Final Amendments – Effective 10/10/25

209 CMR 20.00: SMALL LOANS, SALES FINANCE COMPANIES AND INSURANCE PREMIUM FINANCE COMPANIES

Section

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20.01: Purpose and Scope

The purpose of 209 CMR 20.00 is to establish procedures and requirements for the licensing and supervision of licensees under the provisions of M.G.L. C. 140, §96, c. 255B; 255C or 255D.

Nothing contained in 209 CMR 20.00 shall limit the ability of the commissioner to consider other information in determining whether or not to approve an application, or to require information in addition to that required by the application form provided to the applicant.

20.02: Definitions

As used in 209 CMR 20.00 the following words shall, unless the context otherwise requires, have the following meanings:

Applicant, any person or entity who is required to be licensed under the provisions of M.G.L. c. 140, § 96; c. 255B; c. 255C or c. 255D.

Commissioner, the commissioner of banks.

Licensee, any person who is licensed to make small loans under M.G.L. c. 140, §§ 96 to 113, inclusive; any person who is licensed as a sales finance company as defined in M.G.L. c. 255B, a premium finance company as defined in M.G.L. c. 255C, or a sales finance company as defined in M.G.L. c. 255D.

Net Worth, the applicant's or licensee's total assets less total liabilities, omitting the following assets:

(a) that portion of an applicant's assets pledged to secure obligations of any person or entity other than that of the applicant;

(b) any asset due from officers or stockholders of the applicant or persons in which the applicant's officers or stockholders have an interest;

(c) an amount in excess of the lower of the cost or fair market value of mortgage loans in foreclosure, or real property acquired through foreclosure;

(d) an investment shown on the balance sheet in joint ventures, subsidiaries, or affiliates,

which is greater than the fair market value of the assets;
(e) intangible assets such as goodwill or value placed on insurance renewals or copyrights, patents, trademarks, and intellectual property;
(f) organization costs;
(g) any other intangible asset, as may be determined by the commissioner.

Person, a natural person or an organization including a corporation, partnership, association, cooperative or trust.

20.03: Application Procedure

(1) Application. Each applicant for a license to engage in the business of making small loans pursuant to M.G.L. c. 140, § 96; a license as a sales finance company pursuant to M.G.L. c. 255B, or a premium finance agency pursuant to M.G.L. c. 255C, or a sales finance company pursuant to M.G.L. c. 255D shall submit a written application on a form prescribed by the commissioner, signed under the pains and penalties of perjury, containing such information as the commissioner may from time to time require.

20.03: continued

(2) Requirements. An Applicant shall be required to submit detailed information supporting the following general requirements:

(a) Financial responsibility. An Applicant shall demonstrate and provide the commissioner with evidence of the following requirements relative to financial responsibility. For purposes of this section, a review of financial responsibility may include a review of historical net losses, profitability, and any other information that the Commissioner may deem necessary.

1. An Applicant for a license under M.G.L. c. 140, § 96 shall demonstrate that, after all organization and other initial expenses have been paid, it has a net worth of not less than $75,000, and shall provide the commissioner with evidence of its financial responsibility.

2. An Applicant for a license under M.G.L. c. 255B shall demonstrate that, after all organization and other initial expenses have been paid, it has a net worth equal to at least $20,000. The minimum net worth requirement may be waived by the commissioner when a license is being renewed. If the commissioner approves an Applicant under M.G.L. c. 255B, he may, in his discretion, require the Licensee to furnish a bond in a sum not to exceed $10,000 executed by the Licensee and by a surety company approved by the commissioner conditioned upon the faithful performance by the Licensee of the duties and obligations pertaining to the business so licensed.

3. An Applicant for a license under M.G.L. c. 255C or c. 255D shall demonstrate and provide the commissioner with evidence of its financial responsibility.

(b) Financial Statements. An Applicant shall submit financial statements prepared in accordance with generally accepted accounting principles meeting the following minimum requirements:

1. Contents. The financial statements shall include, but are not limited to, a Balance Sheet, Income Statement and Statement of Cash, and all relevant notes thereto.

2. Initial Application.

a. An Applicant for a license under M.G.L. c. 140, § 96 shall submit financial statements, for the preceding fiscal year which have been either audited or reviewed by an independent Certified Public Accountant. The financial statements must include a statement of condition, an income statement and a statement of cash flows. In the discretion of the Commissioner and under such conditions as he may impose, an Applicant's unaudited financial statements may be submitted with audited consolidated financial statements of its parent.

b. An Applicant for a license under M.G.L. c. 255B, c. 255C, or c. 255D shall submit audited financial statements for the preceding fiscal year if such statements were prepared. If audited statements were not prepared, an applicant must submit unaudited financial statements including a statement of condition and income and expense. Unaudited statements must include all supporting schedules and be completed in accordance with generally accepted accounting principles. In addition, the statements must be dated not more than 90 days prior to the date of application and must be signed under the pains and penalty of perjury by an authorized officer of the Applicant.

3. Renewal Application. An Applicant seeking to renew its license under M.G.L. c. 140, § 96; c. 255B; c. 255C; or c. 255D shall submit unconsolidated, entity only

financial statements, which have been either audited or reviewed by an independent Certified Public Accountant. The financial statements must include a statement of condition, an income statement and a statement of cash flows. At the discretion of the commissioner and under such conditions as he may impose, a Licensee may submit unaudited entity only financial statements with its parent's audited consolidated financial statements.

