

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 2706
101ST GENERAL ASSEMBLY

5401H.05C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To amend chapter 427, RSMo, by adding thereto one new section relating to the disclosure of information pertaining to certain commercial financing products, with penalty provisions.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 427, RSMo, is amended by adding thereto one new section, to be
2 known as section 427.300, to read as follows:

**427.300. 1. This section shall be known, and may be cited, as the "Commercial
2 Financing Disclosure Law".**

3 2. For purposes of this section, the following terms mean:

**4 (1) "Accounts receivable purchase transaction", any transaction in which the
5 business forwards or otherwise sells to the provider all or a portion of the business's
6 accounts or payment intangibles at a discount to their expected value;**

**7 (2) "Broker", any person or entity that, for compensation or the expectation of
8 compensation, obtains a commercial financing product or an offer for a commercial
9 financing product from a third party for a business located in this state;**

**10 (3) "Business", an individual or group of individuals, sole proprietorship,
11 corporation, limited liability company, trust, estate, cooperative, association, or limited
12 or general partnership engaged in a business activity;**

**13 (4) "Business purpose transaction", any transaction where the proceeds are
14 provided to a business or are intended to be used to carry on a business and not for
15 personal, family, or household purposes. For purposes of determining whether a
16 transaction is a business purpose transaction, the provider may rely on any written
17 statement of intended purpose signed by the business. The statement may be a separate**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 statement or may be contained in an application, agreement, or other document signed
19 by the business or the business owner or owners;

20 (5) "Commercial financing product", any commercial loan, accounts receivable
21 purchase transaction, commercial open-end credit plan or each to the extent the
22 transaction is a business purpose transaction;

23 (6) "Commercial loan", a loan to a business, whether secured or unsecured;

24 (7) "Commercial open-end credit plan", commercial financing extended by any
25 provider under a plan in which:

26 (a) The provider reasonably contemplates repeat transactions; and

27 (b) The amount of financing that may be extended to the business during the
28 term of the plan, up to any limit set by the provider, is generally made available to the
29 extent that any outstanding balance is repaid;

30 (8) "Depository institution", any of the following:

31 (a) A bank, trust company, or industrial loan company doing business under the
32 authority of, or in accordance with, a license, certificate, or charter issued by the United
33 States, this state, or any other state, district, territory, or commonwealth of the United
34 States that is authorized to transact business in this state;

35 (b) A federally chartered savings and loan association, federal savings bank, or
36 federal credit union that is authorized to transact business in this state; or

37 (c) A savings and loan association, savings bank, or credit union organized
38 under the laws of this or any other state that is authorized to transact business in this
39 state;

40 (9) "Provider", a person or entity that consummates more than five commercial
41 financing products to a business located in this state in any calendar year. "Provider"
42 also includes a person or entity that enters into a written agreement with a depository
43 institution to arrange for the extension of a commercial financing product by the
44 depository institution to a business via an online lending platform administered by the
45 person or entity. The fact that a provider extends a specific offer for a commercial
46 financing product on behalf of a depository institution shall not be construed to mean
47 that the provider engaged in lending or financing or originated that loan or financing.

48 3. (1) A provider that consummates a commercial financing product shall
49 disclose the terms of the commercial financing product as required by this section. The
50 disclosures shall be provided at or before consummation of the transaction and, in the
51 case of a commercial open-end credit plan, the disclosures shall also be provided for any
52 disbursement of funds after consummation within fifteen days following the last day of
53 the month in which the disbursement of funds occurred under the commercial open-end
54 credit plan.

