

1 AN ACT relating to commercial financing.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. SUBTITLE 13 OF KRS CHAPTER 286 IS ESTABLISHED,  
4 AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

5 *As used in this subtitle:*

6 *(1) "Account" has the same meaning as in KRS 355.9-102;*

7 *(2) "Accounts receivable purchase transaction" means a transaction in which a*  
8 *business sells all or a portion of any of the business's cash receipts, accounts, or*  
9 *payment intangibles at a discount;*

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

14 *(4) "Business purpose":*

15 *(a) Means the proceeds of a loan, transaction, plan, or facility are:*

16 *1. Provided to a business; or*

17 *2. Intended to be used to carry on a business; and*

18 *(b) Does not include a loan, transaction, plan, or facility in which the proceeds*  
19 *are intended to be used for personal, family, or household purposes;*

20 *(5) "Commercial financing facility" means an agreement to engage in multiple*  
21 *accounts receivable purchase transactions with a business over a period of time;*

22 *(6) "Commercial financing provider" means a person that enters into either of the*  
23 *following:*

24 *(a) More than five (5) commercial financing transactions with businesses*  
25 *located in Kentucky in any calendar year; or*

26 *(b) A written agreement with a depository institution to arrange a commercial*  
27 *financing transaction between the depository institution and a business via*

1 an online lending platform administered by the person;

2 (7) (a) "Commercial financing transaction":

3 1. Except as provided in subparagraph 2. of this paragraph, means a  
4 commercial loan, an accounts receivable purchase transaction, a  
5 commercial open-end financing plan, or commercial financing facility  
6 that is:

7 a. For a business purpose;

8 b. Equal to or less than five hundred thousand dollars (\$500,000);

9 and

10 c. Not:

11 i. Secured by real property;

12 ii. A lease; or

13 iii. A purchase money obligation that is incurred as all or part  
14 of the price of the collateral or for value given to enable the  
15 business to acquire rights in or use of the collateral if the  
16 value is in fact so used; and

17 2. Does not include a commercial loan or a commercial open-end  
18 financing plan of at least fifty thousand dollars (\$50,000) made to:

19 a. A motor vehicle dealer, as defined in KRS 190.010, or an  
20 affiliate of the dealer; or

21 b. A vehicle rental company or an affiliate of the company.

22 (b) As used in this subsection:

23 1. "Commercial loan" means a loan to a business, whether secured or  
24 unsecured; and

25 2. "Commercial open-end financing plan" means financing extended to  
26 a business under a plan in which:

27 a. Repeat transactions are reasonably contemplated; and

1                   **b. The amount of financing that may be extended to the business**  
2                   **during the term of the plan, up to any limit set by the plan, is**  
3                   **made available to the extent that any outstanding balance is**  
4                   **repaid;**

5                   **(8) "Depository institution" means any bank, bank holding company, trust company,**  
6                   **savings and loan association, savings and loan association holding company,**  
7                   **credit union, or wholly owned subsidiary of any of the foregoing, which is**  
8                   **organized under the laws of Kentucky, any other state, or the United States; and**

9                   **(9) "Payment intangible" has the same meaning as in KRS 355.9-102.**

10                   ➔SECTION 2. A NEW SECTION OF SUBTITLE 13 OF KRS CHAPTER 286  
11 IS CREATED TO READ AS FOLLOWS:

12                   **This subtitle shall not apply to any commercial financing provider that is:**

13                   **(1) A federally insured depository institution;**

14                   **(2) An affiliate or holding company of a federally insured depository institution;**

15                   **(3) A subsidiary or service corporation that is owned and controlled by, or under**  
16                   **common ownership with, a federally insured depository institution;**

17                   **(4) A lender regulated under the Farm Credit Act of 1971, 12 U.S.C. sec. 2001 et**  
18                   **seq.;**

19                   **(5) A person offering a commercial financing transaction in connection with the sale**  
20                   **or lease of products or services that the person, the person's parent company, or**  
21                   **any of the person's directly or indirectly owned and controlled subsidiaries**  
22                   **manufactures, licenses, or distributes;**

23                   **(6) A person licensed as a money transmitter in Kentucky or any other state, district,**  
24                   **or territory of the United States; or**

25                   **(7) The Kentucky Economic Development Finance Authority.**

26                   ➔SECTION 3. A NEW SECTION OF SUBTITLE 13 OF KRS CHAPTER 286  
27 IS CREATED TO READ AS FOLLOWS:

1 (1) A person shall not engage in a commercial financing transaction as a  
2 commercial financing provider with a business located in Kentucky unless the  
3 person:

4 (a) Has filed a registration in accordance with this section; and

5 (b) The registration is effective under this section.

6 (2) Each initial and renewal registration filed under this section shall expire on  
7 February 1 of the following calendar year, unless the registration is renewed in  
8 accordance with this section prior to the expiration date.

9 (3) (a) Each person seeking to file an initial or renewal registration under this  
10 section shall make the filing on a registration form prescribed by the  
11 commissioner by an administrative regulation promulgated in accordance  
12 with KRS Chapter 13A.

