

**SENATE AMENDMENTS**  
**2<sup>nd</sup> Printing**

By: McQueeney

H.B. No. 700

A BILL TO BE ENTITLED

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; 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. The term includes a commercial sales-based  
18 financing broker.

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

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

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

1 of sales made or revenue received by the recipient; or

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

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

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

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

20 Sec. 398.003. EXEMPTIONS. This chapter does not apply to a  
21 provider that is:

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

25 (2) a person acting in the capacity of a technology  
26 services provider to an entity exempt under this section as part of  
27 the exempt entity's commercial sales-based financing program if the

person has no interest, arrangement, or agreement to purchase any 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

1 financing transaction is not a form of an account purchase  
2 transaction for purposes of Section 306.103, regardless of the  
3 principal amount of the advance.

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

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

9 (1) bring enforcement actions;

10 (2) terminate or suspend registrations; and

11 (3) assess civil penalties.

12 (c) The Finance Commission of Texas shall adopt rules as  
13 necessary to administer, implement, and enforce this chapter,  
14 including rules to prohibit certain acts or practices by providers,  
15 including acts or practices that:

16 (1) the commission considers unfair because:

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

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

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

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

1           (4) take unreasonable advantage of:

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

5                   (B) a recipient's inability to protect the  
6 recipient's interest in selecting or using a commercial sales-based  
7 financing product.

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

11           SUBCHAPTER B. REGULATION AND DISCLOSURE REQUIREMENTS

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

16                   (1) the total amount of the financing;

17                   (2) the disbursement amount;

18                   (3) the finance charge;

19                   (4) the total repayment amount;

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

22                   (6) the payment amounts as follows:

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

25                           (B) if the payment amounts are variable:

26                                   (i) a payment schedule or a description of  
27 the method used to calculate the amounts and frequency of payments;

1 and

2 (ii) the amount of the average projected  
3 payments per month;

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

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

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

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

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

21 (b) If, as a condition of obtaining commercial sales-based  
22 financing, the provider requires the recipient to pay off the  
23 outstanding balance of an existing commercial sales-based  
24 financing, the provider shall disclose to the recipient:

25 (1) the amount of the new commercial sales-based  
26 financing used to pay off the portion of the outstanding balance of  
27 the existing commercial sales-based financing that consists of:

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

2           (B) any unpaid interest expense or finance  
3 charges that were not forgiven at the time of renewal of the  
4 transaction; and

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

8           Sec. 398.052. SIGNATURE. The provider shall obtain the  
9 recipient's signature on the disclosures required by Section  
10 398.051 before finalizing the application for the commercial  
11 sales-based financing transaction.

12           Sec. 398.053. BROKER REGISTRATION. (a) A person may not  
13 engage in business as a commercial sales-based financing broker for  
14 compensation in this state unless, before conducting business, the  
15 person registers with the Office of Consumer Credit Commissioner.  
16 The registration is effective on receipt by the commissioner of a  
17 completed registration form as provided by Subsection (d) and the  
18 required registration fee and remains effective until renewal or  
19 termination by the Office of Consumer Credit Commissioner.

20           (b) On or before January 31 of each year after filing an  
21 initial registration, a broker shall file a renewal registration  
22 form with the required renewal registration fee.

23           (c) The broker shall pay a registration fee on filing an  
24 initial registration and a renewal registration fee on filing a  
25 renewal registration.

26           (d) The registration or renewal registration form must  
27 include:



1           (1) the name of the broker;

2           (2) the name under which the broker transacts  
3 business, if different from the name of the broker;

4           (3) the address of the broker's principal office,  
5 which may be outside this state;

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

8           (5) any judgment, memorandum of understanding, cease  
9 and desist order, or conviction against the provider or broker, or  
10 any person that otherwise controls the provider or broker or a  
11 director or officer of the provider or broker, related to a  
12 violation of law, act of fraud, breach of trust, or money  
13 laundering.

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

15           (1) by rule set the registration fee and registration  
16 renewal fee in amounts sufficient to cover the registration costs;  
17 and

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

20         Sec. 398.054. UPDATE OF REGISTRATION STATEMENT. A  
21 commercial sales-based financing broker shall update information  
22 contained in the registration statement not later than the 90th day  
23 after the date on which the information changes.

24         Sec. 398.055. UNENFORCEABILITY OF CERTAIN CONTRACT  
25 PROVISIONS. A commercial sales-based financing contract that  
26 contains a confession of judgment provision or any similar  
27 provision is void and unenforceable.

SUBCHAPTER C. ENFORCEMENT

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

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

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

(b) Not later than September 1, 2026:

(1) the Finance Commission of Texas shall adopt initial rules under Section 398.005(c), Finance Code, as added by this Act; and

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

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

ADOPTED

MAY 26 2025

*Lately Saw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY:

*Chris Ferry*

Amend H.B. No. 700 (senate committee report) in SECTION 1 of the bill as follows:

(1) In added Section 398.001(6), Finance Code (page 1, lines 60-61), strike "The term includes a commercial sales-based financing broker.".

