

residential real property under Section 12-103(b) of the Commercial Law Article. These include requirements that a lender allow the borrower the choice of either changing the amount of periodic payments or extending or reducing the length of the obligation term. The Economic Matters and Finance Committee files do not reveal any legislative intent to extend these other provisions of Section 12-118 to loans secured by residential real property. The written testimony of the sponsor before the Committees and floor statements on the bill only focus on the laudable purpose of fuller disclosure.

The Federal National Mortgage Association ("Fannie Mae") has written me that certain of these substantive requirements directly conflict with underwriting guidelines of the Association. Counsel to Fannie Mae has indicated to my office that acceptance by the Association of first mortgages originated in Maryland under the terms of Senate Bill 129 would be problematic at best. Fannie Mae is a significant purchaser of residential first mortgages and it is my understanding that its underwriting guidelines are generally followed in the industry.

To the extent that first mortgage lenders cannot deliver conforming mortgages to the secondary market because of conflicts between State law and secondary market guidelines, lenders will seek to lend under alternate legal authority such as the Federal Alternative Mortgage Transaction Authority Parity Act, Title 12, Subtitle 10 of the Commercial Law Article or engage in other types of loans. The result could be fewer consumer protections to the public since many of the provisions of Title 12 Subtitle 1 of the Commercial Law Article would not apply to these alternative type first mortgage loans. It is also possible that even less first mortgage financing would be available to Maryland homebuyers. These uncertainties as to the bill's effect are most troubling and make me reluctant to sign it into law.

In balancing the competing factors involved in this bill, and in making my decision, I have directed the Department of Licensing and Regulation to work with the sponsor to draft corrective legislation for the 1987 Session. In the meantime, my office and the Department will work with representatives of the Maryland Mortgage Bankers Association, Inc. and the Mortgage Bankers Association of Metropolitan Washington, Inc. to achieve voluntary compliance with the bill's disclosure provisions.

Therefore, I have decided to veto Senate Bill 129.

Sincerely,
Harry Hughes
Governor

Senate Bill No. 129

AN ACT concerning

Adjustable Rate Mortgages - Disclosures