

March 4, 2025

The Honorable Chair Beidle
The Honorable Vice Chair Hayes
Senate Finance Committee
11 Bladen St
Annapolis, MD 21401

RE: Opposition to SB 985

My name is Eric Schuller, and I am the President of The Alliance for Responsible Consumer Legal Funding (ARC).

ARC is the largest Trade Association that represents the companies that offer Consumer Legal Funding across the country.

Consumer Legal Funding is where a company provides financial assistance to a consumer who has a pending legal claim. In most cases it is a car accident. Those funds that are provided to the consumer are used for household needs such as paying their mortgage, rent, car payments, putting food on the table and keeping the lights on.

The funds we provide the consumer are not used to fund the litigation. They are not used to pay for the attorney, expert witnesses associated court cost or other related expenses to the legal claim.

Unfortunately, what has happened is the issue of Consumer Legal Funding is being confused with the practice of Litigation Financing.

Litigation Financing is where a company or organization provides funds or financial assistance to pay for the prosecution of the legal claim. Those funds are used directly to pay for the attorney, legal cost and other cost to ensure the legal claim can make it way through the legal system.

In Consumer Legal Funding the average amount of funds we provide a consumer is about \$3,000 to \$5,000. In Litigation Financing they typically start at \$3,000,000.

As drafted SB 985 confuses Litigation Financing with Consumer Legal Funding. It implies that the funds we are providing to the consumer are used to finance the litigation and as such we respectfully have to oppose the bill as drafted.

That being said, we would like to offer some changes to the legislation that would clarify the product, and we believe would strengthen the consumer protection that the legislation was intended to do.

This would put the legislation in line with other states where we have enacted similar legislation.

We believe the attached changes are not unreasonable and are consistent with language that we have agreed to with the Insurance industry currently in New Hampshire and Iowa, where we have agreed to legislation pending.

We believe that with these changes we can fully support the legislation and help to ensure the consumers and the legal system in Maryland are protected for years to come.

Please see the attached description of our suggestions and a red-lined version of the bill.

If you have any questions, feel free to reach out to me directly, eschuller@arclegalfunding.org

Thank you for your time and consideration in this matter.

Eric Schuller

Eric Schuller
President

Changes made to SB 985/HB 1274

- Changed the reference to “Litigation Financing” to “Consumer Legal Funding”
 - With this change it now clearly states what the product is and does
 - The product does not “finance litigation” so it should not be referenced as such
 - This is what it is referred to in other states to keep it consistent for consumers
- Removed the reference to “Loan” as the companies do not make loans
- On the disclosure to the consumer changed it to the first “two” pages.
 - With that font requirement and the other items required it would not fit on one page.
- Included a “Maximum Total Amount” to be included in the disclosure to the consumer.
 - This way the consumer and their attorney will know from the beginning the maximum amount of the obligation under the terms of the contract and there will be no surprises.
- Changed the disclosure of the contract to the other side to be consistent with what has been agreed to with APCIA, NAMIC and ILR in other legislation.
- In prohibited section
 - Clarified that the companies cannot refer to medical providers as well
 - Changed the anti-assignment/securitization section to what has been agreed to and passed in other states.
 - Added in a prohibition of paying for legal/court expenses
 - Added in that a funding company cannot fund a consumer who has already received funding from a previous company. Only one funding company at a time unless agreed to by all parties.
 - Added in that the companies are prohibited from enticing a consumer in bringing an action forward.
- Regarding violations added in “willful” so that a company that makes an honest mistake will not be punished unnecessarily.
- Removed reference to rate restriction under loan statute
- Added in that it is not a loan under Maryland Law
- Added in a provision to allow companies and the consumer's attorney to have conversations and not be subject to discovery

SENATE BILL 985

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By: Senator A. Washington

Introduced and read first time: January 28, 2025 Assigned to:
Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Consumer Protection – ~~Third-Party Litigation Financing~~CONSUMER LEGAL
FUNDING**

3 FOR the purpose of prohibiting certain ~~litigation-financiers~~consumer legal funding company's from
engaging in certain

4 conduct with respect to ~~litigation-financing-consumer legal funding~~ transactions and
certain litigation

5 financing contracts; requiring that the ~~litigation-financing-consumer legal funding~~ contracts
contain certain

6 disclosures and be executed in a certain manner; requiring a certain disclosure of a

7 ~~litigation-financing-consumer legal funding~~ contract in certain civil actions; imposing a
fiduciary duty on

8 litigation financiers in certain class actions; requiring that a ~~litigation-financing-consumer
legal funding~~

9 contract be rendered void and unenforceable under certain circumstances; providing

10 that a ~~litigation-financier-consumer legal funding company~~ may be subject to certain
penalty and enforcement

11 mechanisms for usury; and generally relating to ~~third-party-litigation-financing~~consumer
~~legal funding~~

12 transactions.

13 BY adding to

14 Article – Commercial Law

15 Section 14-5001 through 14-5010~~2~~, to be under the new subtitle “Subtitle 50.

~~16~~ Maryland Transparency in ~~Third-Party Litigation Financing~~ Consumer Legal Funding Act”

~~17~~~~16~~ Annotated Code of Maryland

~~18~~~~17~~ (2013 Replacement Volume and 2024 Supplement)

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~~19~~~~18~~ SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

~~20~~~~19~~ That the Laws of Maryland read as follows:

~~21~~~~20~~ Article – Commercial Law

~~22~~ SUBTITLE 50. MARYLAND TRANSPARENCY IN ~~THIRD-PARTY LITIGATION~~CONSUMER LEGAL FUNDING

~~23~~~~21~~ FINANCING ACT,

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24 14-5001.

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1 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
2 INDICATED.

