

I am vetoing House bill 14 today because it provides predatory loan companies undue and unprecedented protection from the consequences of their actions. The acts in question are fraudulent acts, of omission and commission, by which financially vulnerable Mississippians are forced 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.

I tried to find a way to sign this bill, but the predatory practices protected are wrong and the remedies are inadequate. I will sign a bill that does not legitimize fraud, that does not favor rich over poor, and that does not protect the worst of the worst.

Statutory remedies can be good policy but when they are both exclusive and insufficient, such remedies not only limit risk but serve also to reward wrongful, harmful behavior. This bill creates a two-tier justice system, one for the rich and one for the poor. The bill eliminates compensatory and economic damages as well as punitive damages for actual fraud. No tort reform has ever sought to cap actual damages.

The bill would afford relief to certain lenders who have since altered former practices to conform to more responsible and fair lending procedures. However the bill would also shield unscrupulous finance companies that prey on hard-working Mississippi wage earners from the full consequences of their conduct, offering insufficient deterrence to the predatory operators. The loss of homes, life savings and dignity to such unscrupulous behavior while providing no adequate remedy is unconscionable and is bad public policy. The AARP understands this best and opposes House Bill 14.

Again, I agree that legitimate lending institutions should not have to face bankruptcy for the negligent commission of errors and miscalculations. The Legislature should address this particular concern.

But the best way to respond to predatory lending is to address it on the front end. I propose that the very actions and abuses that result in predatory lending and in unlawful charges should be abolished or prohibited by law. These practices include the use of the Rule of 78's, the sale of credit life insurance on consumer loans and the sale of property casualty insurance, excessive in most every case, on collateral securing the loan. It's better to prevent the abuse in the first instance than to punish it only after the fact. This is a worthy and moral undertaking and should be taken up.

I urge the members to sustain the veto and reject House Bill 14.