



Deval L. Patrick, Governor
Richard A. Davey, Secretary & CEO
Celia J. Blue, Registrar



To: Massachusetts Automobile Dealers & Municipal License Authorities

From: MassDOT-RMV Division

RE: Motor Vehicle Sales Finance Companies

Date: January 2, 2014

1. Dealers that engage in **motor vehicle sales financing** need an additional but separate license as a **"motor vehicle sales finance company"** as required by M.G.L. Chapter 255B. If applicable, an online application for such license can be made to the Massachusetts Division of Banks.

M.G.L. Chapter 255B, Section 2 requires that a motor vehicle dealer who sells motor vehicles under or subject to a retail installment contract and holds the contract, must obtain a license from the Massachusetts Division of Banks as a "Motor Vehicle Sales Finance Company". The requirement applies even if the dealer claims to finance without charging any interest, finance charges or fees to the buyer and it applies to any installment sales contract signed by a buyer in this state. A dealer who enters into "motor vehicle lease agreements" with consumer buyers may also be required to obtain such a license. For additional information, go to the website of the Division of Banks at: www.mass.gov/dob or call 617-956-1500 ext. 585. To verify whether a motor vehicle dealer is licensed as motor vehicle sales finance company, go to www.mass.gov/dob and click on "Find a Licensee."

2. Each municipality should remind dealers applying for a new or renewed dealer license who provide motor vehicle sales financing about their obligations under c. 255B, before renewing any license in 2014 and in the future.

3. The RMV has been working with the *Massachusetts Independent Auto Dealers Association, (MIADA)*, and with the Division of Banks for the past few years in an attempt to help educate dealers about the law's license requirement. Both new and used car dealers are required to have this license if they finance the sale of vehicles and hold the contract. Dealers who sell and finance under a program loosely known as "Buy Here-Pay Here" should pay particular attention to this license requirement. This type of program is often attractive to low income persons who may need basic transportation to get to work or elsewhere but who do not have the necessary funds for a down payment and cannot afford to lease a vehicle.

4. While *MIADA* has been actively assisting in the process of helping to identify and notify Class 2 dealers of the law, it is a voluntary association and represents only a portion of the licensed used car dealers in Massachusetts. The RMV and the Division of Banks believe the best way to better compliance is to communicate with the dealers and municipal licensing authorities about the "sales finance company" licensing requirement. Proper licensing will help to protect consumers and help to avoid the need to discipline unlicensed dealers.

5. Joyce Mover of the RMV (joyce.mover@state.ma.us) is working on this project and may be contacted with questions relevant to the RMV. Nicole Bullock of the Division of Banks (nicole.bullock@state.ma.us), 617-956-1500 ext. 585 may be contacted for questions directed to the Division of Banks.

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