3 (B) "CIVIL ACTION" INCLUDES ANY LEGAL CLAIM, CASE, ADMINISTRATIVE
4 PROCEEDING, OR PORTFOLIO OF ACTIONS TO RECOVER DAMAGES IN THE STATE.

5 (C) "CONSUMER" MEANS AN INDIVIDUAL WHO IS DOMICILED, RESIDES, OR
6 IS PRESENT IN THE STATE OR WHO IS OR MAY BECOME A PLAINTIFF, CLAIMANT, OR
7 COMPLAINANT IN A CIVIL ACTION IN THE STATE.

8 (D) "LEGAL REPRESENTATIVE" MEANS AN ATTORNEY, A GROUP OF
9 ATTORNEYS, OR A LAW FIRM LICENSED AND AUTHORIZED TO PRACTICE LAW AND
10 REPRESENT A CONSUMER IN A CIVIL ACTION IN THE STATE.

11 (E) "~~LITIGATION FINANCER~~CONSUMER LEGAL FUNDING COMPANY" MEANS A PERSON OR
GROUP OF PERSONS
12 ENGAGED IN OR FORMED, CREATED, OR ESTABLISHED FOR THE PURPOSE OF
13 ENGAGING IN THE BUSINESS OF ~~LITIGATION FINANCING~~CONSUMER LEGAL
FUNDING OR ANY OTHER BUSINESS
14 OR ECONOMIC ACTIVITY IN WHICH A PERSON OR GROUP OF PERSONS RECEIVES
15 CONSIDERATION OF ANY KIND IN EXCHANGE FOR PROVIDING ~~LITIGATION~~
1613 ~~FINANCING~~CONSUMER LEGAL FUNDING.

1714 (F) "~~LITIGATION FINANCING~~CONSUMER LEGAL "FUNDING" MEANS
THE FINANCING, FUNDING,
18 ADVANCING, OR LOANING OF MONEY TO A CONSUMER OR A CONSUMER'S LEGAL
1915 REPRESENTATIVE IF:

2016 (1) THE REPAYMENT OF ALL OR ANY PORTION OF THE AMOUNT
2117 FINANCED, FUNDED, ADVANCED, OR LOANED IS:

22 (I) CONTINGENT ON THE OUTCOME OF A CIVIL ACTION; OR

23 (II) REQUIRED ONLY IF THE CONSUMER PREVAILS IN A CIVIL
24 ACTION; OR

25 (2) THE MONEY OR FUNDS FOR THE REPAYMENT OF ANY AMOUNT OF
26 FINANCING, FUNDING, ADVANCE, OR LOAN IS DERIVED OR SOURCED, DIRECTLY OR
27 INDIRECTLY, FROM THE PROCEEDS OR OTHER CONSIDERATION REALIZED FROM
28 ANY JUDGMENT, AWARD, SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY
29 RELIEF THE CONSUMER MAY RECEIVE OR RECOVER IN RELATION TO A CIVIL
30 ACTION.

31 (G) (1) "~~LITIGATION FINANCING~~CONSUMER LEGAL FUNDING CONTRACT"
MEANS A WRITTEN
32 CONTRACT IN WHICH A ~~LITIGATION FINANCER~~ CONSUMER LEGAL FUNDING

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~~132~~ ~~FINANCING CONSUMER LEGAL FUNDING~~ TO A CONSUMER IN
CONJUNCTION WITH A CIVIL ACTION AS
~~21~~ CONSIDERATION FOR:

~~32~~ (i) REPAYMENT OF THE ~~LITIGATION FINANCING CONSUMER LEGAL FUNDING~~;

~~43~~ (ii) THE PAYMENT OF INTEREST, FEES, OR OTHER
~~54~~ CONSIDERATION TO THE LITIGATION FINANCIER; OR

~~6~~ (iii) ASSIGNING TO THE ~~LITIGATION FINANCIER CONSUMER LEGAL FUNDING~~
~~COMPANY~~ A RIGHT TO

~~75~~ RECEIVE PAYMENT FROM THE VALUE OF:

~~86~~ 1. ANY PROCEEDS OR OTHER CONSIDERATION
~~97~~ REALIZED FROM ANY JUDGMENT, AWARD, SETTLEMENT, OR VERDICT; OR

~~108~~ 2. ANY OTHER FORM OF MONETARY RELIEF A
~~119~~ CONSUMER, A LEGAL REPRESENTATIVE, OR ANY OTHER PERSON MAY RECEIVE OR
~~1210~~ RECOVER IN RELATION TO THE CIVIL ACTION.

~~1311~~ (2) "~~LITIGATION FINANCING CONSUMER LEGAL FUNDING CONTRACT~~"
DOES NOT INCLUDE AN

~~1412~~ AGREEMENT, A CONTRACT, OR AN ENGAGEMENT OF A LEGAL REPRESENTATIVE TO
~~1513~~ RENDER LEGAL SERVICES TO A CONSUMER ON A CONTINGENCY FEE BASIS,
~~1614~~ INCLUDING THE ADVANCEMENT OF LEGAL COSTS BY THE LEGAL REPRESENTATIVE
~~1715~~ IN WHICH THE SERVICES OR COSTS ARE PROVIDED TO OR ON BEHALF OF A
~~1816~~ CONSUMER BY THE LEGAL REPRESENTATIVE WHO IS REPRESENTING THE
~~1917~~ CONSUMER IN A CIVIL ACTION.

~~2018~~ (H) "PORTFOLIO OF ACTIONS" MEANS AN ARRANGEMENT IN WHICH

~~21~~ ~~LITIGATION FINANCIERS CONSUMER LEGAL FUNDING COMPANY~~ FINANCE
MULTIPLE CIVIL ACTIONS BELONGING TO AN

~~22~~ ATTORNEY OR A LAW FIRM WITH ANY RETURN ON INVESTED CAPITAL COMING FROM
~~23~~ THE SETTLEMENT OR JUDGMENT OF ANY INDIVIDUAL CIVIL ACTION OR GROUP OF
~~2419~~ CIVIL ACTIONS.

