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Vermont enacts first in the nation pension lending regulation

by Hilary Niles

The nation's first-ever law to regulate "pension lending" was signed in the Vermont Statehouse on Tuesday morning. It takes effect July 1.

Gov. Peter Shumlin said the measure allows Vermont to get ahead of an emerging financial trend before it becomes a problem for the state's retirees.

Greg Marchildon, AARP Vermont state director, said he will promote the legislation as a model for other states considering a similar crackdown on what's largely viewed as predatory lending.

S.223 does not prevent Vermonters from borrowing against future pension payouts. Instead, it regulates the practice in much the same way other lending is monitored in Vermont.

Rep. Bill Botzow, D-Bennington, praised the way legislators came together to support Vermont's new pension lending regulation, aimed at protecting retirees from predatory financial scams.

"There's nothing worse than taking advantage of a person when they're in dire straits, when they're very vulnerable," Rep. Bill Botzow, D-Bennington, said at the bill signing.

Public hearings on the pension lending bill were held by Botzow's House Commerce Committee and the Senate's Committee on Economic Development, chaired by Sen. Kevin Mullin, R-Rutland. Pension lenders will have to apply to the state's Department of Financial Regulation for a license to practice their trade. Most known instances of pension lending to date involve exorbitant interest and fees, however, whose terms likely would not be approved.

Legally, one important effect of the law is to establish pension advances as an official act of lending. Many pension lenders currently attempt to evade regulation by calling their financial product by another name. Any unlicensed loans — or even solicitations — could trigger a fine up to \$10,000 per violation. Victims of pension loan scams also could file suit privately, according to state officials.

State Treasurer Beth Pearce has supported the legislation for the protections it affords retirees. She underscored the role personal retirement savings play in the state's long-term financial and economic health.

Shumlin took the subject of retiree protections as an opportunity to unveil the recommendations and report of his Commission on Successful Aging, which he re-established in 2011. Vermont's aging population is often a cause for concern for demographers and economists alike. The commission's report seeks to reframe a view of the state's elders to recognize the wealth of knowledge held by many retirees.

Pat Elmer, president and CEO of the Association for Training and Development, described three priorities of the commission: disseminating to Vermont businesses established best practices for recruiting and retaining a mature workforce, helping elders gain technical skills, and developing an recognition program for employers who successfully maintain an older workforce.

“(S)ometimes we forget that our mature workers, not just those recently out of school or in the early years of their careers, contribute greatly to the overall success of our economy,” Shumlin said in a press release.

Elmer noted that many older workers would gladly trade responsibilities such as supervisory roles or out-of-state travel in exchange for mentorship roles with less experienced workers in their companies.