2nd Mortgage Abuses To Be Curbed By Law

State Senator J. Worth Gentry of King, representing the 28th District was one of the key men in the recent legislative battle to curb the abuses of second mortgage lenders.

Sen. Gentry introduced one of the original bills that was eventually combined with two others and passed by the General Assembly.

The following is Senator Gentry's account of the legislative activity leading up to the final approval of the bill, plus background information showing why such information was needed:

By SEN. WORTH GENTRY

One of the major accomplishments in the 1965 session of the General Assembly was the enactment of legislation to curb second mortgage lenders.

During the 1961 session of the legislature it became very evident there were being established in the State of North Carolina a great number of so-called small loan agencies that went into the practice of loaning money to unfortunate people at an excessive rate of interest and charge.

Previously, there has been no law against such practice. I was a member of the Senate Banking Committee that was composed of eleven persons. We made an extensive investigation and found a great need for legislation to curb such vicious practices.

We discovered that people in the low income bracket were borrowing money to refinance previous loans on merchandise and only giving as security their signatures household furniture and automobiles -- a large majority not being home owners. Their charges included interest and a base charge for closing the loan, plus insurance premiums which would run from 50 per cent to 100 per cent. The average loan that was made amountd to less than $600.

After paying $100 to $200 on the account, the borrower discovered they did not have sufficient funds to meet their monthly payments. At this time the small loan operators would renew the contract or in their terms would make a roll-over contract whereby they would charge a flat amount of $75 to refinance and renew the previous contract.

After a long session and many hearings the Senate Banking Committee compromised and was responsible for enacting the present small loans act, which is regulated and controlled by the State Banking Commission.

A bill introduced by Senator Jennings King of Scotland County created the Small Loan Act that prohibited renewal of the loan contract or the roll-over term. Also, no loan should exceed $600 and the maximum rate of charge would be $20 per $100 per annum for the first $100 and $18 per $100 per annum for the second $100, and $15 per $100 per annum for the third and $6 per $100 per annum for the next $300.

This amount was considered excessive by the Senate Banking Committee. However, there is a great risk in making such loans due to low income and their clients would move leaving no forwarding address. The small loan operators contended when the bill was enacted that they would have to leave the state as they could not do business under the terms of this Act. They felt the penalties prescribed for violators who failed to comply with this provision were so severe that should they be found guilty of a misdemeanor they could be fined not less than $500 and not more than $2500 or imprisonment for four months to two years or both -- in the discretion of the Court.

However, most major towns in the State of North Carolina today have three to five times more small loans operators than in 1963.

In the early part of the 1965 session, Senator Coggins introduced Senate Bill 81, and I introduced Senate Bill 95. Both bills were to regulate excessive charges made in connection with loans secured by second or junior mortgages on improved residential property. Representative Bunn introduced a similar bill in the House. The three bills were known as the Second Mortgaged Bills. For the three of us who pushed and worked for this new regulatory legislation since early in the session it has been a long hard and uphill fight. The bill that clamps firmer controls and cost ceiling on second mortgage lending finally was enacted into the law last week.

Like the small loan racket of 1961, there was no law on the statutes to control this type of lending. As a result the brokers were foot loose and fancy free to make such loans. The sky was the limit on the rate of charges and interest combined that were imposed on the borrower. I became interested in this type of legislation when a person that had obtained a loan gave me an affadavit itemizing the entire procedure and cost of such a loan he had obtained from a broker in Winston-Salem. Often such brokers represent money lending companies from Atlanta, Ga., Jacksonville, Fla. and Pittsburgh Pa.

This person, or Mr. X owned a house worth $18,500. A Saving and Loan firm held a first mortgage in the amount of $12,000 with a monthly payment of $77.40. Two years later Mr. X made improvements on the house, purchased a new car and bought some new furniture with all these payments facing him. It became necessary to consolidate these payments to a let live figure. Mr. X answered an ad in the Winston-Salem Journal stating that $5000 could be borrowed without delay.

He applied for a $5,000 loan and received five checks to pay off his creditors amounting to $4,450. The payments on the first mortgage of $12,000 were $77.40 per month, and the payments on the above loan were $131.82 per month for 60 months or a total of $7,909.20 to be paid in return for the $4,450 loan received, or $3,859.20 in extra charges and interest.....

As a result Mr. X was forced to sell his home.

Mr. and Mrs. X have very little education. They signed a series of papers, and asked the broker what the interest rate was on the loan and why they were signing so many papers. His answer.... "don't worry about that, just think of these checks you are getting to pay your creditors." The broker refused to give the borrower a copy of the contract.

