

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

SPONSOR STATEMENT FOR HB 389

BY: Representative Tom Anderson

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

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

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

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

Additionally, HB 389 clearly states that businesses may not threaten customers with criminal action as a result of a payment deficit.

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

I urge your support for this legislation.