

# USURY ALERT UPDATE!



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

## **RATES KEEP CHANGING**

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

As of March 18, 2008, the 12<sup>th</sup> Federal Reserve District rate is 2.5%, making any loan, less than \$25,001.00, with an interest rate above 7.5%, a usurious loan. This rate fluctuates, making the usury rate also fluctuate. ([www.frbsf.org/banking/data/discount/index.html](http://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:

Interest may not be charged by express agreement of the parties in a contract or loan commitment that is more than five percentage points above the annual rate charged member banks for advances by the 12<sup>th</sup> 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 this subsection.

### **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.

**COMPLIMENTS OF MAT-SU TITLE INSURANCE AGENCY**

**"Professionally Serving the Valley for more than 27 Years"**

1981 E. Palmer-Wasilla Hwy #100, Wasilla, Alaska 99654

Ph (907) 376-5294 / fax (907) 376-1237 / In State Toll Free 1-(877) 377-5294

[www.mat-sutitle.com](http://www.mat-sutitle.com)

