

## Minnesota Dept. of Commerce Issues Guidance Regarding Sales Finance Company License

Auto Finance Excellence

April 9, 2019

By: [Kelly Lipinski](#)

On April 5, 2019, the Minnesota Department of Commerce (Department) issued [guidance](#) formalizing its position that a company that purchases retail installment contracts from Minnesota dealers must hold a sales finance company license, even if the company does not have a physical presence in Minnesota.

Under the Minnesota Motor Vehicle Retail Installment Sales law, a company that engages in the business of a sales finance company "in [Minnesota]" must hold a license. A sales finance company is defined as a person that purchases retail installment contracts "in [Minnesota]." As both the definition of a sales finance company and the license requirement are tied to activity "in Minnesota," the Department's historical interpretation has been that a license is required only if a company has a physical presence in Minnesota. The April 5, 2019 guidance formalizes the Department's current interpretation, which is that a company that purchases retail installment contracts from dealers must obtain a sales finance company license, regardless of whether the company has a presence in Minnesota. The guidance also clarifies that a Minnesota dealer that creates and holds retail installment contracts, but chooses to hold and collect the contracts out of state, must also hold this license. Buy-here, pay-here dealers and sales finance companies that purchase retail installment contracts from Minnesota dealers will need to review the license requirement and how it applies to their respective business models.

There are several statutory exclusions to the license requirement. Among others, banks, industrial loan and thrift companies, and Minnesota Regulated Loan Act licensees are not required to hold a sales finance company license.

Companies that need a Minnesota sales finance company license must submit their applications to the Department through the Nationwide Multistate Licensing System by July 1, 2019. The Department's guidance also explains that the license requirement applies to retail installment contracts that are executed after July 1, 2019.

*This article was first published on [Auto Finance Excellence](#), a sister service of Auto Finance News. McGlinchey Stafford is pleased to serve as the official Compliance partner of Auto Finance Excellence, providing insights and thought leadership through webinars, podcasts, and monthly columns.*

Related Professionals  
[Kelly Lipinski](#)

Related Services  
[Consumer Financial Services Compliance](#)