MassDOT, RMV Division and the Massachusetts Division of Banks have implemented collaborative procedures to ensure that motor vehicle dealers that engage in motor vehicle sales financing are properly licensed as sales finance companies, as required pursuant to M.G.L. chapter 255B.

On February 26, 2010, the MassDOT, RMV Division issued a new policy statement announcing that the Registrar will not knowingly permit a motor vehicle dealer who sells motor vehicles under a retail installment contract and holds the contracts to obtain a “lien code” unless the dealer is in possession of the required license. Subsequently, MassDOT, RMV Division has worked with the Division of Banks to identify motor vehicle dealers who may be engaging in unlicensed sales finance activity. Since April 4, 2010, the Division of Banks has issued cease-activity directives to 75 motor vehicle dealers for suspected unlicensed sales finance activities. All cease directives are publicly available on the Division’s website.

License Requirement

Massachusetts law requires that a motor vehicle dealer who sells motor vehicles under or subject to a retail installment contract and holds the retail installment contract must obtain a license as a “sales finance company” from the Massachusetts Division of Banks. See the attached information sheet for further information regarding license requirements.

Unlicensed Motor Vehicle Financing

The Division of Banks is authorized to investigate persons believed to have violated any of the provisions of the motor vehicle sales finance law, including those who are engaging in motor vehicle sales finance activities without a license. During an investigation of suspected unlicensed activity, the Division has the power to require the production of all relevant books, records, accounts and documents. The Division may request the assistance of the Massachusetts State Police and local police in order to enforce the law. In addition, the Attorney General is empowered to take action against those who engage in unlicensed motor vehicle sales finance activity and she may seek an injunction, civil penalties, reasonable attorneys’ fees and costs of investigation and litigation.

Further, M.G.L. chapter 140 requires any person engaged in the business of buying and selling used motor vehicles to obtain a license from the appropriate licensing authorities in the city or town in which the business is located. The licenses expire on January 1 of each year and must be renewed by the dealership pursuant to the procedures put in place by the applicable licensing board or officer. The Division of Banks will continue to issue cease directives to motor vehicle dealers who are suspected of engaging in unlicensed motor vehicle sales finance activities. However, if the Division of Banks has reason to believe that motor vehicle dealers are continuing to engage in unlicensed sales financing activity, the Division may refer the information to the applicable licensing authority for appropriate action regarding the renewal and/or continuing maintenance of the dealership license. Therefore, a motor vehicle dealer that engages in unlicensed sales finance activity may be jeopardizing its license to operate a used motor vehicle dealership and the dealer plates issued to it by the Registrar of Motor Vehicles.

Contact Information

Division of Banks, Non-Depository Institution Supervision Unit, Motor Vehicle Financing, 1000 Washington Street, 10th Floor, Boston, MA 02118, 617-956-1500 ext. 585. Information relative to the license application requirements is available on the Division’s website at www.mass.gov/dob.

MassDOT – RMV Division: Title Division, 617-351-9503.