~~2520~~ 14-5002.

~~2621~~ IT IS THE INTENT OF THE GENERAL ASSEMBLY TO PROMOTE CONSUMER
~~2722~~ PROTECTION AND TRANSPARENCY IN ~~THIRD-PARTY LITIGATION~~
~~FINANCING CONSUMER LEGAL FUNDING~~

~~2823~~ TRANSACTIONS THROUGH THE REGULATION AND DISCLOSURE REQUIREMENTS
~~2924~~ PROVIDED UNDER THIS SUBTITLE.

~~3025~~ 14-5003.

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(1) A NONPROFIT ORGANIZATION THAT PROVIDES LITIGATION FINANCING, DIRECTLY OR INDIRECTLY, FOR THE BENEFIT OF THE NONPROFIT ORGANIZATION OR ONE OR MORE OF ITS MEMBERS WITHOUT RECEIVING AS CONSIDERATION FOR THE ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING;

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(I) THE PAYMENT OF INTEREST, FEES, OR OTHER CONSIDERATION; OR

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(II) EXCEPT FOR IN-HOUSE COUNSEL OF THE NONPROFIT ORGANIZATION, ANY RIGHT TO RECOVERY OR PAYMENT FROM THE AMOUNT OF ANY JUDGMENT, AWARD, SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY RELIEF OBTAINED IN THE CIVIL ACTION;

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(2) ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING - PROVIDED BY A PERSON ENGAGED IN COMMERCE OR BUSINESS ACTIVITY, BUT ONLY IF THE PERSON DOES NOT:

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(I) CHARGE OR COLLECT ANY INTEREST, FEES, OR OTHER CONSIDERATION;

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(II) RETAIN OR RECEIVE ANY FINANCIAL INTEREST IN THE OUTCOME OF A CIVIL ACTION; OR

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(III) RECEIVE ANY RIGHT TO RECOVERY OR PAYMENT FROM THE AMOUNT OF ANY JUDGMENT, AWARD, SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY RELIEF OBTAINED IN A CIVIL ACTION; OR

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(3) A BANKING INSTITUTION, AS DEFINED IN § 1-101 OF THE FINANCIAL INSTITUTIONS ARTICLE, THAT DOES NOT RECEIVE AS CONSIDERATION FOR LOANING MONEY TO A BORROWER A RIGHT TO RECEIVE PAYMENT FROM THE VALUE OF ANY PROCEEDS OR OTHER CONSIDERATION REALIZED FROM ANY JUDGMENT, AWARD, SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY RELIEF THE BORROWER MAY RECEIVE OR RECOVER IN RELATION TO A CIVIL ACTION.

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14-5004.

(A) BEFORE A ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING - CONTRACT MAY BE SIGNED BY A

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PARTY TO THE CONTRACT, THE TERMS AND CONDITIONS OF THE ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING - CONTRACT SHALL BE RECORDED IN WRITING AND INCLUDE EACH TERM

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AND CONDITION INTENDED BY THE PARTIES WITHOUT OMISSION OF ANY INTENDED TERM OR CONDITION.

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1 (B) A ~~LITIGATION FINANCIER-CONSUMER LEGAL FUNDING COMPANY~~ MAY NOT AMEND THE TERMS
OR CONDITIONS.

2 OF AN EXECUTED ~~LITIGATION FINANCING-CONSUMER LEGAL FUNDING~~ CONTRACT
WITHOUT FULL DISCLOSURE.

3 TO, AND PRIOR WRITTEN CONSENT OF, EACH PARTY TO THE ~~LITIGATION~~
~~FINANCING-CONSUMER LEGAL FUNDING~~

41 CONTRACT.

52 14-5005.

63 (A) (1) A ~~LITIGATION FINANCING-CONSUMER LEGAL FUNDING~~ CONTRACT SHALL
CONTAIN THE

74 DISCLOSURES AND STATEMENTS REQUIRED UNDER THIS SECTION.

85 (2) THE DISCLOSURES REQUIRED UNDER THIS SECTION SHALL

96 CONSTITUTE THE MATERIAL TERMS OF A ~~LITIGATION FINANCING-CONSUMER LEGAL~~
~~FUNDING~~ CONTRACT.

107 (B) UNLESS OTHERWISE SPECIFIED, THE DISCLOSURES AND STATEMENTS
118 REQUIRED UNDER THIS SECTION SHALL BE TYPED IN AT LEAST 14 POINT, BOLD
129 FONT AND BE PLACED CLEARLY AND CONSPICUOUSLY WITHIN THE LITIGATION
1310 FINANCING CONTRACT.

1411 (C) A ~~LITIGATION FINANCING-CONSUMER LEGAL FUNDING~~ CONTRACT SHALL DISCLOSE:

1512 (1) ON THE FIRST ~~TWO PAGE~~PAGES OF THE ~~LITIGATION FINANCING-CONSUMER~~
~~LEGAL FUNDING~~ CONTRACT,

1613 THE NAME, STREET ADDRESS, AND MAILING ADDRESS OF THE LITIGATION
1714 FINANCIER;

18 (2) THAT SOME OR ALL OF THE ~~LITIGATION FINANCING-CONSUMER LEGAL~~
19 ~~FUNDING~~ MAY BE
TAXABLE;

20 (3) A DESCRIPTION OF THE CONSUMER'S RIGHT OF RECISSION;

21 (4) AN ITEMIZATION OF CHARGES;

22 (5) THE TOTAL FUNDED AMOUNT PROVIDED TO THE CONSUMER
23 UNDER THE ~~LITIGATION FINANCING-CONSUMER LEGAL FUNDING~~ CONTRACT;

