



House of Representatives

General Assembly

File No. 134

February Session, 2026

Substitute House Bill No. 5211

House of Representatives, March 24, 2026

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING COMMERCIAL FINANCING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-861 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2026*):

3 As used in this section and sections 36a-862 to 36a-872, inclusive:

4 (1) "Commercial financing" means any extension of sales-based
5 financing by a provider, [in an amount not exceeding two hundred fifty
6 thousand dollars,] the proceeds of which the recipient does not intend
7 to use primarily for personal, family or household purposes;

8 (2) "Commercial financing broker" means a person, other than a
9 financier, who, for compensation or the expectation of compensation,
10 offers, or offers to obtain, commercial financing for a recipient from a
11 provider that is not exempt;

12 (3) "Finance charge" means the cost of financing expressed as a dollar
13 amount, including (A) any charge payable directly or indirectly by the
14 recipient and imposed directly or indirectly by the provider as an

15 incident to, or a condition of, the extension of financing, and (B) all
16 charges that would be included under the definition of "finance charge"
17 in 12 CFR 1026.4, as amended from time to time, as if the transaction
18 were subject to said section;

19 (4) "Financer" means a person who provides, or will provide,
20 commercial financing to a recipient;

21 (5) "Person" means an individual, corporation, partnership, limited
22 liability company, joint venture, association, joint stock company, trust
23 or unincorporated organization, including, but not limited to, a sole
24 proprietorship;

25 (6) "Provider" means a person who extends a specific offer of
26 commercial financing to a recipient and includes, unless otherwise
27 exempt under this section, a commercial financing broker, but does not
28 include any (A) bank, out-of-state bank, bank holding company,
29 Connecticut credit union, federal credit union, out-of-state credit union
30 or any subsidiary or affiliate of the foregoing, as those terms are defined
31 in section 36a-2, (B) person acting in such person's capacity as a
32 technology services provider to an entity exempt under this section for
33 use as part of the exempt entity's commercial financing program,
34 provided such person has no interest, arrangement or agreement to
35 purchase any interest in the commercial financing extended by the
36 exempt entity in connection with such program, (C) lender regulated
37 under the federal Farm Credit Act, 12 USC 2001 et seq., as amended
38 from time to time, (D) person or provider who extends or brokers a
39 commercial financing transaction secured by real property, (E) person
40 or provider who extends or brokers a lease, as defined in section 42a-
41 2A-102, (F) person or provider who extends or brokers a purchase-
42 money obligation, as defined in section 42a-9-103a, (G) person or
43 provider who extends not more than five commercial financing
44 transactions in this state in a twelve-month period, (H) person or
45 provider who extends or brokers a commercial financing transaction
46 entered into pursuant to a commercial financing agreement or
47 commercial open-end credit plan of at least fifty thousand dollars, in

48 which the recipient is (i) a dealer, as defined in section 14-1, or an
49 affiliate of such a dealer, or (ii) a motor vehicle rental company, or an
50 affiliate of such a company, or (I) person or provider who extends or
51 brokers a commercial financing transaction in connection with the sale
52 of products or services that such person or provider manufactures,
53 licenses or distributes, or whose parent company, subsidiary or affiliate
54 manufactures, licenses or distributes;

55 (7) "Recipient" means a person, or the authorized representative of a
56 person, who applies for commercial financing and is made a specific
57 offer of commercial financing by a provider, but does not include a
58 person acting as a commercial financing broker;

59 (8) "Sales-based financing" means a transaction that is repaid by the
60 recipient to the provider over time (A) as a percentage of sales or
61 revenue, in which the payment amount may increase or decrease
62 according to the volume of sales made or revenue received by the
63 recipient, or (B) according to a fixed payment mechanism that provides
64 for a reconciliation process that adjusts the payment to an amount that
65 is a percentage of sales or revenue; and

66 (9) "Specific offer" means the specific terms of commercial financing,
67 including, but not limited to, a price or amount, that is quoted to a
68 recipient based on information obtained from or about the recipient,
69 which, if accepted by the recipient, would be binding on the provider,
70 subject to any specific requirements stated in such terms.

