



## **Overview of Recently Enacted State Commercial Finance Disclosure Laws in Florida, Georgia and Connecticut**

### **Georgia**

On May 1, 2023, the Governor of the State of Georgia signed into law legislation that imposes disclosure requirements on commercial finance transactions (the “Act”). The Act generally requires companies that provide certain commercial financing products, including accounts receivable purchase transactions, to make certain disclosures in connection with each commercial financing product. The following provides a general overview of the Act.

- The Act applies to certain types of commercial financing products, including accounts receivable purchase transactions. The term “accounts receivable purchase transaction” is defined as a transaction in which a business forwards or otherwise sells to a person all or a portion of the business’s accounts or payment intangibles at a discount to the accounts’ or payment intangibles’ expected value.
- The Act applies to a person who consummates more than five commercial financing transactions in the State of Georgia during any calendar year. The Act does not apply to federally insured depository institutions or their subsidiaries and affiliates. Also, commercial financing transactions of more than \$500,000 are exempt from the Act.
- Before consummating a commercial financing transaction, a provider must disclose the terms of the commercial financing transaction, including the total amount of funds provided to the business, the total amount of funds disbursed to the business (net of fees/costs), the total amount to be paid to the provider, the total dollar cost of the commercial financing transaction, the manner/frequency/amount of each payment, and any prepayment penalties, among other items. Unlike in California and New York, providers do not have to disclose an APR.
- The disclosure requirements apply to commercial financing transactions consummated on or after January 1, 2024.
- The requirements of the Act are enforced by the Attorney General and there is no private right of action for noncompliance.

### **Florida**

On June 23, 2023, the Governor of the State of Florida signed into law the Florida Commercial Financing Disclosure Law (“Act”). The Florida Act is substantially the same as the Georgia Act with one exception. As a result of AFA’s efforts, the Florida Act was amended to include a provision that allows a factor to utilize an example transaction for purposes of complying with the various disclosure obligations. AFA’s concern was that factors do not know the total amount disbursed or the total cost of a factoring facility at inception. The Florida Act provides that a factor that consummates a factoring facility may provide disclosures based on an example transaction that could occur under the facility and be based on an account receivable with a total face amount owed of \$10,000. Only one disclosure is required and a new disclosure is not required each time accounts receivable are purchased under the facility.

Like the Georgia Act, the Florida Act applies to commercial financing transactions consummated on or after January 1, 2024.

### **Connecticut**

On June 28, 2023, the Connecticut Governor signed into law a Commercial Finance Disclosure Law. Importantly, this legislation only applies to sales-based financing transactions offered by MCAs. The original bill included other forms of commercial finance but was amended to only apply to sales-based financing transactions.

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The AFA has spent significant time this year monitoring proposed commercial finance disclosure legislation in various states. The AFA and its members have utilized grassroots efforts to educate legislators on the issues these laws create for our industry and has sought to exempt factors from their reach. While we have had significant success this year in several states, we fully expect these bills to continue to be introduced in next year’s state legislative sessions. We call on all members to pitch in and provide assistance in your respective states as we move forward.