

HB 550 -- CONSUMER LEGAL FUNDING MODEL ACT

SPONSOR: Christofanelli

This bill establishes the "Consumer Legal Funding Model Act."

The bill requires that all consumer legal funding contracts meet certain requirements, including that the contract be completely filled in when presented to the consumer, that it contain a right of rescission, that it contain the initials of the consumer on each page, and that it require the consumer to give direction to his or her attorney to notify the consumer legal funding company when the legal claim has been resolved. The consumer legal funding company shall also notify the consumer's attorney of the consumer legal funding contract. The bill also bans consumer legal funding companies from performing certain actions as set forth in this act. Further, any attorney employed by a consumer engaged in a consumer legal funding contract shall not engage in certain actions as specified in the bill.

This bill specifies that a consumer legal funding company shall require the contracted amount paid to the funding company to be based upon intervals of time from the funding date through the resolution date, and not determined as a percentage of the recovery from the legal claim. Any consumer legal funding contract shall not be valid if its terms exceed a period of 48 months, and the contingent right to receive an amount of the proceeds of a legal claim is assignable under this act. A consumer legal funding company may not attempt to negatively impact a consumer's credit history, except in cases of breach of contract and fraud. All consumer legal funding contracts shall contain certain disclosures as set forth in this bill.

The bill requires all consumer legal funding companies to register with the Department of Insurance, Financial Institutions and Professional Registration. Such registration shall contain information required by the department to make an evaluation of the character and fitness of the company, and shall be accompanied by a \$500 fee. Such registration must be renewed every two years for a fee of \$200. Along with filing an application with the department, the company may also be required to provide a bond of \$50,000 or an irrevocable letter of credit. The consumer legal funding company may be entitled to a hearing, as specified in the bill.

This bill is the same as HB 2251 (2018).