24 (6) THE TOTAL AMOUNT DUE FROM THE CONSUMER, IN 6-MONTH
25 INTERVALS OVER A PERIOD OF 42 MONTHS INCLUDING THE MAXIMUM TOTAL AMOUNT
TO BE ASSIGNED BY THE CONSUMER TO THE COMPANY, INCLUDING ALL CHARGES
AND FEES;

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26 (7) IF THE CONSUMER SEEKS OR HAS SOUGHT MORE THAN ONE
27 ~~LITIGATION FINANCING~~CONSUMER LEGAL FUNDING CONTRACT, THE CUMULATIVE
AMOUNT DUE FROM THE
28 CONSUMER FOR EACH TRANSACTION AND CHARGE UNDER ALL LITIGATION
29 ~~FINANCING~~CONSUMER LEGAL FUNDING CONTRACTS, IF REPAYMENT IS MADE ANY
TIME AFTER THE CONTRACTS
3027 ARE EXECUTED;

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1 (8) THAT THERE ARE NO CHARGES OR FEES TO BE PAID BY THE
2 CONSUMER OTHER THAN WHAT IS DISCLOSED IN THE ~~LITIGATION-~~
~~FINANCING~~ CONSUMER LEGAL FUNDING
32 CONTRACT;

43 (9) THAT IF THERE IS NO RECOVERY OF ANY MONEY FROM THE
54 CONSUMER'S CIVIL ACTION, THE CONSUMER SHALL OWE NOTHING TO THE
65 ~~LITIGATION FINANCER~~ CONSUMER LEGAL FUNDING COMPANY; AND

76 (10) THAT IF THERE IS NOT ENOUGH RECOVERY TO SATISFY THE
8 TOTAL AMOUNT ASSIGNED TO THE ~~LITIGATION FINANCER~~ CONSUMER LEGAL
FUNDING COMPANY, THE CONSUMER SHALL
97 OWE NOTHING IN EXCESS OF THE CONSUMER'S RECOVERY AMOUNT.

108 (D) A ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING CONTRACT SHALL INCLUDE:

119 (1) TERMS EXPLAINED BY THE FOLLOWING TEXT:

1210 "CONSUMER'S RIGHT TO CANCELLATION: YOU MAY CANCEL THIS CONTRACT
1311 WITHOUT PENALTY OR FURTHER OBLIGATION WITHIN FIVE (5) BUSINESS DAYS
1412 FROM THE DATE YOU SIGNED THIS CONTRACT OR RECEIVED FINANCING FROM
15 (INSERT NAME OF THE ~~LITIGATION FINANCER~~ CONSUMER LEGAL FUNDING
COMPANY) BY RETURNING THE FUNDS TO
16 (INSERT NAME, ~~OFFICE ADDRESS~~ OFFICE ADDRESS, AND OFFICE HOURS OF
THE ~~LITIGATION~~
17 ~~FINANCER~~ CONSUMER LEGAL FUNDING COMPANY) OR BY U.S. MAIL (INSERT NAME AND MAILING
ADDRESS OF ~~LITIGATION~~
18 ~~FINANCER~~ CONSUMER LEGAL FUNDING COMPANY). FOR PURPOSES OF THE RETURN
DEADLINE BY U.S. MAIL, THE
19 POSTMARK DATE ON THE RETURNED FUNDS OR, IF MAILED BY REGISTERED OR
20 CERTIFIED MAIL, THE DATE OF THE RETURN RECEIPT REQUESTED SHALL BE
2113 CONSIDERED THE DATE OF RETURN.

22 THE ~~LITIGATION FINANCER~~ CONSUMER LEGAL FUNDING COMPANY AGREES THAT IT HAS NO RIGHT TO
AND WILL NOT

2314 MAKE ANY DECISIONS ABOUT THE CONDUCT OF YOUR LAWSUIT OR DISPUTE AND
2415 THAT THE RIGHT TO MAKE THOSE DECISIONS REMAINS SOLELY WITH YOU AND YOUR
2516 ATTORNEY.

26 THE ~~LITIGATION FINANCER~~ CONSUMER LEGAL FUNDING COMPANY AGREES THAT IT HAS NO RIGHT
TO, AND WILL

2717 NOT DEMAND, REQUEST, RECEIVE, OR EXERCISE ANY RIGHT TO, INFLUENCE,
2818 AFFECT, OR OTHERWISE MAKE ANY DECISION IN THE HANDLING, CONDUCT,
2919 ADMINISTRATION, LITIGATION, SETTLEMENT, OR RESOLUTION OF YOUR CIVIL
3020 ACTION, CLAIM, CASE, CAUSE OF ACTION, OR ADMINISTRATIVE PROCEEDING. ALL
3121 OF THESE RIGHTS REMAIN SOLELY WITH YOU AND YOUR LEGAL REPRESENTATIVE.

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~~32~~ IF THERE IS NO RECOVERY OF ANY MONEY FROM YOUR CIVIL ACTION, CLAIM,
~~33~~ CASE, CAUSE OF ACTION, OR ADMINISTRATIVE PROCEEDING OR IF THERE IS NOT
~~34~~ ENOUGH MONEY TO SATISFY IN FULL THE PORTION ASSIGNED TO THE LITIGATION
~~35~~22 FINANCIER CONSUMER LEGAL FUNDING COMPANY, YOU WILL NOT OWE ANYTHING IN
EXCESS OF YOUR RECOVERY.