13 (b) The form prescribed by the commissioner under paragraph (a) of this  
14 subsection shall, for each person seeking to register as a commercial  
15 financing provider, include the following:

16 1. The name of the person;

17 2. The name in which the person transacts business, if different from the  
18 name provided under subparagraph 1. of this paragraph;

19 3. The address of the person's principal office, which may be outside of  
20 Kentucky;

21 4. Whether any officer, director, manager, operator, or principal of the  
22 person has been convicted of a felony involving an act of fraud,  
23 dishonesty, breach of trust, or money laundering; and

24 5. The name and address in Kentucky of a designated agent upon whom  
25 service of process against the person may be made.

26 (4) An initial or renewal registration filed in accordance with subsection (3)(a) of  
27 this section shall become effective upon receipt by the department of:

1        (a) The completed registration form; and

2        (b) A registration fee of two hundred dollars (\$200).

3        (5) If information in a registration form changes or otherwise becomes inaccurate  
4        after filing, the commercial financing provider shall not be required to notify the  
5        commissioner or correct the information prior to the time of renewal.

6        ➔SECTION 4. A NEW SECTION OF SUBTITLE 13 OF KRS CHAPTER 286  
7 IS CREATED TO READ AS FOLLOWS:

8        (1) An accounts receivable purchase transaction that is identified in the transaction's  
9        governing documents as a purchase shall be conclusive proof that the transaction  
10       is not a loan or credit.

11       (2) (a) When determining whether any loan, transaction, plan, or facility is for a  
12       business purpose, a commercial financing provider may rely on any written  
13       statement of intended purpose signed by the business.

14       (b) The written statement referenced in paragraph (a) of this subsection may be  
15       a separate statement or contained in an application, agreement, or other  
16       document signed by an authorized representative of the business.

17       (3) The extension of a specific offer for a commercial financing transaction by a  
18       commercial financing provider on behalf of a depository institution shall not be  
19       construed to mean that the provider engaged in lending, financing, or loan  
20       origination.

21       ➔SECTION 5. A NEW SECTION OF SUBTITLE 13 OF KRS CHAPTER 286  
22 IS CREATED TO READ AS FOLLOWS:

23       (1) Except as provided in subsection (2) of this section, a commercial financing  
24       provider that enters into a commercial financing transaction shall provide the  
25       following written disclosures of the terms of the transaction to the business:

26       (a) The total amount provided to the business;

27       (b) If applicable, the total amount disbursed to the business after the deduction

1 of:

2 1. Fees; and

3 2. Amounts paid to:

4 a. The provider to satisfy a prior balance; and

5 b. A third party on behalf of the business;

6 (c) The total amount to be paid to the provider;

7 (d) The total dollar cost, which shall be the difference between the amount  
8 disclosed under paragraph (a) of this subsection and the amount disclosed  
9 under paragraph (c) of this subsection;

10 (e) If the amount of each payment does not vary, the manner, frequency, and  
11 amount of each payment;

12 (f) If the amount of each payment may vary:

13 1. The manner and frequency of each payment;

14 2. The estimated amount of the initial payment;

15 3. A description of the methodology for calculating any variable  
16 payment; and

17 4. The circumstances under which payments may vary; and

18 (g) Whether there are any costs or discounts associated with prepayment,  
19 including a reference to the prepayment provision or provisions in the  
20 transaction agreement.

21 (2) A commercial financing provider that enters into a commercial financing facility  
22 may provide the disclosures required under subsection (1) of this section based on  
23 an example transaction for an account with a total face amount owed of ten  
24 thousand dollars (\$10,000).

25 (3) (a) Only one (1) written disclosure of the terms of a commercial financing  
26 transaction under this section is required for each transaction.

27 (b) A disclosure of the terms of a commercial financing transaction under this

1 section:

2 1. Shall be provided at or before the time the business enters the  
3 commercial financing transaction; and

4 2. Is not required:

5 a. As a result of a modification, forbearance, or change to a  
6 commercial financing transaction; or

7 b. For a commercial financing facility, each time cash receipts,  
8 accounts, or payment intangibles are purchased under the  
9 facility.

10 ➔SECTION 6. A NEW SECTION OF SUBTITLE 13 OF KRS CHAPTER 286  
11 IS CREATED TO READ AS FOLLOWS:

12 (1) The commissioner shall have exclusive authority to enforce this subtitle.

13 (2) The commissioner may:

14 (a) Receive and act on complaints relating to alleged violations of this subtitle;

15 (b) Take action designed to obtain voluntary compliance with this subtitle;

16 (c) Commence administrative or judicial proceedings to enforce compliance  
17 with this subtitle; and

18 (d) Seek civil penalties against any person arising from the use of  
19 documentation or materials found to be in violation of any provision of this  
20 subtitle of:

21 1. Five hundred dollars (\$500) per violation, not to exceed twenty  
22 thousand dollars (\$20,000) for all aggregated violations; or

23 2. One thousand dollars (\$1,000) per violation, not to exceed fifty  
24 thousand dollars (\$50,000) for all aggregated violations, if the person  
25 has previously received notice from the commissioner of a prior  
26 violation under this paragraph.

27 (3) The remedies set forth in this section shall be the exclusive remedies for any

1        **violation of this subtitle.**

2        **(4) A violation of any provision of this subtitle shall not affect the enforceability or**  
3        **validity of any commercial financing transaction.**

4        ➔Section 7. Subtitle 13 of KRS Chapter 286 may be cited as the Kentucky  
5        Commercial Financing Disclosure Law.

6        ➔Section 8. This Act applies to contracts entered on or after January 1, 2026.

7        ➔Section 9. This Act takes effect January 1, 2026.