

USURY ALERT UPDATE!

Those lower interest rates are great, but.....



RATES KEEP CHANGING



when writing earnest money agreements calling for owner financing, **USURY LAWS CAN BITE !**

WHAT DOES THIS MEAN TO A SELLER OFFERING TO PROVIDE OWNER FINANCING?

As of **February 19, 2010**, the 12th Federal Reserve District increased the rate to 0.75%, making any loan, less than \$25,001.00, with an interest rate above 5.75%, a usurious loan. This rate fluctuates, making the usury rate also fluctuate.

www.frbsf.org/banking/data/discount/index.html

The Staff at Mat-Su Title Insurance Agency thought you'd like to know.....

WHAT IS A USURIOUS LOAN?



A usurious loan is one whose interest rate is determined to be in excess of those permitted by law.

WHAT IS THE LEGAL RATE OF INTEREST IN THE STATE OF ALASKA?

Alaska Statute § 45.45.010 provides in part:

Relating to the interest that may be charged by express agreement.

Section 1. AS 45.45.010 (b) is amended to read: (b) interest may not be charge by express agreement of the parties in a contract or loan commitment that is more than **the greater or 10 percent or** 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 the subsection.

Section 2. The uncodified law of Alaska is amended by adding a new section to read: APPLICABILITY. This Act does not apply to contracts or loan commitments entered into before the effective date of this Act.

WHAT IS THE EFFECT OF AN ILLEGAL INTEREST RATE?

Alaska Statute § 06.20.310 provides that if a loan for \$25,000 or less provides for a greater rate of interest than is permitted, the loan **may not be enforced in the state.**

Worse, Alaska Statute § 45.45.030 provides that the person paying the usurious interest may, by action brought within two years, **recover twice the amount of interest paid.**

Even worse, Alaska Statute § 45.45.040 provides that if a court determines that the rate of interest is usurious, it will **free the borrower of the entire interest on the debt.** The court shall give judgment for the amount due, without interest, on the sum loaned or the debt contracted, against the defendant and in favor of the plaintiff and against the plaintiff for costs of action, whether the action is contested or not.

****THIS USUARY ALERT MAY NOT BE UPDATED AS OFTEN AS CHANGES ARE MADE BY THE 12TH FEDERAL RESERVE DISTRICT, SO PLEASE CLICK LINK AT TOP OF PAGE TO BE DIRECTED TO THEIR WEBSITE****

