

Testimony of Jenna A. Stull
Committee on Health Coverage, Insurance and Financial Services
Testifying in FAVOR of L.D. 2110
An Act to Amend the Laws Governing Licensing of Payroll Processors

March 7, 2024

Senator Bailey, Representative Perry, and Distinguished Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Jenna Stull, I am a resident of Yarmouth and the President of Yarmouth Payroll Plus, Inc. I am testifying before you today in favor of **L.D. 2110, An Act to Amend the Laws Governing Licensing of Payroll Processors.**

Yarmouth Payroll has been serving Maine businesses with their payroll needs since 1987. I have worked closely with thousands of business owners in this capacity over the past 24 years. Yarmouth Payroll currently serves over 800 businesses in Maine by providing quality payroll services at an affordable price point. We operated through the Harmon & Bart scandal in 2004 that changed the licensing and bonding requirements substantially and we continue to serve many of those clients that were directly impacted by the fraud that occurred. We have complied with every new law that has been enacted to be licensed as a payroll processor in Maine and supported the enhancements that allow us to serve our clients with efficiency and transparency. I am all for improving processes, systems, and regulations around compliance to protect businesses in Maine and share in your desire to hold the highest level of accountability for the important work we do.

I have enjoyed working with the Bureau of Consumer Credit Protection directly for our audits and licensing. They have been integral to our continuity and success as payroll processors in the state. We all know that “Mainers” still tend to operate on a handshake

and still enjoy the seemingly old way of person-to-person interaction. It was nice to have a human to contact directly with questions or concerns before this transition.

When I received notice that the Bureau of Consumer Credit Protection was discussing transitioning their licensing for Payroll Processors to NMLS, I did not fully understand the depths of how this change would affect our licensing process and how it could impact the continuity of our business. I understood that the Bureau would be using NMLS to continue the registration process as it currently existed so they could move away from paper documents being mailed and utilize a more secure, electronic platform that was less burdensome to the licensors. However, there was no transparency around this transition, and I did not feel supported or represented in these discussions. Many questions I asked went unanswered. The transition felt rushed onto a platform that is not designed to license Payroll Processors. It is a system designed to license mortgage lenders and money transmitters, that is being repositioned to align with an industry that has very different needs and requirements. It felt burdensome to imagine the possibility of not being able to serve our clients and the fear of not being able to meet the requirements left me in significant distress. As a result, we were forced to apply under Money Services on a nationwide database that shares our business information. I had to attest to something that we are not. In Maine, Payroll Processors have always been classified as "True Agents of the Payee." This specifically exempted us from Money Transmitter Law in the state. I fully support and welcome changes to this process so long as we are using a system that is better equipped to handle our specific industry needs for licensing.

The process of registering before the transition to NMLS was efficient and simplistic. It took around an hour to gather the appropriate documentation, fill out the application and submit the required fees to the State of Maine directly. The new licensing system took substantially longer, and we did not have the same level of support or guidance on how to move through this new process that the Bureau has provided in the past. There were convoluted resources provided, and no one could speak to the unanswered questions.

My most important question being—why must I attest to something I am not, in order to continue licensing my business?

The simple process of registering with NMLS to begin the application process was daunting. It was time consuming to navigate all the sections in this new system, many of which do not pertain to us and are not required by the Bureau for our licensing. It was onerous and confusing, which led to a much less effective method for licensees. I appreciate the Bureau being willing to waive the audited financials requirement, as we were unable to secure an auditor, despite our very best efforts, that would be able to perform an audit now or in the foreseeable future. The financial burden it would place on small processors would certainly prohibit new payroll processors in Maine and would likely cause many licensed providers currently operating in the state to close their doors. I remain concerned that while the Bureau has currently agreed to waive the need for an audit, this requirement remains in the final rule and could be enforced in the future.

I also sit on the advisory board for my payroll software. Licensing changes and Money Transmission Law in our industry is a hot topic across the country. There is a payroll processor in New Hampshire that also sits on the board, that disclosed to me that they have dropped their Maine clients because of the licensing transition to NMLS. They do not want to be in the nationwide database with Money Transmitters. I am concerned that this will continue to directly affect payroll processors nationwide, as well as prohibit new processors from joining our industry. As it stands right now, there are very few local payroll processors left in the state, and continuing down this path will surely put small payroll firms out of business. This could negatively impact our economy and affect many small business owners who will be forced to pay exorbitant fees for their payroll services.

I want us to come together to find solutions that will work for all parties involved. Thank you for this opportunity to share my concerns and I am happy to answer questions from the committee.