



**Commonwealth of
Massachusetts
Division of Banks**



From: Terence A. McGinnis, Commissioner, Division of Banks
Erin Deveney, Registrar of Motor Vehicles, MassDOT, RMV Division

To: Massachusetts Local Licensing Authorities

Date: October 25, 2016

Re: Unlicensed Motor Vehicle Sales Finance Companies

Since 2010, the Division of Banks (the Division) and the Massachusetts Department of Transportation, Registry of Motor Vehicles Division (RMV) have been working collaboratively to identify auto dealerships that offer financing to their customers through retail installment contracts, which are typically referred to as “Buy Here, Pay Here” transactions, without a license from the Division. The Division and RMV want to raise awareness among local licensing authorities of the licensing requirements for auto dealers engaged in this activity, and the important consumer protections that come with proper licensing of “Buy Here, Pay Here” dealers.

Auto dealerships that hold retail installment contracts must be licensed as motor vehicle sales finance companies by the Division pursuant to M.G.L. Chapter 255B. These licensing requirements apply anytime the purchase of a vehicle is financed in two or more installments, regardless of whether interest is charged on the loan. Licensing of motor vehicle sales finance companies provides important consumer protections. For example, licensed motor vehicle sales finance companies must adhere to maximum interest rate limits and inform customers of loan terms in an appropriate manner. The licensing process also includes a background check and subjects the licensee to examination by the Division, creating further protections for consumers.

- In order to attain a security interest in the vehicle, “Buy Here, Pay Here” dealers must acquire a “lien code” from the RMV. The lien code enables the auto dealer to add a lien on the title of the vehicle, ensuring it cannot be sold or refinanced until the loan is fully repaid. As part of this collaborative initiative, the RMV has prevented unlicensed dealers from being added as a lienholder on motor vehicle titles and has notified the Division of auto dealerships that have requested lien codes, without first obtaining a motor vehicle sales finance company license. As a result, the Division has issued over 260 Cease Letters to unlicensed auto dealerships, to date.
- If the dealer already has a lien code and engages in “Buy Here Pay Here” sales without being licensed by the Division of Banks, the RMV can block the existing lien code and refuse further activity.

However, some dealerships continue to offer “Buy Here, Pay Here” financing without the necessary license, and some of these unlicensed lenders may be operating in your city or town. You can verify that dealers who engage in “Buy Here, Pay Here” financing in your town are licensed by the Division by reviewing a list of licensed motor vehicle sales finance companies on the Division’s website: www.mass.gov/dob. For your further information, attached is a memorandum that was made available to Massachusetts motor vehicle dealers; the Division of Banks’ information sheet regarding motor vehicle sales finance company license requirements; and the Division’s Industry Letter regarding the applicability of the motor vehicle sales finance law to motor vehicle “leasing” companies.

Contact Information

Division of Banks, Non-Depository Institution Supervision Unit, Motor Vehicle Financing, 1000 Washington Street, 10th Floor, Boston, MA 02118-2218, 617-956-1500 extension 585. Information relative to the license application requirements is available on the Division’s website at www.mass.gov/dob and on the NMLS (Nationwide Multi-State Licensing System) website, www.nmls.org.

MassDOT – RMV Division: Title Division, 857-368-7481.