

LAW OFFICES OF PAUL SOTER

Commercial Financing Disclosure Rules Summary as of December 1, 2024

California Effective 12/9/22	New York Effective 8/1/24	Utah Effective 1/1/23	Virginia Effective 1/1/22
<p>Detailed TiLA-like disclosures for commercial financing of <\$500k for non-real estate-secured:</p> <ul style="list-style-type: none"> • Commercial loans • Commercial lines of credit • Factoring • Merchant cash advance • Asset-based financing <p>Applies if recipient's business is "principally directed or managed from California."</p> <p>Disclosures include: amounts provided, payment schedule, APR's, terms, average monthly costs, prepayment rules, etc. Must be made:</p> <ul style="list-style-type: none"> • At the time of extending a financing offer; and • Again later in the financing negotiating process if the terms of the offer change. <p>Applies to non-bank providers/brokers of loans to banks.</p>	<p>Will apply if the financing provider or recipient is principally directed from NY, or if the provider negotiated the financing offer from NY. If the loan is subject to >1 conflicting disclosure (e.g., a NY provider offers financing to a CA recipient), the NY law will defer to the home state of the recipient. Brokers who act on behalf of principals that are exempt entities will share in the principal's exempt status. Financing recipients must be provided notice when the servicing rights of the commercial financing are transferred.</p> <p>Contents of disclosures are similar (but not identical to) CA's.</p>	<p>Covers "Providers" who make >5 transactions/ Calendar year. Must register with the DFI, give disclosures for commercial financing transactions. Includes A/R purchasers, persons who broker on-line to banks. N/A to real estate-secured transactions, loans >\$1mm, various dealer financing plans.</p> <p>Disclosures include amounts provided; dollar cost; payment schedule; amounts, and calculation methods; prepayment rules, broker fees, etc. Disclosures must be provided before loan consummation.</p> <p>Open-end: (1) prior to the consummation, and (2) again within 15 days after the end of each month in which funds are disbursed under the plan.</p>	<p>Merchant cash advance purchasers and brokers must:</p> <ul style="list-style-type: none"> • Qualify to do business in VA • Register with the VA State Corporation Commissioner; • Provide disclosures at the time of extending a MCA purchase offer <p>Disclosures include amounts provided; the disbursement amount, if different; the finance charge; the total repayment amount, as described; the estimated number of payments; the payment amounts, based on the projected sales volume, or a description of the method used to calculate the amounts and frequency of payments and payment method; a description of all other potential fees and charges not included in the finance charge; prepayment information; collateral requirements or security interests; whether the provider will pay compensation directly to a broker and the amount of compensation</p>

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Commercial Financing Disclosure Rules Summary as of December 1, 2024 (cont'd)

Florida Effective 1/1/24	Georgia Effective 1/1/24	Kansas Effective 7/1/24	Connecticut Regulations Pending
<p>Consumer-oriented disclosures to businesses for certain commercial non-real estate-secured financing transactions not exceeding \$500,000.</p> <p>Applies to providers of commercial financing who consummate more than 5 commercial financings in Florida during any calendar year. Includes commercial loans, open-end lines of credit, and accounts receivable purchase transactions.</p> <p>Excludes, <i>inter alia</i>, banks, licensed money transmitters, leases; and certain purchase money transactions.</p>	<p>TILA-like disclosures to small-business borrowers of amounts of commercial non-real estate-secured \$500,000 or less, before the consummation of the transaction.</p> <p>Applies to providers of commercial financing who consummate more than 5 commercial financings Georgia during any calendar year, including participants in commercial purpose marketplace lending arrangements. Includes closed-end and open-end commercial loans, and accounts receivable purchase transactions but do not include real estate-secured transactions.</p> <p>Exempts banks, licensed money transmitters; captive finance companies; lenders regulated by the federal Farm Credit Act, and purchase money obligations.</p>	<p>TILA-like disclosures prior to consummation of non-real estate-secured transactions of \$500,000 or less.</p> <p>Applies to entities that consummate more than 5 commercial financings transactions with businesses located in Kansas in a calendar year. Covered transactions are purpose loans, open-end credit plans, or accounts receivable purchase transactions.</p> <p>Exempts depository institutions, their parents, and their owned and controlled subsidiary or service corporations if regulated by a federal banking agency.</p>	<p>Consumer-like disclosures to applicants for non-real estate-secured commercial purpose “sales-based financing” in amounts of \$250,000 or less. “Sales-based financing” is a transaction that is repaid by the recipient to the provider over time” (1) as a percentage of sales or revenue, in which the payment amount may increase or decrease according to the recipient’s sales or revenue, or (2) according to a fixed payment mechanism that provides for a reconciliation process that adjusts the payment to an amount that is a percentage of sales or revenue. Thus, this law is not applicable to loans.</p> <p>Lenders offering covered credit must register annually with the Connecticut Department of Banking, starting October 1, 2024.</p> <p>Applies to entities that broker and/or consummate more than 5 commercial financings transactions with businesses located in Connecticut in a 12-month period.</p> <p>Exempts banks, bank holding companies, credit unions, and their subsidiaries and affiliates, leases, purchase money obligations; technology service providers acting for an exempt entity as long as they do not have an interest in the entity’s program; transactions of \$50,000 or more to motor vehicle dealers or rental companies; and transactions offered in connection with the sale of a product that the person manufactures, licenses, or distributes.</p>