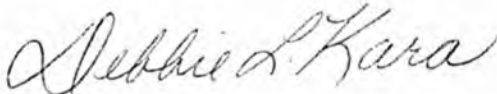
Dear Representative Miller:

Re: HB-217 An Act Relating to Interest

I support the passage of HB-217.

I feel consumers should be able to shop for  
low cost loans the same way they shop for  
high paying deposits.

Very truly yours,



Debbie Kara  
9599 Brayton Drive #494  
Anchorage, Alaska 99507

CC:  
Representatives:  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

4/2/85

2830 Concord Ln  
Anchorage AK 99502

APR 8 1985

Rep. Mike Miller  
Alaska Legislature  
Pouch 2  
Jensen AK 99811

Re HB 217 - An act relating to interest.

Dear Representative Miller:

I am writing in support of the above referenced bill. Since bank deregulation I have enjoyed the benefits of higher interest rates on my deposits in banks and other financial institutions. I feel strongly that one cannot deregulate one side of a bank's operation, deposits, and not the other, otherwise current regulation of maximum interest rates on loans likely impair their ability to pay me the highest rate possible on my deposits.

I am in support of HB 217 and would appreciate your vote in favor of this law.

Respectfully

Michael P. McCombs

Voter # 05479373

c/c Rep. Alyse A. Hanley

Rep. Don Pearce

Rep. John I. Lund

Rep. Max Greenberg

Rep. Robin Taylor

Rep. Don Clarkin

Rep. Fritz Pettyjohn

Rep. Randy Phillips

Sen. Mitchell

APR 8 1985

April 2, 1985

The Honorable Mike Miller  
Chairperson, Judiciary Committee  
State of Alaska, House of Representatives  
Pouch V  
Juneau, AK 99811

Re: House Bill 217

Dear Mr. Miller:

I am writing to urge your support for House Bill 217 relating to interest rates.

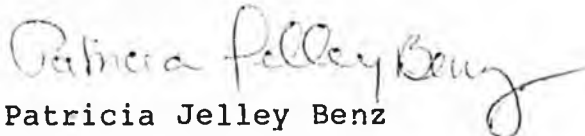
As a stockholder in the National Bank of Alaska, I am concerned that the value of my investment is clouded by a State law which hampers the bank's ability to make a reasonable return on small loans.

As a consumer I would hate to see the banks quit making small loans. My understanding from sources in the financial community is that it is quite possible that small loans will become scarce as profits are squeezed.

It is in the best interest of all of us for the price of money to be set by the marketplace.

I again urge your support for House Bill 217.

Sincerely,



Patricia Jelley Benz

sc

cc: The Honorable John L. Sund  
The Honorable Max Gruenberg, Jr.  
The Honorable Robin Taylor  
The Honorable Don Clocksin  
The Honorable Fritz Pettyjohn  
The Honorable Randy Phillips

April 7, 1985

APR 8 1985

Representative M. Mike Miller  
Chairman, Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

I support and encourage passage of HB 217.

Consumers should be encouraged to shop for  
low cost loans the same way they shop for high  
paying deposits.

Sincerely,



Grace Young  
3605 Arctic Blvd. #953  
Anchorage, Alaska 99503

CC:  
John L. Sund , Vice Chairman  
Max F. Gruenberg, Jr.  
Robin L. Taylor  
Don Clocksin  
Fritz Pettyjohn  
Randy Phillips

April 1, 1985

APR 8 1985

Mr. Mike Miller  
Chairman, Judiciary Committee  
Pouch V,  
Juneau, Alaska 99811

Mr. Miller:

I support Bill HB 217 - Or  
Act relating to interest.

I am a single parent and have  
been trying to obtain reasonable  
rate credit for almost one (1)  
year. My attempts have been  
futile, the basis for denial being  
that I have a dependent.

This dilemma, in my opinion, is based on the fact that by regulating the cost of monies, it has also affected the availability of funds to be obtained. In essence, why extend credit to me, a single wage earner with dependant? My neighbor has the same income but no dependant - she will get the 18% credit - I am forced out of state credit at 19.2% and higher. In whose interest does this bill (if enacted) work for? Me, the consumer and voter!!

Sincerely,

Audi Stillman  
 PO BOX 671592  
 Chuqialak, AK 99567

April 4, 1985

APR 6 1985  
APR 8 1985

Representative M. Mike Miller  
Chairman of House Judiciary Committee  
Pouch V  
Juneau, Alaska 99811

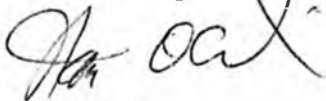
Re: HB-217

Dear Representative Miller:

Rates of interest on the deposit taking side of banks, savings and loans, credit unions, etc. are deregulated. Rates on the loan side of these institutions are regulated under Alaska law. Several states where the cost of doing business is considerably less than Alaska, are allowed to charge much higher rates than Alaska usury rates currently allow. I see evidence of that through credit card offerings out of places such as South Dakota and California. Rates of interest offered are in the 19% area.

I support HB-217.

