

Alaska State Legislature

House of Representatives



Official Business

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Juneau, AK 99801-1182

SPONSOR STATEMENT FOR CSHB 227(L&C) BY: Representative Tom Anderson

TITLE: "An Act relating to the Alaska Small Loans Act; and providing for an effective date."

The last significant revision of the Alaska Small Loans Act (ASLA) occurred between 1995 and 1996. The bill (then numbered HB 319) was signed into law in July 1996 and brought this section of statute up-to-date with the changing market demands. There have been several changes to the market in the last decade, and more importantly, there has been many more changes in technology. As computer systems become more and more adept at taking, storing, sorting, and retrieving information, our laws must reflect the most efficient use of those innovations.

House Bill 227, the latest revision of AS 06.020, takes into account not only the market-driven or technological changes, but also the changes in the value of money. Put simply, goods cost more today than they did twenty, ten, or even five years ago. For example, it is not unheard of to pay between \$7,500 and \$10,000 for an ATV or snowmachine. Also, manufacturer's list prices for new automobiles can start as high as \$40 - \$50,000. Clearly the definition of what constitutes a small loan needs some adjustment.

HB 227 improves the business environment by encouraging industry competition, which ultimately should decrease loan prices as well as providing consumers additional products and services to choose from. HB 227 will also update the Small Loans Act to reflect current technology. As written today, the law does not recognize automated or centralized process utilized by most companies today.

We worked with both members of financial community and with the Division of Banking and Securities to find language balancing the parties' wish lists and consumer protection. HB 227 updates the ASLA to make the law reflective of current industry practices and raises the limit of a small loan from \$25,000 to \$50,000 broadening the Department's regulatory oversight. Additionally, it doubles the liquid assets and bond requirements from \$25,000 to \$50,000 for businesses writing small loans.

I would ask for your support on HB 227.