

ASSEMBLY, No. 5613

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED OCTOBER 15, 2026

Sponsored by:

Assemblywoman ELLEN J. PARK

District 37 (Bergen)

SYNOPSIS

Regulates consumer legal funding providers.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning consumer legal funding and supplementing
2 Title 56 of the Revised Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. As used in this act:

8 “Advertise” means publishing or disseminating any written,
9 electronic or printed communication or any communication by
10 means of recorded telephone messages or transmitted on radio,
11 television, the Internet or similar communications media, including
12 film strips, motion pictures and videos, published, disseminated,
13 circulated or placed before the public, directly or indirectly, for the
14 purpose of inducing a consumer to enter into a consumer legal
15 funding.

16 “Charges” means the amount of money to be paid to the
17 consumer legal funding company by or on behalf of the consumer,
18 above the funded amount provided by or on behalf of the company
19 to a consumer pursuant to this act. Charges include all
20 administrative, origination, underwriting or other fees no matter
21 how denominated.

22 “Commissioner” means the Commissioner of Banking and
23 Insurance.

24 “Consumer” means a natural person who has a legal claim and
25 who resides in New Jersey. “Consumer” also means the estate of a
26 decedent who resided or was domiciled in New Jersey at the time of
27 their death and has a legal claim for wrongful death or survival.

28 “Consumer legal funding” or “funding” means a non-recourse
29 transaction in which a consumer legal funding company purchases
30 and a consumer transfers to the company an unvested, contingent
31 future interest in the potential net proceeds of the settlement or
32 judgment obtained from the consumer’s legal claim; if no proceeds
33 are obtained from the consumer’s legal claim, the consumer is not
34 required to repay the company the consumer legal funding amount
35 or charges.

36 “Consumer legal funding company” or “company” means a
37 person or entity that enters into a consumer legal funding contract
38 with a consumer. This term shall not include: an immediate family
39 member of the consumer; an attorney or accountant who provides
40 services to a consumer; or a bank, lender, financing entity, or other
41 special purpose entity:

42 (1) that provides financing to a consumer legal funding
43 company; or

44 (2) to which a consumer legal funding company grants a
45 security interest or transfers any rights or interest in a consumer
46 legal funding.

1 “Funded amount” means the amount of monies provided to, or
2 on behalf of, the consumer in the consumer legal funding. “Funded
3 amount” excludes charges.

4 “Funding date” means the date on which the funded amount is
5 transferred to the consumer by the consumer legal funding company
6 by personal delivery, wire, electronic means, or insured, certified,
7 or registered United States mail.

8 “Immediate family member” means a parent; sibling; child by
9 blood, adoption, or marriage; spouse; grandparent; or grandchild.

10 “Legal claim” means a bona fide civil claim or cause of action.

11 “Resolution date” means the date the amount funded to the
12 consumer, plus the agreed upon charges, are delivered to the
13 consumer legal funding company.

14
15 2. a. A consumer legal funding contract shall meet the
16 following requirements:

17 (1) the contract shall be completely filled in when presented to
18 the consumer for signature;

19 (2) the contract shall contain, in bold and boxed type, a right of
20 rescission, allowing the consumer to cancel the contract without
21 penalty or further obligation if, within five business days after the
22 funding date, the consumer either:

23 (a) returns to the consumer legal funding company the full
24 amount of the disbursed funds by delivering the company’s
25 uncashed check to the company’s office in person; or

26 (b) mails, by insured, certified, or registered United States mail,
27 to the address specified in the contract, a notice of cancellation and
28 includes in that mailing a return of the full amount of disbursed
29 funds in the form of the company’s uncashed check or a registered
30 or certified check or money order;

31 (3) the contract shall contain the initials of the consumer on
32 each page; and

33 (4) if applicable, the terms and conditions of the contract shall
34 be written in the consumer’s native language.

