

November 19, 2002

TO THE MISSISSIPPI HOUSE OF REPRESENTATIVES:

GOVERNOR'S VETO MESSAGE FOR HOUSE BILL 14

I am returning House Bill Number 14: "AN ACT TO AMEND SECTION 75-67-103, MISSISSIPPI CODE OF 1972, TO REVISE DEFINITIONS UNDER THE SMALL LOAN REGULATORY LAW TO INCLUDE DEFINITIONS FOR THE TERMS "OTHER CHARGES," "CONSUMER LOAN," AND "CONSUMER"; TO AMEND SECTIONS 75-67-119 AND 75-17-25, MISSISSIPPI CODE OF 1972, TO PROVIDE FOR REMEDIES, PENALTIES AND DAMAGES FOR CONTRACTING FOR AND RECEIVING UNLAWFUL OTHER CHARGES IN CONNECTION WITH CONSUMER LOANS; TO PROVIDE FOR DOUBLE PENALTY AMOUNTS IF OTHER CHARGES ARE CONTRACTED FOR OR RECEIVED BY ACTUAL FRAUD; TO PROVIDE FOR THE RECOVERY OF ATTORNEY'S FEES IF PENALTIES ARE RECOVERED; TO PROVIDE THAT THE REMEDIES, PENALTIES AND DAMAGES PROVIDED FOR UNDER THIS ACT ARE EXCLUSIVE; TO PROVIDE FOR A ONE-YEAR STATUTE OF LIMITATIONS ON FILING ACTIONS FOR RECOVERY OF PENALTIES OR DAMAGES UNDER THIS ACT; TO PROVIDE THAT THE PROVISIONS OF THIS ACT SHALL STAND REPEALED ON JULY 1, 2004; AND FOR RELATED PURPOSES" without my approval, and assign the following reasons for my veto.

I am vetoing House bill 14 today because it provides predatory loan companies undue and unprecedented protection from the consequences of their actions. The fraudulent acts in question force financially vulnerable Mississippians to pay unnecessary and unlawful finance charges, credit life and personal property insurance premiums, and excessive interest. Companies engaged in such predatory practices do not deserve such protection and companies that operate in a responsible and lawful manner do not need it.

We have many excellent banks and other lending institutions in Mississippi. I agree that legitimate lending institutions should not have to face bankruptcy for the negligent commission of errors and miscalculations and the Legislature should address this particular concern. However, the bill also protects the worst of the worst. I tried to find a way to sign this bill, however, the predatory practices protected are wrong and the remedies are inadequate.

I will sign a bill that does not legitimize fraud and that does not create a two-tier justice system, one for the rich and one for the poor. The statutory remedies are exclusive, insufficient, and eliminate economic damages as well as punitive damages for actual fraud. No proposed tort reform that has been discussed has gone so far as to cap actual damages.

The bill would grant relief to certain lenders who have changed former practices and adopted more responsible and fair lending procedures. However the bill would also shield unscrupulous finance companies that prey on hard-working Mississippi wage earners.

Mississippi workers who borrow \$1,000 for household needs often unknowingly pay back far more in excessive interest and insurance fees to predatory operators. The resulting loss of homes, life savings and dignity to such unscrupulous behavior with no adequate remedy is unconscionable and bad public policy. The AARP understands this best and opposes House Bill 14.

The bill provides "forgiveness" for acts of fraud, but the best response to predatory lending is to abolish or prohibit the very actions and abuses that result in the unlawful charges. These practices include the use of the Rule of 78 s, the sale of credit life insurance on consumer loans and requiring property insurance fees that are greater than the value of the collateral insured.

If the State is going to pass a law that grants forgiveness for past fraudulent actions, then surely we can outlaw the very practices used by unscrupulous lenders. We must prevent the abuse on the front end rather than try to punish it after the fact.

I urge the members of the Legislature to vote to sustain the veto of House Bill No. 14.

Respectfully submitted,

RONNIE MUSGROVE  
GOVERNOR