

March 29, 1999

TO THE HOUSE OF REPRESENTATIVES:

GOVERNOR'S VETO MESSAGE FOR HOUSE BILL 1480

I am returning House Bill 1480, "AN ACT TO AMEND SECTION 27-21-3, MISSISSIPPI CODE OF 1972, TO EXEMPT CERTAIN LOANS FROM THE FINANCE COMPANY PRIVILEGE TAX; TO AMEND SECTION 75-67-135, MISSISSIPPI CODE OF 1972, TO EXEMPT CERTAIN LOANS FROM THE SMALL LOAN REGULATORY LAW AND TO PROVIDE THAT THE SMALL LOAN REGULATORY LAW SHALL NOT LIMIT THE AMOUNT OR TYPE OF ANY NONCREDIT LIFE INSURANCE POLICIES THAT A LICENSEE UNDER SUCH LAW MAY SELL TO A BORROWER UNDER CERTAIN CONDITIONS; TO AMEND SECTION 75-67-241, MISSISSIPPI CODE OF 1972, TO EXEMPT CERTAIN LOANS FROM THE SMALL LOAN PRIVILEGE TAX LAW; AND FOR RELATED PURPOSES," without my approval and respectfully present the following reasons for my veto:

Present law authorizes lenders to sell borrowers credit life insurance policies and to finance the premiums for that insurance as part of the underlying loan. House Bill 1480 would allow finance companies to use that same loan to also finance term life insurance policies and other types of non-credit insurance. I believe that this change would not be in the best interest of Mississippi consumers and their families.

Mississippi families wanting to borrow relatively small amounts of money often seek and obtain loans from finance companies. As part of the loan process, the finance company customarily sells the borrower a credit life insurance policy. (That type of insurance pays off the loan if the borrower dies before completing the loan payments.)

The finance company usually finances the credit life insurance policy by adding the premiums to the amount of the loan. In other words, in the vast majority of cases the consumer must pay back not only the original amount of the loan but also the credit life insurance premiums, plus interest. Indeed, the Mississippi Department of Banking and Consumer Finance, which regulates the finance companies, estimates that nearly one hundred percent of loans made by finance companies contain credit life insurance premiums.

In addition to credit life insurance, House Bill 1480 would allow lenders to sell and finance term life insurance policies--all as part of the same loan. If this bill becomes law, an unsuspecting consumer could easily be saddled with a burdensome monthly obligation to repay not only the original loan but also the credit life insurance premiums and the term life insurance premiums--all at an interest rate of more than thirty percent.

In an example of this problem provided to me by the Mississippi Department of Banking and Consumer Finance, a typical Mississippi family wanting to borrow only \$1,500 could end up owing \$3,468.48 because of charges for credit life, accident and health, property, and term life insurance policies, and interest. This family would then be required to pay \$144.52 each month for two years--on what had begun as a simple loan request for \$1,500.00.

I fail to see how such a loan would benefit Mississippi consumers. It seems much fairer to me to give borrowers the opportunity to purchase and finance either credit life or term life insurance, but not both policies as part of the same loan.

In conclusion I want to make it completely clear that this veto message is not intended as criticism of finance companies. Those lenders often provide a valuable service by making loans to an under-served group of our citizens who do not qualify for traditional bank loans.

I simply believe that the potential for abuse made possible by House Bill 1480 outweighs any benefits to Mississippi borrowers or lenders. For that reason I must veto this legislation.

Respectfully submitted,

KIRK FORDICE

GOVERNOR