



General Assembly

**Amendment**

February Session, 2026

LCO No. 4149



Offered by:

REP. DOUCETTE, 13<sup>th</sup> Dist.

REP. DELNICKI, 14<sup>th</sup> Dist.

REP. JACOBSON, 148<sup>th</sup> Dist.

To: Subst. House Bill No. 5211

File No. 134

Cal. No. 114

**"AN ACT CONCERNING COMMERCIAL FINANCING."**

1 Strike everything after the enacting clause and substitute the  
2 following in lieu thereof:

3 "Section 1. Section 36a-861 of the general statutes is repealed and the  
4 following is substituted in lieu thereof (*Effective July 1, 2027*):

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

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

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

14 (3) "Finance charge" means the cost of financing expressed as a dollar  
15 amount, including (A) any charge payable directly or indirectly by the  
16 recipient and imposed directly or indirectly by the provider as an  
17 incident to, or a condition of, the extension of financing, and (B) all  
18 charges that would be included under the definition of "finance charge"  
19 in 12 CFR 1026.4, as amended from time to time, as if the transaction  
20 were subject to said section;

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

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

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

47 provider who extends or brokers a commercial financing transaction  
48 entered into pursuant to a commercial financing agreement or  
49 commercial open-end credit plan of at least fifty thousand dollars, in  
50 which the recipient is (i) a dealer, as defined in section 14-1, or an  
51 affiliate of such a dealer, or (ii) a motor vehicle rental company, or an  
52 affiliate of such a company, or (I) person or provider who extends or  
53 brokers a commercial financing transaction in connection with the sale  
54 of products or services that such person or provider manufactures,  
55 licenses or distributes, or whose parent company, subsidiary or affiliate  
56 manufactures, licenses or distributes;

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

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

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

73 Sec. 2. Section 36a-863 of the general statutes is repealed and the  
74 following is substituted in lieu thereof (*Effective July 1, 2027*):

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

- 78 (1) The total amount of the commercial financing.
- 79 (2) The disbursement amount, which is the amount paid to the  
80 recipient or on the recipient's behalf, excluding any finance charges that  
81 are deducted or withheld at disbursement.
- 82 (3) The finance charge.
- 83 (4) The estimated annual percentage rate, using the words "annual  
84 percentage rate" or the abbreviation "APR", expressed as a yearly rate,  
85 inclusive of any fees and finance charges, and determined in accordance  
86 with 12 CFR 1026.22, as amended from time to time, based on the  
87 estimated term of repayment and the projected periodic payment  
88 amounts. The estimated term of repayment and the projected periodic  
89 payment amounts shall be calculated based on a projection of the  
90 volume of the recipient's sales or revenue. The projected volume of such  
91 sales or revenue may be calculated using the safe harbor method, as  
92 described in subparagraph (A) of this subdivision, or the underwriting  
93 method, as described in subparagraph (B) of this subdivision. The  
94 provider shall use either such safe harbor method or such underwriting  
95 method to determine the estimated annual percentage rate in all  
96 instances of sales-based financing offered by the 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-868 of the 2026 supplement to the general statutes  
157 is repealed and the following is substituted in lieu thereof (*Effective*  
158 *October 1, 2026*):

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

167 (b) No commercial financing contract entered into on or after October  
168 1, 2026, shall contain any (1) provision waiving a recipient's right to

169 notice, judicial hearing or prior court order under chapter 903a in  
170 connection with the provider obtaining any prejudgment remedy; or (2)  
171 nondisclosure provision requiring a recipient to maintain the  
172 confidentiality of the commercial financing contract or its terms. Any  
173 provision prohibited by this subsection that is included in a commercial  
174 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