When the Senate Banking Committee conducted a hearing and investigation we received proof of brokers and second mortgage companies charging from 55 per cent to 135 percent for a five year loan. Whether the second mortgage companies call it "charges" "interests" or "fees it is "legal thievery.

We also received information that hundreds of people all over the state have received such loans and will be penalized the rest of their working days to repay money that they did not receive. This legislation is too late for them, but it is hoped that it will eliminate such vicious charges on second mortgage loans in the future.

After the three bills were introduced, a sub-committee was named to combine the bills and report in a "Committee Substitute Bill' that would incorporate the best parts of the bills and eliminate the loopholes.

I served as a member of the subcommittee along with two other members of the senate.

Under the new second Mortgage Bill that was ratified last week a lender could not charge more than 10 per cent for all charges, and fees plus 6 per cent interest on the amount of money actually loaned. It would allow fire insurance and term life insurance to be sold extra. The lender would have to furnish the borrower an itemized statement listing the details of each loan.

Violations of this law would be a misdemeanor and persons convicted of violations could be fined or imprisoned or both at the discretion of the court.

The second mortgage companies violently objected to the penalty clause. This bill passed the senate without a dessenting vote but was stalled in the House when several amendments were introduced to weaken the bill.

These amendments failed and the bill in tact was ratified last week. The second mortgage companies contended they will be forced to leave the state as they cannot do business under the terms of the bill.

I contend they will remain and be doing business when the next Legislature convenes in 1967.

CRIME RATE UP

The nation's crime rate for the first quarter of 1965 rose 2 percent above the same quarter in 1964. J. Edgar Hoover, FBI director, in making this report, noted that crime increased in the suburbs while it decreased in rural areas.

Darlington Stock Car Racing

Darlington, S. C., Aug. 19 — Long-banished Curtis Turner's return to big-time stock car racing in the coming Southern 500 at Darlington Raceway, has been as full of surprises as the near-midnight statement out of Daytona Beach stating, "Turner is now eligible to drive in NASCAR if he so desires!"

The second came a week later when, at a Darlington Raceway press party in Charlotte, Turner calmly announced he would drive a Plymouth, ostensibly out of the Lee Petty stable!

Turner was the original Ford factory driver and the ace of the Holman-Moody Ford stable until his banishment four years ago. John Holman, at the same party, had publically expressed his wishes to have Turner back and was as noticeably surprised as any in the room at the announcement.

Then came the rumor, denied in official circles, but not by Turner, that Ford did not offer him a factory "deal'" but a private one because Freddy Lorenzen, now the ace of the Ford camp, and threatened to quit the team if Turner returned.

The soft-spoken Turner stated, "That's the impression I got and if they want it that way we'll go along.""

The reference was made to the 1961 Rebel 300 at Darlington when Lorenzen won his first major race after a last-lap bumping duel with Turner that lasted through the extra flag lap when Turner hit the victorious Lorenzen broadside. Lorenzen was quite critical of Turner's tactics in his press conference.

Later, that year, Turner was suspended, but not for rough driving.

The big Virginian, probably the greatest crowd pleaser of all time, has a long record of racetrack feuds, of which all but the Lorenzen affair ended in a handshake. His year-long feud with Speedy Thompson, also a Southern 500 winner, became so bitter officials had to mend the breech and his high-speed duels with Lee Petty did not end until both wrecked in an early-day Southern 500.

The clock could turn back for this Southern 500.

TB "Hams It Up"

They did it in the old-time melodramas. They still do it today on TV. The villain is cornered and dealt his mortal wound. Does he expire neatly and quietly? Not a bit-he rants around, chews the scenery, knocks off a few enemies en route, and delivers his own funeral oration before finally lying down to die.

The same sort of lurid performance is enacted in real life from time to time. Not by individuals but by outworn customs, fashions, trends. They rarely expire all at once: it happens gradually, with periods of waxing and waning until the moment of final surrender. It's been happening with other disease scourges such as VD; and it's happening right now with tuberculosis.

About a dozen years ago this ancient enemy received what looked like a quick death blow. Potent, reliable drugs against it were developed for the first time--notably streptomycin, isoniazid, PAS (para-aminosalicylic acid). Sickness and death tables began swooping downward. Then the seemingly conquered enemy turned and fought back. Small local epidemics broke out; the tide seemed to be turning; in many cities the sad statistics were climbing again.

Just the same, anti- TB-workers remain convinced that the disease can and will continue to be reduced and eventually banished. Public health officials, Christmas Seal associations and private medical specialists are combining to zero in on the problem. Witness the project recently launched in Montgomery County, Pa. where the National Tuberculosis Association, its local affiliate, and the Montgomery Medical Society Foundation are jointly conducting a three-year study to determine exactly what is needed for the eradication of tuberculosis.

