

New Regulations in Texas Aimed at MCA Lenders Set National Precedent

Landmark legislation designed to protect small businesses in Texas from predatory lending practices to become a model nationwide, industry insiders predict.

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EINPresswire.com/ -- As advocates for small business growth, Texas invoice factoring companies led the charge on bringing much-needed oversight to questionable small business lending practices in Texas. Leading [invoice factoring company](#) Charter Capital reports new merchant cash advance (MCA) regulations established by Texas

House Bill 700 will impact certain types of small business lending throughout the state and likely influence legislation across the country. Additional insights on MCAs and the broader business funding ecosystem are shared in "[Why Loan Stacking is Business Suicide & What to Do Instead](#)," now available at CharCap.com.



Are New Texas MCA Regulations a Model for National Laws?

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*Joel Rosenthal, Co-founder
and Executive Manager at
Charter Capital*

WHAT HB700 DOES

Effective September 1, 2025, HB700 creates new requirements for commercial sales-based financing, with the obvious intention of regulating the merchant cash advance industry. The new law requires the Finance Commission of Texas to adopt rules applicable to MCAs to prohibit unlawful, unfair, deceptive, or abusive acts or practices. Conventional business lenders such as commercial banks and traditional invoice factoring companies are not the intended target of HB700.

> Registration: The new law requires MCAs and their brokers to register with the Texas Office of Consumer

Credit Commissioner and to renew their registration annually.

- > Transparency Requirements: MCA contracts for financing less than \$1 million must include certain disclosures, such as total finance charge, total repayment amount, and any extra fees, to name a few.

- > Protections for Small Businesses: Certain contract terms are no longer enforceable, such as pre-made confessions of judgment, which have historically allowed MCA providers to obtain a judgment against their borrower in court without any notice of hearing, if the borrower fails to make their payments according to the contract terms. In addition, an MCA is prohibited from automatically debiting a small business's bank deposit account unless the MCA maintains a validly perfected, first-priority security interest in the account.

"MCAs often trap small businesses in high-cost debt under onerous terms," explains Joel Rosenthal, Co-founder and Executive Manager at Charter Capital. "The new MCA regulations in Texas call for clear and transparent contract terms, allowing small business owners to make informed decisions about their financing and the future of their company."

WHAT HB700 DOESN'T DO

Rosenthal says the new laws are a step in the right direction, but cautions that the structure of MCAs and their high costs will not likely change as a result.

- > No Caps: HB700 doesn't place caps on rates, finance charges, or fees.

- > No Annual Percentage Rate (APR) Limits: No maximum APR or limits to the total cost of funding are imposed.

- > No Total Cost Ceiling: Providers can charge high costs if the market supports it.

"This unfortunately means APRs can still climb well into the hundreds on MCAs," Rosenthal cautions. "Many small businesses will do better with a funding solution like invoice factoring, which allows businesses to tap their open B2B invoices for cash."

He notes many states are moving toward tighter regulations on MCAs, and the new legislation in Texas is not only part of a broader trend but will likely serve as a nationwide model, perhaps with additional cost-related protections.

Those who would like to learn more about factoring or request a complimentary quote may do so by calling 1-877-960-1818 or [visiting charcap.com](https://www.charcap.com).

ABOUT CHARTER CAPITAL

Headquartered in Houston, Texas, Charter Capital is a leading provider of flexible funding solutions for the B2B sector for over 20 years. Competitive rates, a fast approval process, and same-day funding enable businesses across various industries to secure working capital, manage their daily needs, and grow. To learn more, visit [charcap.com](https://www.charcap.com) or call 1-877-960-1818.

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