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1 IF THE CONSUMER IS REPRESENTED BY A LEGAL REPRESENTATIVE IN THE
 2 CIVIL ACTION THAT IS THE SUBJECT OF THE ~~LITIGATION FINANCING~~ CONSUMER
 3 LEGAL FUNDING CONTRACT.
 4 THE LEGAL REPRESENTATIVE SHALL ACKNOWLEDGE IN THE CONTRACT THAT THE
 5 LEGAL REPRESENTATIVE AND THE LEGAL REPRESENTATIVE'S EMPLOYER AND
 6 EMPLOYEES HAVE NOT RECEIVED OR PAID A REFERRAL FEE OR ANY OTHER
 7 CONSIDERATION FROM OR TO THE TO THE LITIGATION
 8 FINANCIER CONSUMER LEGAL FUNDING COMPANY, AND HAVE NO
 9 OBLIGATION TO DO SO IN THE FUTURE.

10 IF THE CONSUMER'S LEGAL REPRESENTATIVE IS A PARTY TO A LITIGATION
 11 FINANCING CONSUMER LEGAL FUNDING CONTRACT RELATED TO THE
 12 CONSUMER'S CIVIL ACTION THAT IS THE
 13 SUBJECT OF THE ~~LITIGATION FINANCING~~ CONSUMER LEGAL FUNDING
 14 CONTRACT, THE LEGAL REPRESENTATIVE
 15 SHALL DISCLOSE AND DELIVER THE ~~LITIGATION FINANCING~~ CONSUMER
 16 LEGAL FUNDING CONTRACT TO THE
 17 CONSUMER. FOLLOWING THIS DISCLOSURE AND DELIVERY, THE CONSUMER SHALL
 18 SIGN AN ACKNOWLEDGMENT THAT THE CONSUMER HAS READ AND
 19 UNDERSTANDS
 20 THE TERMS AND CONDITIONS OF THE ~~LITIGATION FINANCING~~ CONSUMER
 21 LEGAL FUNDING CONTRACT AND THE
 22 CONSUMER MUST BE PROVIDED A COPY OF THE ACKNOWLEDGMENT.”;

23 (2) TERMS EXPLAINED USING THE FOLLOWING TEXT IN 14 POINT,
 24 BOLD FONT AND IN ALL CAPITAL LETTERS CONTAINED WITHIN A BOX:

25 “THE FUNDED AMOUNT AND AGREED-UPON CHARGES SHALL BE PAID ONLY
 26 FROM THE PROCEEDS OF YOUR CIVIL ACTION AND SHALL BE PAID ONLY TO THE
 27 EXTENT THAT THERE ARE AVAILABLE PROCEEDS FROM YOUR CIVIL ACTION. YOU
 28 WILL NOT OWE (INSERT NAME OF THE LITIGATION FINANCIER) ANYTHING IF THERE
 29 ARE NO PROCEEDS FROM YOUR CIVIL ACTION, UNLESS YOU HAVE VIOLATED ANY
 30 MATERIAL TERM OF THIS CONTRACT OR YOU HAVE COMMITTED FRAUD AGAINST
 31 THE LITIGATION FINANCIER.”; AND

32 (3) IMMEDIATELY ABOVE THE PLACE ON THE ~~LITIGATION FINANCING~~ CONSUMER
 33 LEGAL FUNDING
 34 CONTRACT WHERE THE CONSUMER'S SIGNATURE IS REQUIRED, TERMS EXPLAINED
 35 USING THE FOLLOWING TEXT IN 14 POINT, BOLD FONT AND IN ALL CAPITAL
 36 LETTERS:

37 “DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT COMPLETELY. IF THIS
 38 CONTRACT CONTAINS ANY INCOMPLETE SECTIONS, YOU ARE ENTITLED TO A
 39 COMPLETELY FILLED-IN COPY OF THE CONTRACT PRIOR TO SIGNING IT. BEFORE
 40 YOU SIGN THIS CONTRACT, YOU SHOULD OBTAIN THE ADVICE OF AN ATTORNEY,
 41 DEPENDING ON THE CIRCUMSTANCES YOU MAY WANT TO CONSULT A TAX ADVISOR,

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1. (A)

2. WITHIN 30 CALENDAR DAYS OF RECEIPT OF A WRITTEN REQUEST, A CONSUMER SHALL DISCLOSE TO ANY REQUESTING PARTY TO A LEGAL CLAIM AND EACH INSURER THAT HAS A DUTY TO DEFEND WHETHER THE CONSUMER HAS ENTERED INTO A CONSUMER LEGAL FUNDING CONTRACT.

3. IF A CONSUMER ENTERS INTO A CONSUMER LEGAL FUNDING CONTRACT AFTER RESPONDING TO A REQUEST PURSUANT TO SUBSECTION 1. OF THIS SECTION, THE CONSUMER HAS A CONTINUING OBLIGATION TO DISCLOSE AND SHALL DISCLOSE THIS FACT TO THE REQUESTING PERSON WITHIN 30 CALENDAR DAYS AFTER THE CONSUMER ENTERED INTO THE CONTRACT.

4. CONSUMER LEGAL FUNDING CONTRACTS, AND ALL PARTICIPANTS OR PARTIES TO THE CONSUMER LITIGATION CONTRACT, ARE PRESUMED TO BE DISCOVERABLE IN A CIVIL PROCEEDING, NOTWITHSTANDING ANY AGREEMENT OR PROVISION WITH RESPECT TO CONFIDENTIALITY. A CONSUMER MAY SEEK TO REBUT THIS PRESUMPTION.

5. CONSUMER LEGAL FUNDING TRANSACTIONS DISCLOSED UNDER SUBSECTION 1. AND 2. AND CONSUMER LEGAL FUNDING CONTRACTS DISCOVERED PURSUANT TO SUBSECTION 3. OF THIS SECTION ARE PRESUMED TO BE INADMISSIBLE AS EVIDENCE. A PARTY MAY SEEK TO REBUT THIS PRESUMPTION.