The wounded villian, like a stage "ham" of old, still flails around. It will take years -- decades-- to finish him off. But the day will come hastened by efforts like the Montgomery County project.

The navy has in production the first U. S. antisubmarine weapon capable of coping with a high-performance nuclear submarine. Vice Admiral C. B. Martel told the House Armed Services Committee the weapon, a deep-diving, self - guided torpedo, was outstanding in its importance.

One-Man, One-Vote Rule By Court Concerns All

By CHARLES CLAY

A matter of great concern to local governments throughout North Carolina is whether the Supreme Court's "one-man, one-vote" ruling will be made applicable to boards of county commissioners and city councils as well as state legislatures.

Chances are that it will, Institute of Government Director John Sanders writes in the current issue of "Popular Government", the Institute's monthly magazine.

There have already been decisions "by a few state and lower federal courts, holding that the equal representation rule applies to county and city governing boards.. and it is probable that in the next year or two, the United States Supreme Court will have occasion to rule on the question, the article says, adding.

"When it does it is likely to find that a board of county commissioners or a city council is the same in kind as a state legislature; that all are general legislative bodies levying taxes making appropriations and deciding on other important governmental questions affecting the people of the entire governmental unit -- state, county or city, and that every resident of that unit is entitled to equal representation with every other resident. . ."

If and when the "one-man, one-vote" principle is applied to local governments, it would pose no problem for 53 Tar Heel counties.

"For those 53 counties that nominate and elect their commissioners from the county at large and whose commissioners are not required to live in particular districts within the county, it would have no significance at all" Director Sanders writes. "There is nothing to to go to court about."

In 36 of the counties, candidates for county commissioner are required to live in legally defined districts but are nominated and elected by the voters at large. In 10 others, the candidates are required to live in a district and are nominated from their district but voters throughout the county cast ballots on all candidates in the general election. The other county both nominates and elects its commissioners by districts.

As to the lone county the article says this in event of application of the equal representation principle to local governments: "Unless the districts were so arranged that each commissioner represented substantially the same number of people, the county would be open to suit by a citizen who believed that he, as a resident of an under-represented district, was being denied his federal constitutional right to equal representation. . ."

The 10 counties Director Sanders writes, would likely be in the same boat for this reason: "It is well established that, in the eyes of the law primaries are part of the election process and a citizen can no more be denied his constitutional right to full participation in a primary than he can be denied such a right to take part in the general election."

As for the 36 counties Sanders writes that "the answer is not so clear" but the safer course would be to assume that these governing bodies would be open to court attack:

"It (the high court) may hold that the very reason for having residence districts is to make sure that all parts of the county are represented on the board of county commissioners that each commissioner is expected to take a special interest in the welfare of the people of his residence district and that subsequently such districts must be so laid out that each commissioner 'represents' substantially the same number of people.

"And the court might even go on to hold that while no one has a constitutional right to be a county commissioner, every voter has an equal right with every other qualified voter of his county to seek election to that office, and therefore the resident of the large district is unfairly discriminated against because he has potentially a great deal more competition for the office than does the aspirant who lives in a small district in the same county.'

What course is the high court expected to take to implement the "one-man one-vote" principle on the local level?

"Perhaps the likeliest course -- would be for the court simply to ignore the districts and order that the nomination and election of commissioners be held at large, without respect to the place of the candidates' residence. Such action might be taken even after the nomination and election cycle has gotten underway."

Director Sanders also discusses possible courses open to counties which anticipate a lawsuit and might want to "minimize its effects." Pointing out that only the General Assembly "has the power to change the commissioner election system in a county." Sanders writes:

"First the General Assembly could abolish all districts and provide for nomination and election from the county at large without reference to the candidates' place of residence. This would eliminate any ground for suit on the basis of unequal representation resulting from districts of widely varying populations."

"Second it could revise the districts or the allocation of commissioners among districts or both so as to achieve substantial equality in the number of residents per commissioner."

You Drive Too Fast? Better Review This

"Too Fast For Conditions," a pamphlet prepared by the American Insurance Association, points out the dangers of fast driving.

At speeds above 80 miles per hour, the publication says, the chances of living through an accident are almost non-existent.

At 25 mph. the chance of death in an accident is one in 167. At 45 mph it is one in 67 at 75 mph it is one in eight and at 80 mph death is a near certainty.

"AS SPEED increases, you just don't see as much as you should see in order to drive safely," the pamphlet says.

