

Consumer Legal Funding: A Primer

Consumer legal funding provides consumers with immediate financial assistance while they pursue credible personal injury claims. With a pre-settlement advance, plaintiffs gain access to funds for day-to-day needs during the sometimes long pendency of a case.

How Pre-Settlement Advances Work

Advances Help Victims Cover Personal Expenses

Most Americans lack the funds to pay for a \$500 unexpected expense. Plaintiffs can use pre-settlement advances to pay for everyday, non-legal expenses during their case.

Typical expenses include:

- Groceries
- Medical bills
- Rent
- Car payments
- Student loans



Smart Regulation Protects Consumers

In states like Oklahoma, Vermont, Indiana, and Tennessee, ALFA has supported legislation that:

- Institutes **licensure**
- Requires **plain-English contracts and disclosures for consumers**
- Prohibits **use of funds for the lawsuit**
- Bars **funders from involvement in the cases**
- Mandates a **five-day cancellation window**
- Creates **public complaint portals**

Rate Caps Can Hurt Consumers

- **Insurance companies are advocating for unreasonable rate caps** to reduce the amount of money they must pay to victims.
- **Excessive rate caps would make pre-settlement advances economically impossible for funders**, as advances have a higher risk profile than loans.
- **Robust regulation requiring licensure and disclosure is the best way to protect consumers** and ensure access to advances.

A Pre-Settlement Advance Is Not A Loan

Unlike a loan, pre-settlement advances:

- Do **not** require repayment if a case does not result in a monetary award
- Do **not** require collateral
- Do **not** impact a recipient's credit

How ALFA Champions Consumers

- 1) Actively supports smart regulation for licensure and disclosure that provides oversight and accountability for consumers without limiting funders' flexibility
- 2) Requires members to abide by the ALFA Code of Conduct, which supports best practices and the highest ethical standards in consumer legal funding