



General Assembly

February Session, 2026

Raised Bill No. 5211

LCO No. 1580



Referred to Committee on BANKING

Introduced by:
(BA)

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 Section 36a-861 of the general statutes is repealed and the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 sales
89 or revenue may be calculated using the historical method, as described
90 in subparagraph (A) of this subdivision, or the opt-in method, as
91 described in subparagraph (B) of this subdivision. The provider shall
92 provide notice to the Banking Commissioner, in a form and manner
93 prescribed by the commissioner, disclosing which method the provider
94 intends to use to determine the estimated annual percentage rate in all
95 instances of sales-based financing offered by the provider.

96 (A) A provider using the historical method shall use an average
97 historical volume of sales or revenue on which the financing's payment
98 amounts are based and by which the estimated annual percentage rate
99 is determined. The provider shall fix the historical time period to be
100 used to calculate the average historical volume of sales or revenue and
101 use such period for all disclosure purposes for all sales-based financing
102 products offered by the provider. The fixed historical time period shall
103 either be the time period immediately preceding the specific offer or,
104 alternatively, a time period consisting of the same number of months
105 with the highest sales or revenue volume within the past twelve months.
106 The fixed historical time period shall be at least one month and shall not
107 exceed twelve months.

108 (B) A provider using the opt-in method shall determine the estimated
109 annual percentage rate, the estimated term and the projected payments
110 using a projected sales or revenue volume that the provider elects for
111 each disclosure, provided such provider participates in a review process
112 prescribed by the commissioner. A provider shall, not later than October
113 1, 2027, and annually thereafter, report data to the commissioner
114 disclosing the estimated annual percentage rates the provider disclosed
115 to recipients and the actual retrospective annual percentage rates of
116 completed transactions. The report shall contain such information as the
117 commissioner may prescribe as necessary or appropriate for the
118 purpose of making a determination of whether the deviation between
119 the estimated annual percentage rate and the actual retrospective
120 annual percentage rates of completed transactions was reasonable. The
121 commissioner shall establish the method of reporting and may, upon a
122 finding by the commissioner that the use of projected sales or revenue
123 volume by the provider has resulted in an unacceptable deviation
124 between the estimated and actual annual percentage rates, require the
125 provider to use the historical method. The commissioner may consider
126 unusual and extraordinary circumstances impacting the provider's
127 deviation between estimated and actual annual percentage rates in
128 making such finding.

129 [(4)] (5) The total repayment amount, which is the disbursement
130 amount plus the finance charge.

131 [(5)] (6) The estimated time period required for the periodic payments
132 to equal the total repayment amount.

133 [(6)] (7) The payment amounts as follows:

134 (A) For payment amounts that are fixed, the payment amounts and
135 frequency; or

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

139 month.

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

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

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

152 [(9)] (10) A description of collateral requirements or security interests,
153 if any.

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

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

161 (a) No commercial financing contract entered into on or after [July 1,
162 2024] October 1, 2026, shall contain any (1) provision waiving a
163 recipient's right to notice, judicial hearing or prior court order under
164 chapter 903a in connection with the provider obtaining any
165 prejudgment remedy; [, including, but not limited to, attachment,
166 execution, garnishment or replevin upon commencing any litigation
167 against the recipient] or (2) nondisclosure provision requiring a

168 recipient to maintain the confidentiality of the commercial financing
169 contract or its terms. Any [such] provision prohibited by this subsection
170 that is included in a commercial financing contract [entered into on or
171 after July 1, 2024,] shall be unenforceable.

172 (b) Each commercial financing contract entered into on or after
173 October 1, 2026, shall contain a provision allowing the recipient to cancel
174 such commercial financing contract during the seven-business-day
175 period beginning on the date on which the commercial financing
176 contract is fully executed.

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

Statement of Purpose:

To redefine "commercial financing", require commercial financing providers to disclose estimated annual percentage rates and revise and establish certain requirements applicable to commercial financing contracts.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]