35 b. The contract shall contain a written acknowledgment by the
36 attorney retained by the consumer in the legal claim that attests to
37 the following:

38 (1) the attorney is being paid on a contingency basis pursuant to
39 a written fee agreement;

40 (2) all proceeds of the legal claim owed to the company will be
41 disbursed via either the trust account of the attorney or a settlement
42 fund established to receive the proceeds of the legal claim on behalf
43 of the consumer;

44 (3) the attorney is following the written instructions of the
45 consumer with regard to the consumer legal funding; and

46 (4) the attorney has not received a referral fee or other
47 consideration from the consumer legal funding company in

1 connection with the consumer legal funding, nor will the attorney
2 receive that fee or other consideration in the future.

3 c. If the acknowledgment required in subsection b. of this
4 section is not completed by the attorney retained by the consumer in
5 the legal claim, the contract shall be void. If the acknowledgement
6 is completed, the contract shall remain valid if the consumer
7 terminates the initial attorney or retains a new attorney with respect
8 to the legal claim.

9 d. A consumer legal funding company shall require the
10 contracted amount to be paid to the company to be set as a
11 predetermined amount based upon intervals of time from the
12 funding date through the resolution date, and shall ensure that the
13 resolution amount shall not be determined as a percentage of the
14 recovery from the legal claim.

15 e. A consumer legal funding contract shall contain the
16 disclosures specified in this subsection, which shall constitute
17 material terms of the contract. Unless otherwise specified, the
18 disclosures shall be typed in at least 12-point bold-type font and be
19 placed clearly and conspicuously within the contract, as follows:

20 (1) on the front page under appropriate headings, language
21 specifying:

22 (a) the funded amount to be paid to the consumer by the
23 consumer legal funding company;

24 (b) an itemization of one time charges;

25 (c) the total amount to be sold by the consumer to the company,
26 including the funded amount and all charges;

27 (d) a payment schedule to include the funded amount and
28 charges, listing all dates and the amount due at all times until the
29 date the maximum amount due to the company by the consumer to
30 satisfy the amount due pursuant to the contract; and

31 (e) that upon written request by the consumer or consumer's
32 attorney, the consumer legal funding company shall reduce charges
33 to a maximum of 25 percent of the gross proceeds from the legal
34 claim. A written request made pursuant to this paragraph shall
35 include an attestation as to the final amount of the gross proceeds
36 from the legal claim;

37 (2) pursuant to the provisions set forth in paragraph 2 of
38 subsection a. of section 2 of this act, within the body of the
39 contract:

40 "Consumer's Right to Cancellation: You may cancel this contract
41 without penalty or further obligation within five business days after
42 the funding date if you either:

43 (a) return to the consumer legal funding company the full
44 amount of the disbursed funds by delivering the company's
45 uncashed check to the company's office in person; or

46 (b) mail, by insured, certified, or registered United States mail,
47 to the company at the address specified in the contract, a notice of
48 cancellation and include in the mailing a return of the full amount

1 of disbursed funds in the form of the company's uncashed check or
2 a registered or certified check or money order;"

3 (3) within the body of the contract, a notification providing that
4 the consumer legal funding company shall have no role in deciding
5 whether, when and how much the legal claim is settled for;
6 however, the consumer and consumer's attorney shall notify the
7 company of the outcome of the legal claim by settlement or
8 adjudication prior to the resolution date. The company may seek
9 updated information about the status of the legal claim but in no
10 event shall the company interfere with the independent professional
11 judgment of the attorney in the handling of the legal claim or any
12 settlement thereof;

13 (4) within the body of the contract, in all capital letters in at
14 least 12-point bold-type font contained within a box: "YOU ARE
15 ONLY REQUIRED TO PAY THE FUNDED AMOUNT AND
16 AGREED UPON CHARGES FROM THE PROCEEDS OF YOUR
17 LEGAL CLAIM, AND ONLY TO THE EXTENT THAT THERE
18 ARE AVAILABLE PROCEEDS FROM YOUR LEGAL CLAIM.
19 YOU WILL NOT OWE [INSERT NAME OF THE CONSUMER
20 LEGAL FUNDING COMPANY] ANYTHING IF THERE ARE NO
21 PROCEEDS FROM YOUR LEGAL CLAIM, UNLESS YOU OR
22 YOUR ATTORNEY HAVE VIOLATED ANY MATERIAL TERM
23 OF THIS CONTRACT OR YOU HAVE COMMITTED FRAUD
24 AGAINST THE CONSUMER LEGAL FUNDING COMPANY;"
25 and

