

specifying certain regulations as to such transactions and setting out certain maximum fees to be charged by such persons in such transactions, and setting out certain definitions, and generally dealing with secondary mortgage transactions and the regulation of persons in this business.

May 5, 1966.

Honorable Marvin Mandel  
Speaker of the House of Delegates  
State House  
Annapolis, Maryland

Dear Mr. Speaker:

In accordance with the provisions of Article 2, Section 17 of the Maryland Constitution, I have today vetoed House Bill 259.

Although this Bill purports to regulate the field of secondary mortgage lending, I am advised by the State Banking Department, as well as others in this field, that the Bill falls far short of carrying out a proper and equitable regulation of the second mortgage industry. In addition, I am advised that the Bill as now drawn would also obviate the effectiveness of the provisions of our present State Industrial Finance Law.

There are listed below fourteen deficiencies in the Bill which the State Bank Commissioner has called to my attention.

1. The license fee is not nearly sufficient to provide revenue to cover operating expenses.
2. There is no provision for a finding of needs and convenience so far as licensing is required.
3. There is no requirement for regular examinations.
4. The rate of interest taken in connection with other charges permitted could provide for a very high yield to the lender.
5. There is no provision requiring the mortgagor to show proof that the funds to be borrowed are not available from the existing mortgagee.
6. There is no limit to the amount of any such loan.
7. There is no prohibition against the lender conducting the so-called "Flipping."
8. There is no prohibition against a balloon payment at the end of the contract.
9. No receipts are required to be given to mortgagor for payments made.
10. There is no criminal penalty for violations.
11. The lender is not required to release the mortgage upon payment in full by the mortgagor.
12. There is no requirement for Annual Reports to be furnished the Department by the Licensees.