



# LAWSUIT REFORM ALLIANCE OF NEW YORK

# OPPOSE

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<b>BILL NUMBER:</b>	<b>A.3315 (Dilan)</b>
<b>SUBJECT:</b>	Relates to consumer litigation financing
<b>DATE:</b>	February 3, 2021
<b>CONTACT:</b>	Tom Stebbins

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## **Summary:**

This legislation attempts to regulate consumer litigation financing or “lawsuit loans” which are currently regulated as investments, not loans. The bill requires licensing, disclosures and prohibits lending arrangements with attorneys.

## **Why we oppose this legislation:**

### ***Legalizes Predatory Lending***

- Litigation financiers essentially avoid consumer lending law by calling their agreements investments, rather than loans. In doing so, these lenders have found a loophole that allows them to lend to consumers without adequate protections. This legislation would legalize and codify that loophole, allowing the lenders free reign to loan with minimal consumer protections

### ***Does Not Protect Consumers from the Predatory Rates***

- The most troubling and amoral aspect of these loans is the rate of interest charged by the lenders. Media reports have shown annual rates as high as 99%, including an 88% loan charged to a widow of a 9/11 first responder.<sup>1,2</sup> A recent study found that the lenders, on average, make 68% profit on these loans. The current civil usury rate in New York is 16% and criminal loan-sharking is 25%. This bill provides no cap on interest, allowing lender to charge whatever they want as long as they disclose it.

### ***There is a Better Way***

- Several bills have been introduced to regulate litigation financing include a critical cap on the interest rate. In 2016, S.8006, which applied the rate of civil usury (16%) passed the New York State Senate unanimously.

<sup>1</sup> Appelbaum, B.; Hallman, B. “Lawsuit Loans Add New Risk for the Injured,” Center for Public Integrity, May 2014

<sup>2</sup> Whithouse, K. “Lenders Scammed 9/11 First Responders Out of Millions: Suit,” New York Post, February 2017

<sup>3</sup> Avraham et al. “Anatomy of Consumer Legal Funding” [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3670825](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3670825)

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The Lawsuit Reform Alliance of New York is a not-for-profit association of businesses, healthcare professionals, membership organizations, and concerned citizens dedicated to reform of the legal system in order to foster a better business climate, promote job growth and address the growing cost of lawsuit abuse.