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House Eases Fishermen Loan Provisions **Passes Mulder's HB 447 to Expand CFAB Lending Practices**

(JUNEAU) – Alaska fishermen will have an easier time getting state loans to buy fishing permits, under legislation the House passed today to exempt the Alaska Commercial Fishing and Agricultural Bank (CFAB) from state usury laws.

“Like any businessmen, Alaska’s fishermen need a reliable source of credit to get their operations started, and to keep them going through the ups and downs of the business cycle,” Mulder said. “By eliminating an artificial limit on lending, House Bill 447 would help CFAB adjust to current low fish prices, and keep making the loans that fishermen need.”

Like most states, Alaska has a usury laws that cap on the amount of interest banks may charge on small loans of up to \$25,000 at no more than 5 percent above the Twelfth Federal Reserve District discount rate. While the artificially low rate makes such loans attractive to borrowers, banks dislike them because they are less profitable, Mulder said.

Commercial banks and credit unions are exempt from such usury laws, and CFAB has not traditionally made many small loans. But as salmon prices have dropped in the face of competition from farmed fish, some limited entry permits are selling for less than \$25,000, Mulder said. If forced by the usury law to limit its return on such in important part of its lending business, CFAB would have to decline making many such loans.

“The combination of poor salmon markets, constrictions on CFAB loans and low interest rates available Outside might force a drastic shift in ownership of permits away from Alaskan hands and into those of people from the Lower 48,” Mulder said.

HB 447 would grant CFAB the same small loan exemption to usury laws as other banks in Alaska enjoy, he said. While commercial banks earn more profit from higher interest, CFAB, as a cooperative bank, credits any interest in excess of its actual costs back to its member-borrowers, Mulder said.

The slightly higher rates that CFAB can charge for small loans will actually help the fishing industry in the long run by ensuring them a healthy alternative source of credit, Mulder added.

[HB 447](#) moves next to the Senate for consideration.

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