

Banking Committee JOINT FAVORABLE REPORT

Bill No: HB-5211 / [Bill Status](#) / [Public Hearing Testimony](#)

Title: AN ACT CONCERNING COMMERCIAL FINANCING.

Vote Date: 3/10/2026

Vote Action: Joint Favorable Substitute

PH Date: 2/24/2026

File No.: 2980

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SPONSORS OF BILL:

Banking Committee

REASONS FOR BILL:

To establish new requirement for commercial financing agreements, including disclosing APR, new definitions, and restrictions around right to notice and prejudgment remedies. This is in response to reports of predatory practices being used by the industry hurting local small businesses. This bill is intended to create more transparency and legal protections for small business that engage in commercial financing agreements.

SUBSTITUTE LANGUAGE

Changed APR calculations, added safe harbor language, removed a 7 day cool off period, and prohibited deceptive communication/interest rates.

RESPONSE FROM ADMINISTRATION/AGENCY:

N/A

NATURE AND SOURCES OF SUPPORT:

Shane R. Heskin, Partner, Heskin & Proper PLLC supports HB5211. Heskin believes that the MCA industry has grown in Connecticut due to prejudgment attachment statute, and despite legal action having been taken, it has not done enough and predatory lenders operating outside of Connecticut have been enabled, with a New York judge ruling that several entities in Connecticut were used to hide fraud and are able to do so because of a lack of required presence in Connecticut outside of a sham maildrop. The prejudgment

statute also allows for out of state lenders to avoid their own states usury laws and even protect them from said laws. The prejudgment statute is currently abused by MCAs to intentionally violate due process in a way that is worse than what has already been prohibited by the Supreme Court.

NATURE AND SOURCES OF OPPOSITION:

Stephen Dennis, Executive Director, Small Business Finance Association (SBFA)

Opposes HB5211 because it fails to account for the diversity of commercial financing products and impose disclosure requirements which are not appropriate and lack meaning, as well as the bill using APR disclosure in a way that creates an uneven framework, it forces revenue-based financing into a loan-based disclosure model leading to inaccurate characterization of the product. Small business owners also often misinterpret APR, leading to confusion and poor decisions. Although the Small Business Finance Association feels the bill is well intended, it is a bill which is trying to solve a problem that doesn't exist due to low demand for additional APR disclosures, instead preferring something like regulatory clarity.

Kathrine Fisher, Attorney, Revenue based Finance Coalition (RBFC) opposes HB5211.

The RBFC argues that Connecticut's 2023 disclosure law already provides clear and standardized disclosures. It's currently working as intended. APR is a familiar disclosure for products with fixed payment schedules and defined repayment timelines whereas sales-based financing functions differently with Connecticut being a state that recognizes such. A New York paper shows pricing constraints tied to APR or interest-rate limits, do not make credit meaningfully safer. Higher risk borrowers lose access to credit whereas lower risk borrowers receive increased access. Using APR for short duration and non-amortizing products can overstate perceived cost, obscure total dollars repaid, and distort comparisons between fundamentally different financial products. APR can oftentimes create significant confusion for small business owners. APR calculations are designed to create comparisons of the costs of various closed-end consumer loan offers; however Estimated APR fails to provide a good comparison with actual APR as it assumes that the business's revenue in the future will be like the business's revenue in the past.

Samantha Klos, Public Affairs Coordinator, Innovative Lending Platform Association

(ILPA) opposes HB5211. The ILPA, a trade organization for online lenders and service companies serving small businesses, appreciates the Banking Committee's intentions of helping small businesses. The ILPA argues that all states that have passed commercial financing disclosure laws has chosen cost of capital over APR, and it is important to continue that across states to provide businesses with capital, as well as arguing APR was created for long term projects, and is a poor metric for the short term, APR disclosure also fails to meet the different circumstances different small businesses face.

Christy Ellerbee, VP of State Government Relations, Electronic Transactions

Association (ETA) opposes HB5211 as they feel it would impose barriers for providers of financing and result for less options for small businesses. Usage of APR will create significant confusion for many businesses and quickly increases the shorter loan term. HB5211 will require certain information be disclosed to the commissioner, however the ETA argues the commissioner has the capability at this time to process this type of information. The ETA also recommends that providing notice to the Bank Commissioner be opt-in and that the ability to cancel commercial financing contract for the first seven business days be changed to first

seven calendar days, and that there be a longer regulatory and approval process as well as a one hundred eighty compliance period.

Penny Lee, President and CEO, Financial Transaction Association (FTA) opposes HB5211, who believe it is vital small business owners be provided with clear information so they can make the best decisions. Applying APR to all businesses, though useful sometimes, will ultimately result in confusion or counterproductive information, leading to small businesses' failing to understand the cost of products. Although the FTA supports a model state commercial financing disclosure law that works with other state's requirements and would help small business owners make informed decisions. Jamie L. Robinson supports HB5211.

Reported by: Giovanni DeSantis

Date: March 11th, 2026