55 **(2) A provider shall disclose the following in connection with each commercial**
56 **financing product:**

57 **(a) The total amount of funds provided to the business under the terms of the**
58 **commercial financing product. This disclosure shall be labeled "Total Amount of Funds**
59 **Provided";**

60 **(b) The total amount of funds disbursed to the business under the terms of the**
61 **commercial financing product, if less than the total amount of funds provided, as a**
62 **result of any fees deducted or withheld at disbursement and any amount paid to a third**
63 **party on behalf of the business. This disclosure shall be labeled "Total Amount of Funds**
64 **Disbursed";**

65 **(c) The total amount to be paid to the provider pursuant to the commercial**
66 **financing product agreement. This disclosure shall be labeled "Total of Payments";**

67 **(d) The total dollar cost of the commercial financing product under the terms of**
68 **the agreement, derived by subtracting the total amount of funds provided from the total**
69 **of payments. This calculation shall include any fees or charges deducted by the provider**
70 **from the total amount of funds provided disclosure. This disclosure shall be labeled**
71 **"Total Dollar Cost of Financing";**

72 **(e) The manner, frequency, and amount of each payment. This disclosure shall**
73 **be labeled "Payments". If the payments may vary, the provider shall instead disclose**
74 **the manner, frequency, and the estimated amount of the initial payment labeled**
75 **"Estimated Payments" and the commercial financing product agreement shall include a**
76 **description of the methodology for calculating any variable payment and the**
77 **circumstances when payments may vary;**

78 **(f) A statement of whether there are any costs or discounts associated with**
79 **prepayment of the commercial financing product including a reference to the paragraph**
80 **in the agreement that creates the contractual rights of the parties related to prepayment.**
81 **This disclosure shall be labeled "Prepayment"; and**

82 **(g) A statement of whether any amount of the total amount of funds provided**
83 **described under paragraph (a) of this subdivision are paid to a broker in connection**
84 **with the commercial financing product and the amount of compensation.**

85 **4. This section shall not apply to the following:**

86 **(1) A provider that is a depository institution, or a subsidiary or service**
87 **corporation of a depository institution, that is:**

88 **(a) Owned and controlled by a depository institution; and**

89 **(b) Regulated by a federal banking agency;**

90 **(2) A provider that is a lender regulated under the Farm Credit Act, 12 U.S.C.**
91 **Section 2001 et seq.;**

92 **(3) A commercial financing product:**

93 **(a) That is secured by real property;**

94 **(b) That is a lease, as defined under section 400.2A-103; or**

95 **(c) That is a purchase-money obligation, as defined under section 400.9-103;**

96 **(d) In which the recipient is a motor vehicle dealer or an affiliate of such a dealer**
97 **or a vehicle rental company or an affiliate of such a company, pursuant to a commercial**
98 **loan or commercial open-end credit plan of at least fifty thousand dollars;**

99 **(e) Offered by a person in connection with the sale of products or services that**
100 **such person manufactures, licenses, or distributes or whose parent company or any**
101 **owned and controlled subsidiary thereof manufactures, licenses, or distributes; or**

102 **(f) That is a factoring transaction, purchase, sale, advance, or similar**
103 **transaction of accounts receivables owed to a health care provider because the health**
104 **care provider treated a patient's personal injury;**

105 **(4) A provider that is licensed as a money transmitter in accordance with a**
106 **license, certificate, or charter issued by this state or any other state, district, territory, or**
107 **commonwealth of the United States; or**

108 **(5) A provider that consummates not more than five commercial financing**
109 **products in this state in a twelve-month period.**

110 **5. (1) Any person or entity that violates any provision of this section shall be**
111 **punished by a fine of five hundred dollars per incident, not to exceed twenty thousand**
112 **dollars for all aggregated violations arising from the use of the transaction**
113 **documentation or materials found to be in violation of this section. Any person or**
114 **entity that violates any provision of this section after receiving written notice of a prior**
115 **violation from the attorney general shall be punished by a fine of one thousand dollars**
116 **per incident, not to exceed fifty thousand dollars for all aggregated violations arising**
117 **from the use of the transaction documentation or materials found to be in violation of**
118 **this section.**

119 **(2) Violation of any provision of this section shall not affect the enforceability or**
120 **validity of the underlying agreement.**

121 **(3) This section shall not create a private right of action against any person or**
122 **other entity based upon compliance or noncompliance with its provisions.**

123 **(4) Authority to enforce compliance with this section is vested exclusively in the**
124 **attorney general of this state.**

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