

AN ACT

relating to disclosures for certain commercial sales-based financing transactions, the effect of certain commercial sales-based financing contract provisions, and the registration of commercial sales-based financing brokers and providers; authorizing a fee and providing a civil penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Title 5, Finance Code, is amended by adding Chapter 398 to read as follows:

CHAPTER 398. COMMERCIAL SALES-BASED FINANCING

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 398.001. DEFINITIONS. In this chapter:

(1) "Commercial sales-based financing" or "commercial sales-based financing transaction" means an extension of sales-based financing to a recipient by a provider, the proceeds of which the recipient does not intend to use primarily for personal, family, or household purposes.

(2) "Commercial sales-based financing broker" means a person who, for compensation or the expectation of compensation, obtains commercial sales-based financing for a recipient or offers to obtain commercial sales-based financing for a recipient from a provider.

(3) "Disbursement amount" means the amounts paid to the recipient or on the recipient's behalf. The term does not

1 include any finance charges that are deducted or withheld at  
2 disbursement.

3 (4) "Finance charge" means the cost of commercial  
4 sales-based financing expressed as a dollar amount. The term  
5 includes a charge payable, directly or indirectly, by the recipient  
6 that is imposed, directly or indirectly, by the provider of the  
7 financing as an incident to, or a condition of, the extension of  
8 financing.

9 (5) "Person" means an individual, corporation,  
10 partnership, limited liability company, joint venture,  
11 association, joint stock company, trust, sole proprietorship or  
12 other unincorporated organization, or other similar entity.

13 (6) "Provider" means a person who provides or will  
14 provide commercial sales-based financing to a recipient or who  
15 extends a specific offer of commercial sales-based financing to a  
16 person applying for that financing or the person's authorized  
17 representative.

18 (7) "Recipient" means a person, or the authorized  
19 representative of a person, who applies for commercial sales-based  
20 financing and is made a specific offer of commercial sales-based  
21 financing by a provider. The term does not include a person acting  
22 as a commercial sales-based financing broker.

23 (8) "Sales-based financing" means a transaction that  
24 is repaid by the recipient to the provider of the financing:

25 (A) as a percentage of sales or revenue, in which  
26 the payment amount may increase or decrease according to the volume  
27 of sales made or revenue received by the recipient; or

1           (B) according to a fixed payment mechanism that  
2 provides for a reconciliation process that adjusts the payment to  
3 an amount that is a percentage of sales or revenue.

4           (9) "Specific offer" means the specific terms of  
5 commercial sales-based financing. The term includes a price or  
6 amount quoted to a recipient by a person providing the financing  
7 based on information obtained from or about the recipient that, if  
8 accepted by the recipient, would be binding on the provider,  
9 subject to specific requirements in the financing terms.

10           (10) "Total repayment amount" means the sum of the  
11 disbursement amount and finance charge.

12           Sec. 398.002. APPLICABILITY OF CHAPTER. This chapter  
13 applies to a provider or a commercial sales-based financing broker  
14 who offers, obtains, or provides commercial sales-based financing  
15 services over the Internet to or for a recipient of this state,  
16 regardless of whether the provider or broker maintains a physical  
17 presence in this state.

18           Sec. 398.003. EXEMPTIONS. This chapter does not apply to a  
19 provider or broker that is:

20           (1) a bank, out-of-state bank, bank holding company,  
21 credit union, federal credit union, out-of-state credit union, or  
22 any subsidiary or affiliate of those financial institutions;

23           (2) a person acting in the capacity of a technology  
24 services provider to an entity exempt under this section as part of  
25 the exempt entity's commercial sales-based financing program if the  
26 person has no interest, arrangement, or agreement to purchase any  
27 interest in the commercial sales-based financing extended in

connection with the program;

(3) a lender regulated under the Farm Credit Act of 1971 (12 U.S.C. Section 2001 et seq.); or

(4) a person who extends or brokers:

(A) a commercial sales-based financing transaction secured by real property;

(B) a lease, as defined by Section 2A.103, Business & Commerce Code;

(C) a commercial sales-based financing transaction entered into under a commercial sales-based financing agreement or commercial open-end credit plan of \$50,000 or more in which the recipient is:

(i) a dealer, as defined by Section 503.001, Transportation Code; or

(ii) a motor vehicle rental company or an affiliate of a motor vehicle rental company; or

(D) a commercial sales-based financing transaction in connection with the sale of products or services that:

(i) the person manufactures, licenses, or distributes; or

(ii) a parent company, subsidiary, or affiliate of the person described by Subparagraph (i) manufactures, licenses, or distributes.