26 (5) located immediately above the place on the contract where
27 the consumer's signature is required, in 12-point font:
28 "Do not sign this contract before you read it completely or if it
29 contains any blank spaces. You are entitled to a completely filled-
30 in copy of the contract. Before you sign this contract, you should
31 obtain the advice of an attorney. Depending on the circumstances,
32 you may want to consult a tax, public or private benefits planning,
33 or financial professional. You acknowledge that your attorney in
34 the legal claim has provided no tax, public or private benefit
35 planning, or financial advice regarding this transaction."
36

37 3. A consumer legal funding company shall not:

38 a. pay or offer to pay commissions, referral fees, or other forms
39 of consideration to any attorney, law firm, medical provider,
40 chiropractor, or physical therapist or any of their employees for
41 referring a consumer to the company;

42 b. accept any commissions, referral fees, rebates, or other
43 forms of consideration from an attorney, law firm, medical
44 provider, chiropractor, or physical therapist or any of their
45 employees;

46 c. intentionally advertise materially false or misleading
47 information regarding its products or services;

1 d. refer, in furtherance of an initial legal funding, a customer or
2 potential customer to a specific attorney, law firm, medical
3 provider, chiropractor, or physical therapist or any of their
4 employees; provided, however, if a customer needs legal
5 representation, the company may refer the customer to a local or
6 State bar association referral service;

7 e. fail to promptly supply a copy of the executed contract to the
8 attorney for the consumer upon request;

9 f. knowingly provide funding to a consumer who has
10 previously assigned or sold a portion of the consumer's right to
11 proceeds from his or her legal claim without first making payment
12 to or purchasing a prior unsatisfied consumer legal funding
13 company's entire funded amount and contracted charges, unless a
14 lesser amount is otherwise agreed to in writing by the consumer
15 legal funding companies, except that multiple companies may agree
16 to contemporaneously provide funding to a consumer provided that
17 the consumer and the consumer's attorney consent to the
18 arrangement in writing;

19 g. receive any right to or make any decisions with respect to
20 the conduct of the underlying legal claim or any settlement or
21 resolution thereof. The right to make those decisions shall remain
22 solely with the consumer and the attorney in the legal claim; or

23 h. knowingly pay or offer to pay for court costs, filing fees or
24 attorney's fees either during or after the resolution of the legal
25 claim, using funds from the consumer legal funding transaction.
26 The consumer legal funding contract shall include a provision
27 informing the consumer that funding shall not be used to pay for
28 court costs, filing fees, or attorney's fees during or after the
29 resolution of the legal claim.

30

31 4. a. Nothing in this act shall restrict the exercise of powers or
32 the performance of the duties of the Attorney General, which the
33 Attorney General is authorized to exercise or perform by law.

34 b. If a court of competent jurisdiction determines that a
35 consumer legal funding company has intentionally violated the
36 provisions of this act with regard to a specific consumer legal
37 funding, the consumer legal funding company shall only be entitled
38 to recover the funded amount provided to the consumer in that
39 specific consumer legal funding and shall not be entitled to any
40 additional charges.

41

42 5. a. The contingent right to receive an amount of the potential
43 proceeds of a legal claim shall be assignable by a consumer.

44 b. Nothing contained in this act shall be construed to cause any
45 consumer legal funding transaction conforming to this act to be
46 deemed a loan or to be subject to any of the provisions governing
47 loans contained in any New Jersey statute or regulation. A
48 consumer legal funding transaction that complies with this act shall

1 not be subject to any other statutory or regulatory provisions
2 governing loans or investment contracts. To the extent that this act
3 conflicts with any other law, this act supersedes the other law for
4 the purposes of regulating consumer legal funding in New Jersey.

5 c. Attorney's liens, Medicare, or other statutory liens related to
6 the legal claim shall take priority over any lien of the consumer
7 legal funding company. All other liens shall take priority by normal
8 operation of law.