(2) In added Section 398.001(7), Finance Code (page 2, line 3), between "commercial" and "financing", insert "sales-based".

(3) In added Section 398.002, Finance Code (page 2, line 23), between "provider" and "who", insert "or a commercial sales-based financing broker".

(4) In added Section 398.002, Finance Code (page 2, lines 26 through 28), strike "maintains a physical presence in this state in the same manner and to the same extent to which this chapter applies to a commercial sales-based financing broker" and substitute "or broker maintains a physical presence in this state".

(5) In added Section 398.003, Finance Code (page 2, line 30), between "provider" and "that", insert "or broker".

(6) In added Section 398.005(b), Finance Code (page 3, line 3), between "actions" and the underlined semicolon, insert the following:

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

(7) In added Section 398.005(c), Finance Code (page 3, lines 6 through 9), strike "as necessary to administer, implement, and

1 enforce this chapter, including rules to prohibit certain acts or  
2 practices by providers, including acts or practices that" and  
3 substitute "applicable to providers and commercial sales-based  
4 financing brokers that identify unlawful, unfair, deceptive, or  
5 abusive acts or practices related to a transaction subject to this  
6 chapter. Rules adopted under this subsection must identify and  
7 prohibit specific acts or practices by providers or brokers that".

8 (8) Strike added Section 398.053, Finance Code (page 4,  
9 lines 18 through 52), and substitute the following:

10 Sec. 398.053. PROVIDER AND BROKER REGISTRATION. (a) A  
11 person may not engage in business as a provider or a commercial  
12 sales-based financing broker for compensation in this state unless,  
13 before conducting business, the person registers with the Office of  
14 Consumer Credit Commissioner. The registration is effective on  
15 receipt by the commissioner of a completed registration form as  
16 provided by Subsection (d) and the required registration fee and  
17 remains effective until renewal or termination by the Office of  
18 Consumer Credit Commissioner.

19 (b) On or before January 31 of each year after filing an  
20 initial registration, a provider or broker shall file a renewal  
21 registration form with the required renewal registration fee.

22 (c) The provider or broker shall pay a registration fee on  
23 filing an initial registration and a renewal registration fee on  
24 filing a renewal registration.

25 (d) The registration or renewal registration form must  
26 include:

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

28 (2) the name under which the provider or broker  
29 transacts business, if different from the name of the provider or  
30 broker;

31 (3) the address of the provider's or broker's

1 principal office, which may be outside this state;

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

4 (5) any judgment, memorandum of understanding, cease  
5 and desist order, or conviction against the provider or broker, or  
6 any person that otherwise controls the provider or broker or a  
7 director or officer of the provider or broker, related to a  
8 violation of law, act of fraud, breach of trust, or money  
9 laundering.

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

11 (1) by rule set the registration fee and registration  
12 renewal fee in amounts sufficient to cover the registration costs;  
13 and

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

16 (9) In added Section 398.054, Finance Code (page 4, lines 53  
17 and 54), between "A" and "commercial", insert "provider or".

18 (10) At the end of added Subchapter B, Chapter 398, Finance  
19 Code (page 4, between lines 60 and 61), add the following:

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

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**May 27, 2025**

**TO:** Honorable Dustin Burrows, Speaker of the House, House of Representatives

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB700** by McQueeney (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; authorizing a fee and providing a civil penalty.), **As Passed 2nd House**

**The fiscal implications of the bill cannot be determined because the amount of potential revenue as a result of the civil penalty authorized by the bill is unknown.**

This bill would amend the Finance Code by adding a new chapter for commercial sales-based financing. This chapter would require certain information to be disclosed to recipients of offers of commercial sales-based financing of more than \$500,000, including: the total amount of the financing, the disbursement amount, the finance charge, the total repayment amount, the estimated period for the periodic payments to equal the total repayment amount under the terms of financing, whether payment amounts are fixed or variable, a description of all other potential fees and charges not included in the finance charge, any additional fees not included in the finance charge for paying off or refinancing before the the amount is repaid in full, and if applicable, a description of collateral requirements or securities interests.

The bill creates a civil penalty for violations and deems violations as deceptive trade practices. The bill also requires a person to register as a broker with the Office of Consumer Credit Commission (OCCC) before conducting business as a commercial sales-based financing broker and directs the Financial Commission of Texas (FCT) to set a fee by rule for broker registration sufficient to cover the cost of registration. OCCC is directed to administer, implement, and enforce the provisions of the new chapter and the FCT is directed to adopt rules necessary for administration and implementation of the new chapter.

