



# House of Representatives

**File No. 729**

General Assembly

February Session, 2026

**(Reprint of File No. 134)**

Substitute House Bill No. 5211  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
April 28, 2026

## **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 Section 36a-861 of the general statutes is repealed and the  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 July 1, 2027*):

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 July 1, 2027*):

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 use either such safe harbor method or such underwriting  
93 method to determine the estimated annual percentage rate in all  
94 instances of sales-based financing offered by the provider.

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

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

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

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

125 ~~[(4)]~~ (5) The total repayment amount, which is the disbursement  
126 amount plus the finance charge.

127 ~~[(5)]~~ (6) The estimated time period required for the periodic payments  
128 to equal the total repayment amount.

129 ~~[(6)]~~ (7) The payment amounts as follows:

130 (A) For payment amounts that are fixed, the payment amounts and  
131 frequency; or

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

136 ~~[(7)]~~ (8) A description of all other potential fees and charges not  
137 included in the finance charge, including, but not limited to, draw fees,  
138 late payment fees and returned payment fees.

139        ~~[(8)]~~ (9) (A) Any finance charge the recipient will be required to pay  
140 if the recipient elects to pay off or refinance the commercial financing  
141 prior to full repayment, other than interest accrued since the recipient's  
142 last payment, and the percentage of any unpaid portion of such finance  
143 charge and the maximum dollar amount of such finance charge the  
144 recipient will be required to pay; and

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

148        ~~[(9)]~~ (10) A description of collateral requirements or security interests,  
149 if any.

150        ~~[(10)]~~ (11) Whether, in connection with the specific offer of sales-  
151 based financing, the provider will pay compensation directly to a  
152 commercial financing broker out of the financed amount and, if so, the  
153 amount of such compensation.

154        Sec. 3. Section 36a-868 of the 2026 supplement to the general statutes  
155 is repealed and the following is substituted in lieu thereof (*Effective*  
156 *October 1, 2026*):

157        (a) No commercial financing contract entered into on or after July 1,  
158 2024, and before October 1, 2026, shall contain any provision waiving a  
159 recipient's right to notice, judicial hearing or prior court order under  
160 chapter 903a in connection with the provider obtaining any  
161 prejudgment remedy, including, but not limited to, attachment,  
162 execution, garnishment or replevin upon commencing any litigation  
163 against the recipient. Any such provision in a commercial financing  
164 contract [entered into on or after July 1, 2024,] shall be unenforceable.

165        (b) No commercial financing contract entered into on or after October  
166 1, 2026, shall contain any (1) provision waiving a recipient's right to  
167 notice, judicial hearing or prior court order under chapter 903a in  
168 connection with the provider obtaining any prejudgment remedy; or (2)  
169 nondisclosure provision requiring a recipient to maintain the

170 confidentiality of the commercial financing contract or its terms. Any  
171 provision prohibited by this subsection that is included in a commercial  
172 financing contract shall be void.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2027</i>	36a-861
Sec. 2	<i>July 1, 2027</i>	36a-863
Sec. 3	<i>October 1, 2026</i>	36a-868

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	None	Minimal
Banking Dept. <sup>1</sup>	BF - Potential Cost	None	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 both a potential cost of up to \$167,400 and a minimal annual revenue gain to the Banking Fund, beginning in FY 28 and annually thereafter.

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 in the last year.

---

<sup>1</sup>The 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.

Should this position be needed, the annual cost is expected to be \$90,000 in salary and \$77,400 in fringe benefits, beginning in FY 28. 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 28. The number of new entities registering is expected to be low, resulting in minimal revenue gain.

House "A" eliminates the original bill and its associated fiscal impact, and results in the impact described above.

### ***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 (as amended by House "A")\******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; and
4. prohibits these financing contracts entered into on or after October 1, 2026, from having a nondisclosure provision that requires the recipient to keep the contract confidential and makes the provision void 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.

\*House Amendment "A" (1) delays, from October 1, 2026, to July 1, 2027, the effective date for (a) subjecting providers of larger financing transactions to the law's registration and disclosure requirements and (b) requiring the estimated APR disclosures; (2) removes requirements in the underlying bill for providers to notify the banking department about which method they choose to calculate estimated APR and disclose an APR when giving certain information to the financing recipient after extending a specific offer; (3) removes an underlying provision on deceptive use of "interest" or "rate" in communications; and (4) makes the contract nondisclosure provisions void, rather than unenforceable.

EFFECTIVE DATE: July 1, 2027, except the nondisclosure provision prohibition for the financing contracts is effective 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. But it requires the provider to use either the safe harbor method or the

underwriting method to calculate the estimated APR in all sales-based financing offerings it makes.

**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 three 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)

Judiciary Committee

Joint Favorable

Yea 35 Nay 5 (04/10/2026)