Sec. 398.004. APPLICATION OF OTHER LAW. A sales-based financing transaction is not a form of an account purchase transaction for purposes of Section 306.103, regardless of the

principal amount of the advance.

Sec. 398.005. ADMINISTRATION OF CHAPTER; RULEMAKING. (a)  
The Office of Consumer Credit Commissioner shall administer,  
implement, and enforce this chapter.

(b) Except as provided by Subsection (d), the Office of  
Consumer Credit Commissioner may:

(1) bring enforcement actions for:

(A) violations of rules adopted under Subsection  
(c);

(B) failures to make disclosures required by  
Section 398.051; or

(C) failures to register as required by Section  
398.053;

(2) terminate or suspend registrations; and

(3) assess civil penalties.

(c) The Finance Commission of Texas shall adopt rules  
applicable to providers and commercial sales-based financing  
brokers that identify unlawful, unfair, deceptive, or abusive acts  
or practices related to a transaction subject to this chapter.  
Rules adopted under this subsection must identify and prohibit  
specific acts or practices by providers or brokers that:

(1) the commission considers unfair because:

(A) the act or practice causes or is likely to  
cause substantial injury to a recipient that the recipient cannot  
reasonably avoid; and

(B) the injury outweighs the benefits to  
recipients or to market competition;

1           (2) are material acts or practices that will or likely  
2 will mislead a recipient who, given the circumstances, has a  
3 reasonable interpretation of the act or practice;

4           (3) materially interfere with a recipient's ability to  
5 understand a term or condition of a commercial sales-based  
6 financing transaction; or

7           (4) take unreasonable advantage of:

8                 (A) a recipient's lack of understanding of the  
9 material risks, costs, or conditions of the commercial sales-based  
10 financing transaction; or

11                (B) a recipient's inability to protect the  
12 recipient's interest in selecting or using a commercial sales-based  
13 financing product.

14           (d) The Finance Commission of Texas may not adopt a maximum  
15 annual percentage rate, finance charge, or fee for commercial  
16 sales-based financing transactions.

17           SUBCHAPTER B. REGULATION AND DISCLOSURE REQUIREMENTS

18           Sec. 398.051. DISCLOSURES. (a) If a provider extends a  
19 specific offer of commercial sales-based financing of less than \$1  
20 million to a recipient in this state, the provider shall disclose to  
21 the recipient:

22                 (1) the total amount of the financing;

23                 (2) the disbursement amount;

24                 (3) the finance charge;

25                 (4) the total repayment amount;

26                 (5) the estimated period for the periodic payments to  
27 equal the total repayment amount under the terms of the financing;

1           (6) the payment amounts as follows:

2                   (A) if the payment amounts are fixed, the amounts  
3 and the frequency of payments; or

4                   (B) if the payment amounts are variable:

5                           (i) a payment schedule or a description of  
6 the method used to calculate the amounts and frequency of payments;  
7 and

8                           (ii) the amount of the average projected  
9 payments per month;

10           (7) a description of all other potential fees and  
11 charges not included in the finance charge, including draw fees,  
12 late payment fees, and returned payment fees;

13           (8) any finance charge the recipient will be required  
14 to pay if the recipient pays off or refinances the commercial  
15 sales-based financing before the transaction is scheduled to be  
16 repaid in full;

17           (9) any additional fees, not included in the finance  
18 charge, the recipient will be required to pay if the recipient pays  
19 off or refinances the commercial sales-based financing before the  
20 transaction is scheduled to be repaid in full;

21           (10) a description of collateral requirements or  
22 security interests, if applicable; and

23           (11) a statement outlining whether the provider will  
24 pay compensation directly to a commercial sales-based financing  
25 broker in connection with the specific offer of sales-based  
26 financing and, if applicable, the amount of the compensation.

27           (b) If, as a condition of obtaining commercial sales-based

1 financing, the provider requires the recipient to pay off the  
2 outstanding balance of an existing commercial sales-based  
3 financing, the provider shall disclose to the recipient:

4 (1) the amount of the new commercial sales-based  
5 financing used to pay off the portion of the outstanding balance of  
6 the existing commercial sales-based financing that consists of:

7 (A) prepayment charges required to be paid; and

8 (B) any unpaid interest expense or finance  
9 charges that were not forgiven at the time of renewal of the  
10 transaction; and

11 (2) if the disbursement amount will be reduced to pay  
12 down any unpaid portion of the outstanding balance, the actual  
13 dollar amount by which the disbursement amount will be reduced.