71 Sec. 2. Section 36a-863 of the general statutes is repealed and the
72 following is substituted in lieu thereof (*Effective October 1, 2026*):

73 A provider shall provide to a recipient, when the provider extends a
74 specific offer for sales-based financing, the following disclosures in a
75 format prescribed by the Banking Commissioner:

76 (1) The total amount of the commercial financing.

77 (2) The disbursement amount, which is the amount paid to the
78 recipient or on the recipient's behalf, excluding any finance charges that

79 are deducted or withheld at disbursement.

80 (3) The finance charge.

81 (4) The estimated annual percentage rate, using the words "annual
82 percentage rate" or the abbreviation "APR", expressed as a yearly rate,
83 inclusive of any fees and finance charges, and determined in accordance
84 with 12 CFR 1026.22, as amended from time to time, based on the
85 estimated term of repayment and the projected periodic payment
86 amounts. The estimated term of repayment and the projected periodic
87 payment amounts shall be calculated based on a projection of the
88 volume of the recipient's sales or revenue. The projected volume of such
89 sales or revenue may be calculated using the safe harbor method, as
90 described in subparagraph (A) of this subdivision, or the underwriting
91 method, as described in subparagraph (B) of this subdivision. The
92 provider shall provide notice to the Banking Commissioner, in a form
93 and manner prescribed by the commissioner, disclosing which method
94 the provider intends to use to determine the estimated annual
95 percentage rate in all instances of sales-based financing offered by the
96 provider.

97 (A) A provider using the safe harbor method shall use an average of
98 the recipient's volume of sales or revenue during a time period fixed by
99 the provider. Such fixed time period shall (i) have occurred during the
100 twelve months immediately preceding the specific offer, (ii) be at least
101 three and not more than twelve consecutive months in length, and (iii)
102 be used by the provider for all disclosure purposes for all sales-based
103 financing products offered by the provider.

104 (B) A provider using the underwriting method shall use the projected
105 volume of sales or revenue on which the provider relied in the
106 underwriting of the specific offer. A provider using the underwriting
107 method shall, not later than October 1, 2027, and annually thereafter,
108 report data to the commissioner disclosing the estimated annual
109 percentage rates the provider disclosed to recipients and the actual
110 retrospective annual percentage rates of completed transactions. The
111 report shall contain such information as the commissioner may

112 prescribe as necessary or appropriate for the purpose of determining
113 whether the deviation between the estimated annual percentage rates
114 and the actual retrospective annual percentage rates of completed
115 transactions was reasonable. The commissioner shall establish the
116 method of reporting and may, upon a finding by the commissioner that
117 the use of projected sales or revenue volume by the provider has
118 resulted in an unacceptable deviation between the disclosed and actual
119 annual percentage rates, require the provider to use the safe harbor
120 method. The commissioner may consider unusual and extraordinary
121 circumstances impacting the provider's deviation between estimated
122 and actual annual percentage rates in making such finding.

123 (C) Nothing in this subdivision shall be construed to impose liability
124 on a provider as a result of the actual annual percentage rate charged by
125 the provider differing from the estimated annual percentage rate
126 disclosed by the provider in accordance with this subdivision.

127 [(4)] (5) The total repayment amount, which is the disbursement
128 amount plus the finance charge.

129 [(5)] (6) The estimated time period required for the periodic payments
130 to equal the total repayment amount.

131 [(6)] (7) The payment amounts as follows:

132 (A) For payment amounts that are fixed, the payment amounts and
133 frequency; or

134 (B) For payment amounts that are variable, a payment schedule or a
135 description of the method used to calculate the amounts and frequency
136 of payments, and the amount of the average projected payments per
137 month.

138 [(7)] (8) A description of all other potential fees and charges not
139 included in the finance charge, including, but not limited to, draw fees,
140 late payment fees and returned payment fees.

141 [(8)] (9) (A) Any finance charge the recipient will be required to pay

142 if the recipient elects to pay off or refinance the commercial financing
143 prior to full repayment, other than interest accrued since the recipient's
144 last payment, and the percentage of any unpaid portion of such finance
145 charge and the maximum dollar amount of such finance charge the
146 recipient will be required to pay; and

147 (B) Any additional fees, not already included in the finance charge,
148 the recipient will be required to pay if the recipient elects to pay off or
149 refinance the commercial financing prior to full repayment.

