



# Alaska State Legislature

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**Sponsor:** Senator John Cowdery  
**Current Version:** CSSB 272 (FIN) AM H  
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**Date:** May 11, 2004

## Fact Sheet for: Senate Bill 272

**Short Title:** Deferred Deposit Advances (Payday Loans)

### Summary:

- Places regulations on Alaskan businesses that offer “payday loans,” both to protect the consumer and business owner.
- Puts a framework in place for data collection, oversight and examination – with penalties – by the division of Banking and Securities.
- Allows payday lenders to charge a maximum fee of \$15 per \$100 borrowed plus a loan origination fee of \$5, places a maximum loan amount of \$500, and limits “rollovers” to two. Borrowers who cannot pay off their loan must be offered a payment plan before a court remedy is sought.

### Benefits:

- 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.
- Provides the consumer detailed information about the type of service and requires full disclosure for all fees and costs incurred during the advance process.
- Provisions of the bill create a next day “change of mind” provision allowing the consumer time to reconsider their decision for any reason. Does not regulate traditional pawnshop activities of loans under \$500; the focus is on deferred deposits and businesses providing this service.

### Background:

Over the past few years, Alaska has seen an increase in the type of businesses that offer “payday loans.” These loans are for a two-week period and are typically small – around \$300. Both the industry and the state agree regulation is necessary. Payday loans are not standard loans, they do not fall into the same category in amount or length. They are best described as a short-term convenience, like a credit card cash advance or getting money from another bank’s ATM machine. They are designed to provide help at a time of need, over a very short period of time, to bridge a temporary gap between paychecks or between jobs. Presently, 43 states regulate “payday lenders.” In states that do not, fees for these types of loans can be exorbitantly high, with unlimited “rollovers” that trap borrowers in a cycle of debt. Likewise, without regulation, internet-based lenders draw an increasing number of Alaskan borrowers, often charging extreme fees.