"The eyes can no longer receive, transmit, analyze and translate to provide any required reaction soon enough or at a safe speed rate."

The pamphlet further points out that important side vision becomes narrower and narrower as speed increases, making drivers more vulnerable to dangers on either side of the car.

Finally, it states that overconfidence, misuse of powering equipment and failure to take into consideration bad driving conditions account for the alarming frequency of fatal crashes.

Returned To S. A. To Study

WINSTON-SALEM, N. C.-- Dr. Charles C. Middleton, assistant professor of laboratory animal medicine at the Boman Gray School of Medicine, has returned to South America to continue his studies on the cardiovascular problems of monkeys.

He will spend eight weeks in Leticia, Columbia, where he will conduct his research in the field laboratory. He will also purchase monkeys for the medical school's recently established primate colonies.

Last summer, Dr. Middleton and scientists from Louisiana State University School of Medicine found, through their research in the jungle laboratory, that squirrell monkeys develop atherosclerosis (hardening of the arteries) naturally. This animal, therefore, became the most suitable model for research on the disease. Work this summer will involve principally woolly monkeys, cebus monkeys and spider monkeys.

NINETEEN CENTS

The lumber and other wood products used in home building cost only 19c of every dollar paid for a house, according to the U.S. Labor Department.

No two people think exactly alike, and it takes some married couples a lifetime to find that out.

There are those who deny the greatness of the Bible but they have yet to produce a greater book.

Sun Is Fun (Not Too Well Done)

"What a lovely sleep I had on the beach!" said Snoozy Susan shortly before the chills and fever set in. It happens every summer — a new crop of victims to the innocent idea that you can't have too much of a good thing.

Susan felt robbed when the blisters began forming, because she thought she'd acted with just the right amount of caution. The sky was overcast — so where was the danger of sunburn? Unfortunately it doesn't work that way. You can get as cruel a burn on a hazy day as on a bright one.

Skins differ in their sensitivity to sunlight. Children burn more quickly than adults. Babies under two, and delicate children of any age, need to be watched closely when sunbaths are taken.

But even for grownups, more than 15 minutes of exposure for the first time in a season can be dangerous. After that first quarter-hour, the exposure time can be increased by another 15 minutes each day. That way a gradual suntan builds up — the kind that furnishes real protection. The other way can put you to bed for days.

Sunbathing if not overdone is beneficial to most people, but can be definitely harmful to others. People with TB, for example, have been known to suffer from a worsening of their condition after prolonged exposure to the sun. Getting overheated in the hot sun can put a strain on the internal organs, particularly the heart and blood vessels. An elderly person, or one with heart trouble or any other serious disease, should consult his doctor before sunbathing.

Severe sunburn can cause serious illnesses accompanied by chills, fever and delirium. A doctor should always be called if blisters develop; blisters bring danger of infection.

In short — have a nice day at the beach! You will if you take your sun in sensible doses.

Social Security News

By: Margaret Jervis
Field Representative

It seems only like yesterday, but it's a fact that it has been 10 years since the provision providing protection against the misfortune of disability was made a part of the Social Security Act.

I recall this provision rather vividly since I took part in the filing of the first application for disability benefits in the history of Social Security. I will not name the applicant but he has since been converted to the Social Security old-age benefit rolls.

My part in this application was a result of a "scheme" to better acquaint you folks with the provisions of the law. I figured that publicity concerning a "first" would get your attention. And it did -- but there are still some of you who are not acquainted with our present disability provisions.

Booklet OASI -- 29, "If You Become Disabled," is an easy-to-read pamphlet-- it's free--which will put you hep to the current disability provisions of the Social Security program. It includes timely information about such things as:

...how disabled you must be
...how long you must have worked
. . how the determination is made
...types of benefits payable
...vocational rehabilitation features,
...what happens if you recover or return to work

I don't have any new "schemes" to get your attention concering this provision of the law, but I do urge you to study this provision A healthy man today can become a disabled man tomorrow -- and you should know how this will affect you and your family if this should be your misfortune.

If you are already disabled, and have not checked with your social security people, you owe it to yourself to get in touch with them immediately. You may be entitled to benefits at this time. A call, letter, or visit to your Social Security Office will get you the facts.

PAIR RENEW FRIENDSHIP DURING MINOR ACCIDENT

Two motorists from Omaha, Nebr., renewed a 30-year acquaintance as the result of a minor accident on a bridge near Paul's Valley, Okla.

L. G. Druschel, 71, Texas-bound, and Eugene Ratcliffe, 57, headed for home, got together after the mishap with their families and had lunch, talking over old times.