Both the OCCC and FCT are self-directed, semi-independent agencies that are responsible for their costs of operations, prohibited from causing the General Revenue Fund to incur any cost, and not subject to the legislative budgeting process.

The Office of the Attorney and the Office of Court Administrative indicate that any workload could be absorbed within their current resources causing no significant impact to the state.

Based on analysis provided by the Comptroller of Public Accounts, due to the unknown number of brokers that will register with FCT, the registration fee amount that the FCT will set for brokers, and the amount of civil penalties that will be executed, the fiscal impact to the state cannot be determined at this time.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

**LBB Staff:** JMc, RStu, KSi, FV, GDZ

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**May 22, 2025**

**TO:** Honorable Charles Schwertner, Chair, Senate Committee on Business & Commerce

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB700** by McQueeney (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; authorizing a fee and providing a civil penalty.), **As Engrossed**

**The fiscal implications of the bill cannot be determined because the amount of potential revenue as a result of the civil penalty authorized by the bill is unknown.**

This bill would amend the Finance Code by adding a new chapter for commercial sales-based financing. This chapter would require certain information to be disclosed to recipients of offers of commercial sales-based financing of more than \$500,000, including: the total amount of the financing, the disbursement amount, the finance charge, the total repayment amount, the estimated period for the periodic payments to equal the total repayment amount under the terms of financing, whether payment amounts are fixed or variable, a description of all other potential fees and charges not included in the finance charge, any additional fees not included in the finance charge for paying off or refinancing before the the amount is repaid in full, and if applicable, a description of collateral requirements or securities interests.

The bill creates a civil penalty for violations and deems violations as deceptive trade practices. The bill also requires a person to register as a broker with the Office of Consumer Credit Commission (OCCC) before conducting business as a commercial sales-based financing broker and directs the Financial Commission of Texas (FCT) to set a fee by rule for broker registration sufficient to cover the cost of registration. OCCC is directed to administer, implement, and enforce the provisions of the new chapter and the FCT is directed to adopt rules necessary for administration and implementation of the new chapter.

Both the OCCC and FCT are self-directed, semi-independent agencies that are responsible for their costs of operations, prohibited from causing the General Revenue Fund to incur any cost, and not subject to the legislative budgeting process.

The Office of the Attorney and the Office of Court Administrative indicate that any workload could be absorbed within their current resources causing no significant impact to the state.

Based on analysis provided by the Comptroller of Public Accounts, due to the unknown number of brokers that will register with FCT, the registration fee amount that the FCT will set for brokers, and the amount of civil penalties that will be executed, the fiscal impact to the state cannot be determined at this time.



### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

**LBB Staff:** JMc, RStu, KSi, FV, GDZ

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION**

**April 11, 2025**

**TO:** Honorable Stan Lambert, Chair, House Committee on Pensions, Investments & Financial Services

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB700** by McQueeney (Relating to disclosures for certain commercial sales-based financing transactions and the registration of commercial sales-based financing brokers; authorizing a fee and providing a civil penalty.), **As Introduced**

**The fiscal implications of the bill cannot be determined because the amount of potential revenue as a result of the civil penalty authorized by the bill is unknown.**

This bill would amend the Finance Code by adding a new chapter for commercial sales-based financing. This chapter would require certain information to be disclosed to recipients of offers of commercial sales-based financing of more than \$500,000, including: the total amount of the financing, the disbursement amount, the finance charge, the total repayment amount, the estimated period for the periodic payments to equal the total repayment amount under the terms of financing, whether payment amounts are fixed or variable, a description of all other potential fees and charges not included in the finance charge, any additional fees not included in the finance charge for paying off or refinancing before the the amount is repaid in full, and if applicable, a description of collateral requirements or securities interests.

The bill creates a civil penalty for violations and deems violations as deceptive trade practices. The bill also requires a person to register as a broker with the Texas Department of Banking (TDB) before conducting business as a commercial sales-based financing broker and directs the Financial Commission of Texas (FCT) to set a fee by rule for broker registration sufficient to cover the cost of registration. TDB is directed to administer, implement, and enforce the provisions of the new chapter and the FCT is directed to adopt rules necessary for administration and implementation of the new chapter.

Both the TDB and FCT are self-directed, semi-independent agencies that are responsible for their costs of operations, prohibited from causing the General Revenue Fund to incur any cost, and not subject to the legislative budgeting process.

The Office of the Attorney and the Office of Court Administrative indicate that any workload could be absorbed within their current resources causing no significant impact to the state.

Based on analysis provided by the Comptroller of Public Accounts, due to the unknown number of brokers that will register with FCT, the registration fee amount that the FCT will set for brokers, and the amount of civil penalties that will be executed, the fiscal impact to the state cannot be determined at this time.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 451 Department of Banking

**LBB Staff:** JMc, FV, GDZ, KSi