Vermont recently passed S. 154 (Act 20) to consolidate the common provisions in the nonbank license chapters into one general chapter. Our goal was to remove the inconsistencies and redundant provisions that had built up over time and to make the licensing regime easier to navigate for regulators and regulated alike.

Specifically, Act 20 consolidates the common provisions in Chapter 73 (Licensed Lenders), Chapter 74 (Consumer Litigation Funding Companies), Chapter 79 (Money Services), Chapter 83 (Debt Adjusters), and Chapter 85 (Loan Servicers) into a new Chapter 72 (General Provisions) that applies to all licensees. Items that are unique to a license type remain in the specific chapter. For example, mortgage loan originator education and testing requirements remain in Chapter 73.

As the Nationwide Multistate Licensing System (NMLS) matured, the department began using NMLS as the licensing system for more than just mortgage lenders. As new license types were brought onto NMLS, the required NMLS provisions and regulatory updates were added to the various chapters on a piecemeal basis. This created some minor inconsistencies between the chapters. Over time, as well, redundancies built up across chapters: for example, “NMLS” was defined five separate times.

The department estimates that the consolidation removed approximately 70 pages (nearly half) of the statute.
In addition to consolidating the chapters, the bill made the following revisions and updates that:

- Authorizes the department to deem a license application abandoned if it is incomplete and there has been no correspondence from the applicant for 90 days.
- Provides that the department will review consumer litigation funding company applications like other applicants, including financial responsibility, experience, character, general fitness and criminal background checks. Prior law required only that litigation funding company applicants show proof of financial responsibility and provide a surety bond or letter of credit.
- Updates the administrative penalty provisions to make them consistent for all licensees.
- Changes the three-year exam cycle for loan solicitation companies to a risk-based exam cycle.
- Excludes from the money services license requirement: 1) agents of payees; 2) payment processors; and 3) independent trust companies.
- Updates cross references to federal laws and regulations.
- Act 20 also amended a few other statutes that:
  - Authorizes the department to provide advisory opinions, non-objection letters and no-action letters and to charge a reasonable fee for considering these requests.
  - Requires owners of ATMs to notify the department when a terminal is activated and when it is deactivated.
  - Prohibits a lead solicitation company from using the name of a financial institution without the financial institution’s consent and gives the department, the financial institution and the Attorney General the ability to pursue violations.
  - Clarifies the application of loan payments to principal, interest and escrow amounts before they are applied to late fees.
We in the Department of Financial Regulation are fortunate to enjoy a good working relationship with the chairs of the Vermont Senate Finance Committee and the House Commerce and Economic Development Committee, as well as with legislative counsel. The department prepared the initial draft of the bill and sent it to legislative counsel for review and to make sure it conformed to the current legislative drafting conventions.

Although the bill was 150 pages long, much of that consisted of deletions from the five consolidated chapters. I presented the bill to both the Senate and House committees and DFR's counsel did a line-by-line explanation of the bill. The bill was passed with relative speed and enacted with only minor amendments; it became effective July 1. The department greatly appreciates the support it received from Governor Phil Scott, the Senate, the House and legislative counsel in passing Act 20.