- 1 ~~(1) EXCEPT AS OTHERWISE STIPULATED OR ORDERED BY A COURT, A~~
- 2 ~~PARTY IN A CIVIL ACTION SHALL, WITHOUT WAITING FOR A DISCOVERY~~
- 3 ~~REQUEST,~~
- 4 ~~PROVIDE TO EACH OF THE OTHER PARTIES IN THE CIVIL ACTION AND EACH~~
- 5 ~~INSURER~~
- 6 ~~THAT HAS A DUTY TO DEFEND ANOTHER PARTY IN THE CIVIL ACTION~~
- 7 ~~ANY~~
- 8 ~~LITIGATION FINANCING CONTRACT UNDER WHICH A LITIGATION FINANCIER~~
- 9 ~~HAS A~~
- 10 ~~RIGHT TO RECEIVE COMPENSATION THAT IS CONTINGENT IN ANY RESPECT ON~~
- 11 ~~THE~~
- 12 ~~OUTCOME OF THE CIVIL ACTION.~~
- 13 ~~(2) DISCLOSURE IS REQUIRED UNDER PARAGRAPH (1) OF THIS~~
- 14 ~~SUBSECTION REGARDLESS OF WHETHER A CIVIL ACTION~~
- 15 ~~HAS FORMALLY~~
- 16 ~~COMMENCED.~~
- 17 ~~(3) (i) THE DISCLOSURE REQUIRED UNDER PARAGRAPH (1) OF~~
- 18 ~~THIS SUBSECTION IS A CONTINUING OBLIGATION.~~
- 19 ~~(ii) WITHIN 30 DAYS AFTER ENTERING INTO A LITIGATION~~
- 20 ~~FINANCING CONTRACT OR AMENDING AN EXISTING LITIGATION~~
- 21 ~~FINANCING~~

~~18 CONTRACT, A PARTY IN A CIVIL ACTION SHALL DISCLOSE AND DELIVER A~~
~~19 NEW OR~~
~~20 AMENDED LITIGATION FINANCING CONTRACT TO ALL OTHER PARTIES AND~~
~~21 EACH~~
~~22 INSURER THAT HAS A DUTY TO DEFEND ANOTHER PARTY IN THE CIVIL ACTION.~~
~~23~~
~~24 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE~~
~~25 ADMISSIBILITY OF A LITIGATION FINANCING CONTRACT IN A CIVIL ACTION~~
~~26 SHALL~~
~~27 BE GOVERNED BY THE MARYLAND RULES OF EVIDENCE.~~
~~28~~
~~29 (2) A LITIGATION FINANCING CONTRACT MAY NOT BE ADMISSIBLE IN~~
~~30 A CIVIL ACTION SOLELY ON THE BASIS OF THE DISCLOSURE REQUIRED UNDER~~
~~31 THIS~~
~~32 SUBTITLE.~~
~~33~~
~~34 (C) THE EXISTENCE OF A LITIGATION FINANCING CONTRACT AND EACH~~
~~35 PARTICIPANT OR PARTY TO A LITIGATION FINANCING CONTRACT IS A~~
~~36 PERMISSIBLE~~
~~37 SUBJECT OF DISCOVERY IN ANY CIVIL ACTION FOR WHICH LITIGATION~~
~~38 FINANCING~~
~~39 IS PROVIDED UNDER THE LITIGATION FINANCING CONTRACT, REGARDLESS~~
~~40 OF~~
~~41 WHETHER A CIVIL ACTION HAS FORMALLY COMMENCED.~~

~~42~~ 14-5007.

~~43 (A) THIS SUBTITLE APPLIES TO ANY CIVIL ACTION FILED OR CERTIFIED AS~~
~~44 A CLASS ACTION IN WHICH A LITIGATION FINANCIER CONSUMER LEGAL~~
~~45 FUNDING COMPANY PROVIDES LITIGATION~~
~~46 FINANCING CONSUMER LEGAL FUNDING TO A CONSUMER INVOLVED IN THE CIVIL~~
~~47 ACTION.~~

~~48 (B) A LITIGATION FINANCIER CONSUMER LEGAL FUNDING COMPANY SHALL:~~

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1 (1) OWE A FIDUCIARY DUTY TO EACH CLASS MEMBER AND INTENDED
2 BENEFICIARY OF A PUTATIVE OR CERTIFIED CLASS; AND

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3 (2) ACT IN A MANNER CONSISTENT WITH THE LITIGATION
43 FINANCIER'S CONSUMER LEGAL FUNDING COMPANIES FIDUCIARY DUTY
THROUGHOUT THE CIVIL ACTION.

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54 (c) (1) IN ADDITION TO THE DISCLOSURES REQUIRED UNDER THIS
65 SUBTITLE, A LEGAL REPRESENTATIVE OF A PUTATIVE OR CERTIFIED CLASS SHALL
76 DISCLOSE TO EACH PARTY, PUTATIVE OR CERTIFIED CLASS MEMBER, AND THE
87 COURT ANY LEGAL, FINANCIAL, OR OTHER RELATIONSHIP BETWEEN THE LEGAL
98 REPRESENTATIVE AND THE LITIGATION FINANCIER CONSUMER LEGAL FUNDER.

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109 (2) THE LEGAL REPRESENTATIVE OF THE PUTATIVE OR CERTIFIED
110 CLASS SHALL DISCLOSE TO EACH PUTATIVE OR CERTIFIED CLASS MEMBER A TRUE
11 AND CORRECT COPY OF ANY LITIGATION FINANCING CONSUMER LEGAL FUNDING -
CONTRACT ON REQUEST.

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13 14-5008.

