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PUBLISHED: JULY 26, 2024

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CHRISTOPHER K. FRIEDMAN
NASHVILLE:
615.949.2252
CHRIS.FRIEDMAN@
HUSCHBLACKWELL.COM

ALEXANDRA MCFALL
NASHVILLE:
615.949.2240
ALEX.MCFALL@
HUSCHBLACKWELL.COM

SHELBY LOMAX
NASHVILLE:
615.949.2240
SHELBY.LOMAX@
HUSCHBLACKWELL.COM

Missouri Enacts New Commercial Finance Disclosure Law

Missouri is now part of the growing list of states who have introduced commercial finance disclosure requirements. Additionally, the statute – Section 427.300 of Missouri Senate Bill 1359 – contains substantial requirements, including a registration requirement, for commercial finance brokers.

What is the Commercial Financing Disclosure Law?

Missouri's Commercial Financing Disclosure Law requires providers of commercial financing to disclose specific terms and conditions to businesses at or before the time of consummation. This initiative is designed to ensure that businesses fully understand the cost and obligations associated with their financing agreements. The disclosure obligations go into effect either six months after the Missouri Division of Finance promulgates rules implementing the new law, or on February 28, 2025 if the Division of Finance elects not to promulgate those rules.

Applicability

The new commercial disclosure law applies to entities who originate more than five commercial financing transactions in Missouri in any calendar year, or who arrange those transactions through online platforms. Also included are non-banks who partner with banks to arrange financing for customers (i.e. bank partners). Exempt institutions include depository institutions and their affiliates, lenders regulated under the Farm Credit Act, motor vehicle dealers and dealer rental companies, and licensed money transmitters. Additionally, providers who originate five or fewer transactions in Missouri are also exempt.

Like other state regimes, the term “commercial financing transaction” is broad and includes commercial loans, accounts receivable purchase transactions,

and commercial open-end credit plans. However, real estate secured loans, leases, purchase money obligations, and certain healthcare factoring transactions are exempt. Additionally, transactions exceeding \$500,000 are exempt.

Mandatory disclosures

Lenders and finance companies must disclose the following information to businesses:

1. **Total amount of funds provided:** The total sum being financed.
2. **Total amount of funds disbursed:** The amount disbursed to the business after deducting any fees or withholdings.
3. **Total of payments:** The total amount the business will repay.
4. **Total dollar cost of financing:** The total cost of the financing in dollars.
5. **Payments:** The payment terms, frequency, and amounts.
6. **Prepayment:** Any costs or discounts associated with prepaying the financing.

Broker regulations

Brokers arranging commercial financing transactions are also regulated under this law. They must register with the Division of Finance and maintain a \$10,000 surety bond. The registration process includes providing detailed business information and any felony convictions of principals. Brokers must also have a designated agent for service of process in Missouri.

Bottom line

Missouri's Commercial Financing Disclosure Law represents yet another expansion in the regulation of commercial finance products at the state level. While Missouri's law is broadly similar to other state regimes, we won't know the true compliance scope until the Missouri Division of Finance announces whether it will elect to promulgate rules. The Division must declare its intent to promulgate rules by February 28, 2025. We are continuing to carefully monitor the continued spread of consumer style laws and regulations in the commercial financing space.

Contact us

If you have any questions regarding the new law or other state commercial finance requirements, please contact Chris Friedman, Alex McFall, Shelby Lomax, or your Husch Blackwell attorney.

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