Sincerely,



James O'Connell  
2203 Vanderbilt Cr.  
Anchorage, AK. 99508

CC:  
H. A. Boucher  
Virginia M. Collins  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

APR 8 1985

April 3, 1985

M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Miller:

I would like to express my firm support of HB 217.

It is not right to regulate the interest rates the financial institutions can charge and not the rates they pay. The market will establish the rates charged and, by the nature of competition, they will fall in line with the rates paid. Thank you.

Sincerely,

*Nancy Ashwill*

Nancy Ashwill  
603 W. 42nd  
Anchorage, Alaska 99503

cc: Don Clocksin  
Max Gruenberg  
Fritz Pettyjohn  
Randy Phillips

APR 8 1985

April 3, 1985

The Honorable M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

House Bill 217

My dear Mr. Miller:

I support passage of HB 217.

The rate of interest the banking industry pays on deposits is going through deregulation. The allowable price charged in putting those funds to use through lending must also be deregulated!

Sincerely yours,

*David R. Dohler*  
David R. Dohler  
2321 Belmont Drive  
Anchorage, Alaska 99503  
276-7358

Represent  
Chairman  
House of  
Pouch V  
Juneau,

Re: HF

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# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

APR 8 1985

The Honorable M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

April 3, 1985

House Bill 217

My dear Mr. Miller:

I support passage of HB 217.

The rate of interest the banking industry pays on deposits is going through deregulation. The allowable price charged in putting those funds to use through lending must also be deregulated!

Sincerely yours,

David R. Dohle  
David R. Dohle  
2321 Belmont Drive  
Anchorage, Alaska 99503  
276-7358

April 3, 1985

Representative Mike Miller  
Chairman, Judiciary Committee  
House of Representatives  
Pouch V  
Juneau, Alaska 99811

APR 8 1985

Re: HB-217

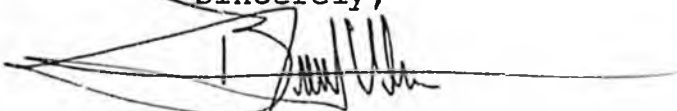
Dear Representative Miller:

I understand that the above referenced bill, which deals with the modification of Alaska's usury law, is currently before your committee. The current law places restrictions on the rate of interest that can legally be charged by our State's financial institutions, which makes the present law somewhat unique. I'm not aware of any other laws that restrict the price a business might charge for its products.

The trend in recent years has been towards de-regulation of nearly all industries. Recent de-regulation in the transportation industry is a good example. I am a firm advocate of the free market system that lets supply and demand establish prices. I would urge you and your committee to approve HB-217, which would allow the financial community the same freedom to set price as is now enjoyed by the rest of the business community.

Thank you for your support.

Sincerely,



Brent Ulmer  
3649 Mary Ann Ct.  
Anchorage, Alaska 99502

CC:  
Representatives:  
Don Clocksin  
Jim Duncan  
Max F. Gruenberg, Jr.  
Fritz Pettyjohn  
Randy Phillips  
John L. Sund  
Robin L. Taylor

APR 8 1985

April 3, 1985

Representative Alyce A. Hanley  
Pouch V  
Juneau, Alaska 99811

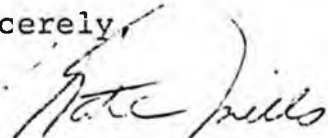
Dear Representative Hanley:

It was a pleasure to meet you during my recent visit to Juneau.

I am writing to you to request your support of HB 217. Banking is a business like any other. The product is money. Limiting the price at which banks can sell their product could create an unprofitable banking environment. As in any business, the market place should establish the selling price, in this instance the interest rates.

I strongly encourage passage of this bill and appreciate your support. Thank you.

Sincerely,



Kate Mills  
3400 W. 86th #21  
Anchorage, Alaska 99502

cc: Representative M. Mike Miller ✓  
Representative Marco Pignalberi  
Representative Randy Phillips  
Representative Drue Pearce

APR 8 1985

April 3, 1985

Representative M. Mike Miller  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

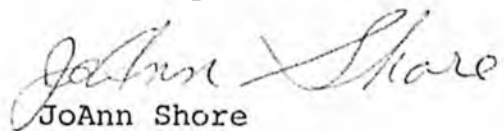
I am writing to express my support of HB 217, an act relating to interest rates.

Now that the banking industry has some experience regarding the effects of deregulation on cost of funds, we have seen how the economic law of supply and demand keeps rates at a reasonable, competitive level. The consumer is becoming smarter and is shopping for the best rate for his money.

If the banking industry is not given the opportunity to respond to market needs regarding interest rates on loans, the consumer will be forced to seek other markets.

Please work to encourage passage of HB 217.

Sincerely,



JoAnn Shore  
4860 Mills Drive  
Anchorage, AK 99508

- cc: Representative John L. Sund
- Representative Randy Phillips
- Representative Fritz Pettyjohn
- Representative Don Clocksin
- Representative Robin L. Taylor
- Representative Max F. Gruenberg, Jr.
- Senator Arliss Sturgulewski