

April 5, 2019

The Minnesota Department of Commerce (Department) issues this guidance to the motor vehicle sales finance industry clarifying the types of entities meeting the definition of a “sales finance company.”

Under Minnesota Statutes § 53C.01, subd. 12, a sales finance company is defined as:

"Sales finance company" means a person engaged, in whole or in part, in the business of purchasing retail installment contracts in this state from one or more retail sellers. The term includes a bank, trust company, or industrial loan and thrift company, if so engaged. The term also includes a retail seller engaged, in whole or in part, in the business of creating and holding retail installment contracts. The term does not include the pledges of an aggregate number of the contracts to secure a bona fide loan thereon.

This means that any company who purchases motor vehicle retail installment contracts from retail sellers located in Minnesota, and applies a finance charge, is required to obtain a motor vehicle sales finance company license. This includes sales finance companies with no physical presence in Minnesota, as well as in-state motor vehicle retail sellers who create and hold motor vehicle retail installment contracts but choose to hold and collect the contracts out-of-state. Therefore, companies engaged in the business of a sales finance company, are required to have a license under Minnesota Statutes § 53C.02. Entities such as banks, credit unions, savings associations, trust companies, industrial loan and thrift companies, or regulated lenders already authorized to do business in Minnesota need not obtain a separate motor vehicle sales finance company license to engage in this business.

To ensure compliance with Minnesota law, companies that purchase motor vehicle retail installment contracts must file a materially completed application with the Department by July 1, 2019. This license application requirement applies only to those contracts entered into on or after July 1, 2019. Activity conducted after that date, without a license, may be subject to enforcement action.

Non-depository financial institution applications must be completed through the Nationwide Multistate Licensing System (NMLS). A link to the NMLS can be found on the Department’s website at the following address: <https://bit.ly/2Mv5B2v>. Please contact the Department’s Financial Institutions Division at 651-539-1570, with any questions.