14 (A) A LITIGATION FINANCIER CONSUMER LEGAL FUNDING COMPANY MAY NOT:

15 (1) PAY, OFFER, OR ACCEPT A COMMISSION, REFERRAL FEE, REBATE,
16 OR OTHER FORM OF CONSIDERATION TO OR FROM ANY PERSON IN EXCHANGE FOR
17 REFERRING A CONSUMER TO A LITIGATION FINANCIER CONSUMER LEGAL FUNDING
COMPANY;

18 (2) CHARGE A RATE OF INTEREST THAT EXCEEDS THE RATE OF
19 INTEREST ALLOWED UNDER TITLE 12, SUBTITLE 1 OF THIS ARTICLE;

2018 (3) ADVERTISE FALSE OR MISLEADING INFORMATION REGARDING
2119 THE LITIGATION FINANCIER'S CONSUMER LEGAL FUNDING PRODUCTS OR SERVICES;

22 (4) REFER, IN FURTHERANCE OF AN INITIAL LEGAL FUNDING, A CUSTOMER OR
POTENTIAL CUSTOMER TO A SPECIFIC ATTORNEY, LAW FIRM, MEDICAL PROVIDER,
CHIROPRACTOR OR PHYSICAL THERAPIST OR ANY OF THEIR EMPLOYEES; PROVIDED,
HOWEVER, IF A CUSTOMER NEEDS LEGAL REPRESENTATION, THE COMPANY MAY REFER
THE CUSTOMER TO A LOCAL OR STATE BAR ASSOCIATION REFERRAL SERVICE REFER OR
REQUIRE A CONSUMER TO HIRE OR ENGAGE ANY

2320 PERSON PROVIDING ANY GOODS OR RENDERING ANY SERVICES TO THE CONSUMER;

2421 (5) FAIL TO PROMPTLY DELIVER A FULLY COMPLETED AND SIGNED
25 LITIGATION FINANCING CONSUMER LEGAL FUNDING - CONTRACT TO A CONSUMER
OR THE CONSUMER'S LEGAL
2622 REPRESENTATIVE;

2723 (6) ATTEMPT TO SECURE A REMEDY OR OBTAIN A WAIVER OF A

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~~2824~~ REMEDY, INCLUDING COMPENSATORY, STATUTORY, OR PUNITIVE DAMAGES, THAT A
~~2925~~ CONSUMER MAY BE ENTITLED TO PURSUE OR OTHERWISE RECOVER;

~~3026~~ (7) OFFER OR PROVIDE LEGAL ADVICE TO THE CONSUMER;

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(1) ~~(8)~~ ASSIGN A CONTRACT IN WHOLE OR IN PART TO A THIRD PARTY. PROVIDED,

~~HOWEVER, IF THE COMPANY RETAINS RESPONSIBILITY FOR COLLECTING
PAYMENT, ADMINISTERING, AND OTHERWISE ENFORCING THE CONSUMER
LITIGATION FUNDING~~

~~CONTRACT, THE PROHIBITION IN THIS SUBDIVISION (10) SHALL NOT APPLY TO
AN ASSIGNMENT:~~

~~(A) TO A WHOLLY OWNED SUBSIDIARY OF THE COMPANY;~~

~~(B) TO AN AFFILIATE OF THE COMPANY THAT IS UNDER COMMON CONTROL
WITH~~

~~(C) GRANTING A SECURITY INTEREST UNDER ARTICLE 9 OF THE UNIFORM,
1 COMMERCIAL CODE OR AS OTHERWISE PERMITTED BY LAW, ASSIGN,
INCLUDING SECURITIZING, A LITIGATION FINANCING
2 CONTRACT IN WHOLE OR IN PART;~~

~~31 (9) REPORT A CONSUMER TO A CONSUMER CREDIT REPORTING
4 AGENCY IF INSUFFICIENT FUNDS REMAIN TO REPAY THE LITIGATION FINANCIER-
CONSUMER LEGAL FUNDING COMPANY IN
5 FULL FROM THE PROCEEDS RECEIVED FROM ANY JUDGMENT, AWARD,
6 SETTLEMENT, VERDICT, OR OTHER FORM OF MONETARY RELIEF OBTAINED IN A
72 CIVIL ACTION THAT IS THE SUBJECT OF THE LITIGATION FINANCING CONSUMER
LEGAL FUNDING CONSUMER LEGAL FUNDING CONTRACT;~~

~~83 (10) DEMAND, REQUEST, RECEIVE, OR EXERCISE A RIGHT OF THE
94 CONSUMER OR THE CONSUMER'S LEGAL REPRESENTATIVE TO INFLUENCE, AFFECT,
105 OR OTHERWISE MAKE A DECISION IN THE HANDLING, CONDUCT, ADMINISTRATION,
116 LITIGATION, SETTLEMENT, OR RESOLUTION OF A CIVIL ACTION FOR WHICH THE
127 LITIGATION FINANCIER-CONSUMER LEGAL FUNDING COMPANY HAS PROVIDED
LITIGATION FINANCING CONSUMER LEGAL FUNDING; OR~~

~~138 (11) KNOWINGLY ENTER INTO AN AGREEMENT CREATING A RIGHT FOR
149 ANYONE OTHER THAN THE NAMED PARTIES, COUNSEL OF RECORD, OR LAW FIRM OF
1510 RECORD TO MAKE OR RECEIVE ANY PAYMENT THAT IS CONTINGENT ON THE
1611 OUTCOME OF A CIVIL ACTION.~~

~~1712 (B) A PERSON WHO PROVIDES GOODS OR RENDERS A SERVICE TO A THE
1813 CONSUMER MAY NOT;~~

~~19 (1) HAVE A FINANCIAL INTEREST IN THE CONSUMER'S LITIGATION
2014 FINANCING CONSUMER LEGAL FUNDING CONTRACT; OR~~

~~2115 (2) RECEIVE A COMMISSION, REFERRAL FEE, REBATE, OR OTHER
22 FORM OF CONSIDERATION FROM A LITIGATION FINANCIER-CONSUMER LEGAL
FUNDING COMPANY OR AN AGENT OR~~

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~~16~~ ~~AFFILIATE OF THE LITIGATION FINANCIER~~CONSUMER LEGAL FUNDING COMPANY.