150 [(9)] (10) A description of collateral requirements or security interests,
151 if any.

152 [(10)] (11) Whether, in connection with the specific offer of sales-
153 based financing, the provider will pay compensation directly to a
154 commercial financing broker out of the financed amount and, if so, the
155 amount of such compensation.

156 Sec. 3. Section 36a-866 of the general statutes is repealed and the
157 following is substituted in lieu thereof (*Effective October 1, 2026*):

158 (a) Nothing in this section or sections 36a-861 to 36a-865, inclusive, as
159 amended by this act, shall prevent a provider from providing or
160 disclosing additional information concerning commercial financing
161 offered to a recipient, provided such additional information shall not be
162 disclosed as part of any disclosure required pursuant to this section or
163 sections 36a-861 to 36a-865, inclusive, as amended by this act.

164 (b) If, after extending a specific offer to a recipient, a provider
165 discloses to the recipient any charge, pricing metric or financing amount
166 for such specific offer, the provider shall also disclose to the recipient
167 the annual percentage rate of the specific offer by using the words
168 "annual percentage rate" or the abbreviation "APR".

169 (c) In any communication with a recipient, a provider shall not use
170 the term "interest" or "rate" in a deceptive way that could reasonably
171 result in the recipient being misled. For purposes of this subsection, a
172 communication by a provider that uses the term "interest" or "rate" shall

173 not be deemed to be deceptive if the metric of financing cost expressed
174 in the communication is an annual interest rate or annual percentage
175 rate that is either (1) fixed, or (2) floating and expressed as a margin over
176 an index rate.

177 Sec. 4. Section 36a-868 of the 2026 supplement to the general statutes
178 is repealed and the following is substituted in lieu thereof (*Effective*
179 *October 1, 2026*):

180 (a) No commercial financing contract entered into on or after July 1,
181 2024, and before October 1, 2026, shall contain any provision waiving a
182 recipient's right to notice, judicial hearing or prior court order under
183 chapter 903a in connection with the provider obtaining any
184 prejudgment remedy, including, but not limited to, attachment,
185 execution, garnishment or replevin upon commencing any litigation
186 against the recipient. Any such provision in a commercial financing
187 contract [entered into on or after July 1, 2024,] shall be unenforceable.

188 (b) No commercial financing contract entered into on or after October
189 1, 2026, shall contain any (1) provision waiving a recipient's right to
190 notice, judicial hearing or prior court order under chapter 903a in
191 connection with the provider obtaining any prejudgment remedy; or (2)
192 nondisclosure provision requiring a recipient to maintain the
193 confidentiality of the commercial financing contract or its terms. Any
194 provision prohibited by this subsection that is included in a commercial
195 financing contract shall be unenforceable.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2026	36a-861
Sec. 2	October 1, 2026	36a-863
Sec. 3	October 1, 2026	36a-866
Sec. 4	October 1, 2026	36a-868

BA Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Banking Dept.	BF - Revenue Gain	Minimal	Minimal
Banking Dept. ¹	BF - Potential Cost	85,700	167,400

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill: (1) requires certain providers of sales-based financing to disclose an estimated annual percentage rate (APR) for all sales-based financing transactions and comply with other new requirements, and (2) expands the types of such providers that must register with the Department of Banking. The bill results in a potential cost to the Banking Fund of up to \$85,700 in FY 27 and \$167,400 in FY 28 and annually thereafter, as well as a minimal annual revenue gain beginning in FY 27.

The bill's potential cost is associated with one new financial examiner that may be needed if the bill's changes result in a significantly higher volume or complexity of consumer complaints. There were 10 complaints to the banking department regarding sales-based financing

¹The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 85.92% of payroll in FY 27.

in the last year.

Should this position be needed, the annualized cost is expected to be \$90,000 in salary and \$77,400 in fringe benefits, potentially beginning in FY 28. If the new position is hired halfway through FY 27, personnel costs in FY 27 would be \$45,000 and \$38,700 respectively. Other expenses for the new position would total \$2,000 upon hiring, for a laptop and related supplies.