4 Filings of Certain Insurance Premium Finance Agencies. The provisions of 209 CMR 20.03(2)(b)2. and 3. shall not apply to an insurance premium finance agency as an applicant or a licensee whose business is exclusively limited to financing its own customers' commercial insurance policies. The Commissioner may consider the goodwill or value placed on insurance renewals or other similar intangible value toward the net worth of such an insurance premium finance agency applicant or licensee. The provisions of 209 CMR 20.03(2)(b)4. shall cease to be effective on December 31, 1998.

(c) Character and Fitness. An Applicant shall submit information demonstrating that the Applicant possesses the character, reputation, integrity and fitness to engage in the business of a sales finance company or a premium finance agency in an honest, fair, sound and efficient manner.

(d) Business Experience. An Applicant shall demonstrate to the commissioner's satisfaction that the Applicant, and its applicable officers and employees, possess the necessary educational and business experience to engage in the business of a sales finance company or a premium finance agency.

(e) Other Information. An Applicant shall submit such other information as the commissioner may deem necessary to properly evaluate an application.

20.04: Licensing Standards

(1) The commissioner will issue an applicant a license to engage in the business of making small loans, or the business of a sales finance company or a premium finance agency if the commissioner, upon review of the application and all other relevant information, determines that the Applicant has met all of the requirements of M.G.L. c. 140, § 96; c. 255B, c. 255C, or c. 255D.

(2) The commissioner may deny such an application if the Applicant has:

(a) violated any provisions of M.G.L. c. 140, § 96; c. 255B, or c. 255C, or c. 255D or 209 CMR 20.00;

(b) violated or engaged in a pattern of violations of any state or federal law applicable to the conduct of the business of a sales finance company or a premium finance agency, including but not limited to M.G.L. c. 93A, c. 140D, and any rule, regulation or administrative order or directive promulgated thereunder;

(c) conducted, or will conduct, its business in any unsafe and unsound manner; or

(d) engaged in conduct which has resulted in the suspension or revocation of its license to engage in any business by the licensing authority of any other state.

(3) An Applicant whose application for a license has been denied under 209 CMR 20.04 may appeal the commissioner's action under M.G.L. c. 255B, § 5 or c. 255D, § 5.

20.05: Books and Records

(1) Each Licensee shall keep and use its books, records, and accounts in a manner which will allow the Commissioner to determine whether the Licensee is complying with the provisions of M.G.L. c. c. 140, § 96; 255B, or c. 255C, or c. 255D and applicable state and federal laws and regulations. Each Licensee shall comply with the provisions of 209 CMR 48.00.

(2) A Licensee shall maintain a complete customer account history including but not limited to terms and conditions of the loan, agreement, payment dates, pay off date, refunds, refinancing date, collection or legal action taken.

20.06: Notice of Significant Events and Proposed Change in Ownership or Personnel

(1) A Licensee shall be required to notify the Division in writing within one business day of the occurrence of any of the following significant developments:

(a) Licensee filing for bankruptcy or reorganization.

(b) Notification of the institution of license revocation procedures in any state against the Licensee.

(c) The filing of a criminal indictment any way related to the activities of a licensee, an officer, director, or principal, including, but not limited to, the handling and/or reporting of moneys received and/or instruments sold.

(d) A Licensee, officer, director, or principal being convicted of a crime.

(e) The filing of a proposed settlement, or the entry of a final judgment, in a class action lawsuit that was filed on behalf of consumers against the licensed small loan company, sales finance company, or premium finance agency that is substantially related to the operation of the licensed business. Written notification to the Commissioner under this subsection must be provided within ten business days of the occurrence of each significant development.

(2) (a) 30 days prior to any proposed change in control occurs in the ownership of a Licensee, or among the officers, partners or directors of a Licensee, a notice shall forthwith be filed with the Commissioner who may thereupon cause such investigation to be made as he deems necessary, as if it were a new license. In the case of a corporation, control is defined as a change of ownership by a person or group acting in concert to acquire 10% of the stock, or the ability of a person or group acting in concert to elect a majority of the directors

or otherwise effect a change in policy of the corporation.

(b) A notice of change in personnel or ownership shall contain the following information:

1. the name, address and occupation of each proposed officer, partner, director or shareholders; and
2. provide such other information as the Commissioner may require.

(3) A Licensee shall notify the Commissioner as soon as the Licensee becomes aware of any change to its net worth resulting from month-end market valuation or future loss liability or any other change which causes the net worth of the Licensee to fall below the requirements of 209 CMR 20.03(2)(a)(1) and (2).

20.07: Office Locations

(1) A Licensee who wishes to carry on its business at any location in addition to the address on its original license shall obtain the prior approval of the commissioner. Such approval shall contain the address of any such place and such other information as the commissioner may require. A license shall be valid for the transaction of business at or from the address specified on the license.

(2) No change in the location of a licensed business shall take place without the written approval of the commissioner.

20.08: Annual Reports

Annually, on a date determined by the Commissioner, each Licensee shall file an annual report with the Commissioner in such form as the Commissioner shall prescribe for the preceding year. In addition, each Licensee shall file a final annual report upon surrender of a license. The annual report shall be in writing, subscribed by the Licensee under the pains and penalties of perjury.

REGULATORY AUTHORITY

209 CMR 20.00: M.G.L. c. 140, § 96 and § 97; c. 255B, § 3; c. 255C, § 6; c. 255D, § 3.