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~~(12) KNOWINGLY PAYING OR OFFERING TO PAY FOR COURT COSTS, FILING FEES OR ATTORNEY'S FEES EITHER DURING OR AFTER THE RESOLUTION OF THE LEGAL CLAIM, USING FUNDS FROM THE CONSUMER LEGAL FUNDING TRANSACTION,~~

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~~(13) KNOWINGLY PROVIDING FUNDING TO A CONSUMER WHO HAS PREVIOUSLY ASSIGNED AND/OR SOLD A PORTION OF THE CONSUMER'S RIGHT TO PROCEEDS FROM HIS OR HER LEGAL CLAIM WITHOUT FIRST MAKING PAYMENT TO OR PURCHASING A PRIOR UNSATISFIED CONSUMER LEGAL FUNDING COMPANY'S ENTIRE FUNDED AMOUNT AND CONTRACTED CHARGES, UNLESS A LESSER AMOUNT IS OTHERWISE AGREED TO IN WRITING BY THE CONSUMER LEGAL FUNDING COMPANIES, EXCEPT THAT MULTIPLE COMPANIES MAY AGREE TO CONTEMPORANEOUSLY PROVIDE FUNDING TO A CONSUMER PROVIDED THAT THE CONSUMER AND THE CONSUMER'S ATTORNEY CONSENT TO THE ARRANGEMENT IN WRITING,~~

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~~(14) COLLUDING WITH OR KNOWINGLY ASSISTING A LAWYER OR LAW FIRM THAT IS ENTICING OR INTENDS TO ENTICE A CONSUMER TO BRING A CLAIM THAT THE COMPANY KNOWS OR HAS REASON TO KNOW IS FABRICATED OR OTHERWISE NOT BROUGHT IN GOOD FAITH. ANY CONSUMER LEGAL FUNDING CONTRACT ENTERED INTO IN VIOLATION OF THIS PARAGRAPH SHALL BE VOID AB INITIO.~~

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~~2417~~14-5009.

~~2518~~ (A) THE ATTORNEY GENERAL MAY ENFORCE THE PROVISIONS OF THIS

~~2619~~SUBTITLE.

~~27~~ (B) A **WILLFUL** VIOLATION OF THIS SUBTITLE BY A ~~LITIGATION FINANCIER~~ CONSUMER LEGAL FUNDING COMPANY SHALL

~~28~~ RENDER A ~~LITIGATION FINANCING~~CONSUMER LEGAL FUNDING CONTRACT VOID AND UNENFORCEABLE BY THE

~~29~~ ~~LITIGATION FINANCIER~~ CONSUMER LEGAL FUNDING COMPANY AND ANY SUCCESSOR ~~IN~~ INTEREST TO THE ~~LITIGATION~~

~~3020~~ ~~FINANCING~~CONSUMER LEGAL FUNDING CONTRACT.

~~31~~ (C) IF A ~~LITIGATION FINANCIER~~ CHARGES A RATE OF INTEREST THAT

~~32~~ EXCEEDS THE RATE OF INTEREST ALLOWED UNDER TITLE 12, SUBTITLE 1 OF THIS

~~ARTICLE, THE LITIGATION FINANCER IS SUBJECT TO THE ENFORCEMENT AND
PENALTY PROVISIONS CONTAINED IN TITLE 12, SUBTITLE 1 OF THIS ARTICLE.~~

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14-5010

A CONSUMER LEGAL FUNDING TRANSACTION THAT COMPLIES WITH THIS ARTICLE
IS NOT A LOAN AND IS NOT SUBJECT TO ANY PROVISION OF LAW GOVERNING
LOANS OR INVESTMENT CONTRACTS. TO THE EXTENT THAT THIS ARTICLE
CONFLICTS WITH ANY OTHER LAW, THIS ARTICLE SUPERSEDES THAT LAW FOR
PURPOSES OF REGULATING CONSUMER LEGAL FUNDING TRANSACTIONS IN THIS
STATE.

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14-5011 EFFECT OF COMMUNICATION ON PRIVILEGES

COMMUNICATIONS BETWEEN A CONSUMER'S ATTORNEY AND A
CONSUMER LEGAL FUNDING COMPANY TO ALLOW THE CONSUMER
LEGAL FUNDING COMPANY TO ASCERTAIN THAT STATUS OF A LEGAL
CLAIM OR A LEGAL CLAIM'S EXPECTED VALUE SHALL NOT BE
DISCOVERABLE BY A PERSON AGAINST WHOM THE LEGAL CLAIM IS
ASSERTED OR FILED.

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32 ~~14-50102.~~

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THIS SUBTITLE MAY BE CITED AS THE MARYLAND TRANSPARENCY IN
THIRD-PARTY LITIGATION FINANCING CONSUMER LEGAL FUNDING ACT.

SECTION 2. AND BE IT FURTHER ENACTED, That, if any provision of this Act or
the application of any provision of this Act to any person or circumstance is held invalid for
any reason in a court of competent jurisdiction, the invalidity does not affect other
provisions or any other application of this Act that can be given effect without the invalid
provision or application, and for this purpose the provisions of this Act are declared
severable.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be construed to
apply only prospectively and may not be applied or interpreted to have any effect on or
application to any litigation financing CONSUMER LEGAL FUNDING contract, as defined in § 14-5001
of the Commercial
Law Article, as enacted by Section 1 of this Act, entered into before the effective date of this
Act.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
October 1, 2025.