The bill also results in revenue gain to the Banking Fund of \$1,000 per each new registration and a \$500 annual fee, beginning in FY 27. The number of new entities registering is expected to be low, resulting in minimal revenue gain.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to: (1) the volume of complaints associated with the bill's new requirements on sales-based financing providers, (2) the number of newly registered commercial financing providers, and (3) inflation.

OLR Bill Analysis**sHB 5211*****AN ACT CONCERNING COMMERCIAL FINANCING.*****SUMMARY**

This bill makes the following changes to the law on required disclosures for sales-based financing transactions and registration of the financing providers and brokers (see BACKGROUND):

1. eliminates the \$250,000 threshold above which transactions are exempt from having the disclosures, thus making all sales-based financing transactions subject to the law's requirements and requiring their providers and brokers to be registered with the banking department;
2. requires financing providers to disclose, when extending a specific financing offer, an estimated annual percentage rate (APR);
3. relieves the providers from liability if an actual APR charged differs from the disclosed estimated APR;
4. requires providers that disclose a charge, pricing metric, or financing amount to a financing recipient after extending a specific offer, to also disclose the APR (using the words "annual percentage rate" or "APR");
5. prohibits providers from deceptively using the terms "interest" or "rate" in communications with a recipient that could reasonably mislead the recipient, but specifies that using the terms is not deceptive if the communication's metric of financing cost is an annual interest rate or APR that is (a) fixed or (b) floating and shown as a margin over an index rate; and

6. prohibits these financing contracts entered on or after October 1, 2026, from having a nondisclosure provision that requires the recipient to keep the contract confidential and makes the provision unenforceable if it is included in the contract.

Under existing law, which applies to the bill's provisions, violations of the financing disclosure requirements are subject to various enforcement actions by the banking commissioner, such as (1) registration suspension or revocation; (2) civil penalties of up to \$100,000 per violation; or (3) injunctive relief (CGS § 36a-872).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2026

§ 2 — ESTIMATED APR DISCLOSURE

Under existing law, lenders providing this financing must generally disclose to applicants information such as the financing amount, payment amount, finance charges and other potential fees, term, and any prepayment amount. The banking commissioner sets the format for providing the disclosures.

The bill additionally requires them to disclose the estimated APR (using the words "annual percentage rate" or the APR abbreviation). The rate must be shown as a yearly rate, including any fees and finance charges and calculated in accordance with federal regulations under the federal Truth in Lending Act (12 C.F.R. § 1026.22), based on the estimated term of repayment and projected periodic payment amounts calculated using the recipient's projected sales or revenue.

Methods for Calculating Projected Sales or Revenue Volume

The bill allows the projected sales or revenue volume to be calculated using either the "safe harbor" method or the "underwriting" method. It requires each provider to notify the banking commissioner, in a form and manner he chooses, about which method the provider intends to use to calculate the estimated APRs for all sales-based financing offerings.

Safe Harbor Method. Under the safe harbor method, the provider must use an average of the recipient's sales or revenue volume during a fixed period. The period must be (1) from the 12 months immediately before the specific offer, (2) between 3 and 12 consecutive months in length, and (3) used for all disclosures of sales-based financing products the provider offers.

Underwriting Method. Under the underwriting method, the provider must use the projected sales or revenue volume that it relied on to underwrite the specific offer.

Providers choosing this method must participate in a review process the commissioner sets. Beginning October 1, 2027, they must annually report data to the commissioner on the (1) estimated APRs they disclosed to recipients and (2) actual retrospective APRs of completed transactions.

Under the bill, the report must have information that the commissioner may require to determine if the deviation between the estimated and actual retrospective APRs was reasonable. The commissioner must establish the reporting method and may, upon finding that the use of projected sales or revenue volume resulted in an unacceptable deviation between the estimated and actual APRs, require the provider to use the safe harbor method instead. As part of making this finding, the commissioner may consider unusual and extraordinary circumstances affecting the provider's deviation between estimated and actual APRs.

BACKGROUND

Sales-Based Financing

By law, sales-based financing is a transaction in which the recipient repays over time (1) as a percentage of sales or revenue, and the payment may increase or decrease according to the recipient's sales or revenue, or (2) according to a mechanism where repayment is as a fixed amount but with a reconciliation process that adjusts to an amount that is a percentage of sales or revenue.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 9 Nay 4 (03/10/2026)