14 Sec. 398.052. SIGNATURE. The provider shall obtain the  
15 recipient's signature on the disclosures required by Section  
16 398.051 before finalizing the application for the commercial  
17 sales-based financing transaction.

18 Sec. 398.053. PROVIDER AND BROKER REGISTRATION. (a) A  
19 person may not engage in business as a provider or a commercial  
20 sales-based financing broker for compensation in this state unless,  
21 before conducting business, the person registers with the Office of  
22 Consumer Credit Commissioner. The registration is effective on  
23 receipt by the commissioner of a completed registration form as  
24 provided by Subsection (d) and the required registration fee and  
25 remains effective until renewal or termination by the Office of  
26 Consumer Credit Commissioner.

27 (b) On or before January 31 of each year after filing an



1 initial registration, a provider or broker shall file a renewal  
2 registration form with the required renewal registration fee.

3 (c) The provider or broker shall pay a registration fee on  
4 filing an initial registration and a renewal registration fee on  
5 filing a renewal registration.

6 (d) The registration or renewal registration form must  
7 include:

8 (1) the name of the provider or broker;

9 (2) the name under which the provider or broker  
10 transacts business, if different from the name of the provider or  
11 broker;

12 (3) the address of the provider's or broker's  
13 principal office, which may be outside this state;

14 (4) the name and address in this state of a designated  
15 agent for service of process; and

16 (5) any judgment, memorandum of understanding, cease  
17 and desist order, or conviction against the provider or broker, or  
18 any person that otherwise controls the provider or broker or a  
19 director or officer of the provider or broker, related to a  
20 violation of law, act of fraud, breach of trust, or money  
21 laundering.

22 (e) The Office of Consumer Credit Commissioner shall:

23 (1) by rule set the registration fee and registration  
24 renewal fee in amounts sufficient to cover the registration costs;  
25 and

26 (2) adopt a form to be used for a registration or  
27 renewal registration under this section.

1       Sec. 398.054. UPDATE OF REGISTRATION STATEMENT. A provider  
2 or commercial sales-based financing broker shall update  
3 information contained in the registration statement not later than  
4 the 90th day after the date on which the information changes.

5       Sec. 398.055. UNENFORCEABILITY OF CERTAIN CONTRACT  
6 PROVISIONS. A commercial sales-based financing contract that  
7 contains a confession of judgment provision or any similar  
8 provision is void and unenforceable.

9       Sec. 398.056. CERTAIN AUTOMATIC DEBITS PROHIBITED. A  
10 provider or commercial sales-based financing broker may not  
11 establish a mechanism for automatically debiting a recipient's  
12 deposit account unless the provider or broker holds a validly  
13 perfected security interest in the recipient's account under  
14 Chapter 9, Business & Commerce Code, with a first priority against  
15 the claims of all other persons.

16                       SUBCHAPTER C. ENFORCEMENT

17       Sec. 398.101. CIVIL PENALTY. A person who violates this  
18 chapter is subject to a civil penalty of \$10,000 for each violation.

19       Sec. 398.102. PRIVATE RIGHT OF ACTION NOT AUTHORIZED. This  
20 chapter does not create a private right of action against any person  
21 based on compliance or noncompliance with this chapter.

22       SECTION 2. (a) Not later than December 31, 2026, a person  
23 engaging in business as a commercial sales-based financing broker  
24 or provider on the effective date of this Act must register under  
25 Section 398.053, Finance Code, as added by this Act.

26       (b) Not later than September 1, 2026:

27               (1) the Finance Commission of Texas shall adopt

1 initial rules under Section 398.005(c), Finance Code, as added by  
2 this Act; and

3 (2) the Office of Consumer Credit Commissioner shall  
4 adopt rules setting the registration and registration renewal fees  
5 and adopting a form for the registration of providers and  
6 commercial sales-based financing brokers as required under Section  
7 398.053, Finance Code, as added by this Act.

8 SECTION 3. This Act takes effect September 1, 2025.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 700 was passed by the House on May 12, 2025, by the following vote: Yeas 116, Nays 28, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 700 on May 28, 2025, by the following vote: Yeas 98, Nays 23, 3 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 700 was passed by the Senate, with amendments, on May 26, 2025, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor