



# 2021 LEGISLATIVE PRIORITIES

A Roadmap to Reform: Legislative Priorities for 2021

## Protect Consumers from Lawsuit Lenders

**Problem:** Under current law, lenders who offer cash advances to injured parties while they await the settlement of a lawsuit are able to charge predatory and usurious rates. After paying back the loan and their attorneys, the injured are often left with next to nothing.

Interest rates can, and do, exceed 100%. An August 2020 report found the average to be 68%.

**Solution:** Regulate the practice of cash advances for pending lawsuits by subjecting third party litigation finance firms to consumer protections, and critically, interest rate caps

S.4555 / A.6764 & S.4478 / A.6866

### LAWSUIT CASH ADVANCES THE REAL STORIES

A quick internet search for "lawsuit loans" turns up millions of results from companies looking to lend money to injured parties waiting for a lawsuit to settle or reach a verdict. These funders promise a cash advance for medical bills or just day-to-day living expenses, and their websites share tales of grateful "borrowers" who can't say enough good things about their experience with the practice.

**But here's the truth.**

Lawsuit cash advance firms are not regulated under New York's consumer protection laws because lenders claim the loans are actually "investments," and their interest rates charged are not subject to usury limits (26%). Interest on these loans is often compounded monthly, and the annual rate can be more than 100%. Injured parties may win their lawsuits only to receive a small fraction of the settlement after legal fees and interest. In the worst cases, injured parties become victims again and end up in debt to the lawsuit lender.

These are the true stories of lawsuit lenders and their victims.

**Elmer Santiago**

9/11 first responders scammed out of settlement funds

In February 2017 New York Attorney General Eric Schneiderman filed a complaint against RD legal funding, a New Jersey based lawsuit cash advance firm, for shamefully taking advantage of 9/11 first responders and brain-injured NFL players by offering high interest advances on expected payouts from legal settlements.

In 2016, former NYPD officer Elmer Santiago was sued by RD Legal for refusing to pay 66% interest on the advance loaned to him by the company as he awaited payment from the federally-funded Ground Zero Victims Compensation Fund.

The Attorney General's filing also highlights the case of an unnamed first responder on the ground on 9/11 who was advanced \$18,000 while she awaited settlement funds, after six months she owed \$33,000—an 83% increase in less than a year.

Photo: New York Daily News

**Joseph Gill**

"LawBuck\$ won't let me get on with my life"

Brooklyn resident Joseph Gill borrowed \$4,000 from lawsuit lender LawBuck\$ to pay for medical bills while his lawsuit against the NYPD was in court. By the time Joseph's lawsuit settled five years later, LawBuck\$ demanded repayment to the tune of \$116,000—29 times the amount loaned. The judge who presided over Joseph's case, Justice Elton Spodek, demanded that LawBuck\$ explain its loan agreement, reportedly calling the loan "usurious" and "unconscionable." Currently, a ruling has not been reached.



Photo: New York Post

Go to [LRANY.org](http://LRANY.org) to learn about the victims of these loans

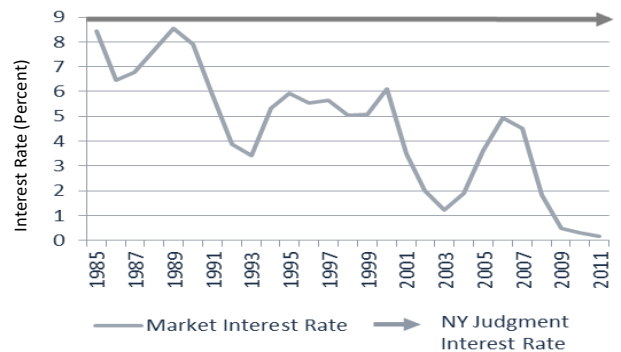
## Link Judgment Interest to Market Rates

**Problem:** In New York, judgments accrue interest at a rate of 9% annually for as long as a case is pending. This fixed rate does not account for changing market conditions, and dramatically inflates award values while creating a strong disincentive for defendants to appeal a ruling.

**Solution:** The interest rate must be linked to the federal funds rate.

S.9043 / A.7146

### NY Judgment Interest Rate vs. Federal Funds Rate



Lawsuit Reform Alliance of New York

Justice. Fairness. Common Sense.

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