9 d. No consumer legal funding company shall report a consumer
10 to a credit reporting agency if insufficient funds remain from the net
11 proceeds to repay the company.

12

13 6. An attorney or law firm retained by the consumer in the
14 legal claim shall not have a financial interest in the consumer legal
15 funding company offering consumer legal funding to that consumer.
16 Additionally, any attorney who has referred the consumer to his
17 retained attorney shall not have a financial interest in the consumer
18 legal funding company offering consumer legal funding to that
19 consumer.

20

21 7. a. No communication between the consumer's attorney in
22 the legal claim and the consumer legal funding company as it
23 pertains to the consumer legal funding shall limit, waive, or
24 abrogate the scope or nature of any statutory or common-law
25 privilege, including the work-product doctrine and the attorney-
26 client privilege.

27 b. (1) The existence of a consumer legal funding contract is
28 presumed to be discoverable in a civil action, notwithstanding any
29 agreement or provision with respect to confidentiality. A consumer
30 may seek to rebut this presumption.

31 (2) Upon receipt of a written discovery request, a consumer's
32 attorney shall disclose to the requesting party, within 30 calendar
33 days of receipt of the written request, that a consumer has entered
34 into a consumer legal funding transaction and include the name of
35 the consumer legal funding company.

36 (3) Consumer legal funding transactions disclosed pursuant to
37 this act are presumed to be inadmissible as evidence or at trial.

38

39 8. a. Unless a consumer legal funding company has first
40 registered with the Department of Banking and Insurance pursuant
41 to this act, the company shall not engage in the business of
42 consumer legal funding in this State.

43 b. An applicant's registration shall be filed in the manner
44 prescribed by the commissioner and shall contain the information
45 the commissioner requires to make an evaluation of the character
46 and fitness of the applicant company. The initial application shall
47 be accompanied by a \$500 fee. A renewal registration shall include

1 a \$200 fee. A registration shall be renewed every two years and
2 expire on September 30th.

3 c. A certificate of registration shall not be issued unless the
4 commissioner, upon investigation, finds that the character and
5 fitness of the applicant company, and of the officers and directors
6 thereof, warrant belief that the business will be operated honestly
7 and fairly within the purposes of this act.

8 d. Every applicant shall, at the time of filing an application, file
9 with the commissioner, if the commissioner requires, a bond
10 satisfactory to the commissioner in an amount not to exceed
11 \$50,000. In lieu of the bond, at the option of the applicant, the
12 applicant may post an irrevocable letter of credit. The terms of the
13 bond shall run concurrent with the period of time during which the
14 registration will be in effect. The bond shall provide that the
15 applicant will faithfully conform to and abide by the provisions of
16 this act and to all rules lawfully made by the administrator under
17 this act and to any person or persons any and all amounts of money
18 that may become due or owing to the State or to any person or
19 persons from the applicant under and by virtue of this act during the
20 period for which the bond is given.

21 e. Upon written request, the applicant is entitled to a hearing
22 on the question of the applicant's qualifications for a registration if:

23 (1) The commissioner has notified the applicant in writing that
24 the application has been denied; or

25 (2) The commissioner has not issued a registration within 60
26 days after the application for the registration was filed.

27 A request for a hearing shall not be made more than 15 days after
28 the commissioner has mailed a written notice to the applicant that
29 the application has been denied and stating in substance the
30 commissioner's findings supporting denial of the application.

31 f. Notwithstanding the prior approval requirement of
32 subsection a. of this section, a consumer legal funding company that
33 registered with the commissioner between the effective date of this
34 act and six months thereafter may engage in consumer legal funding
35 while the company's registration is awaiting approval by
36 commissioner. All funding agreements prior to the effective date of
37 this act shall not be subject to the terms of this act.

38 g. A consumer legal funding company shall not use any form
39 of consumer legal funding contract in this State unless it has been
40 filed with the commissioner in accordance with the filing
41 procedures set forth by the commissioner, except for a consumer
42 legal funding company operating pursuant to subsection f. of this
43 section.

44 h. A consumer legal funding company that has operated in this
45 State within the 12 months prior to the effective date of this act
46 shall be allowed to operate in the State, provided they have applied
47 for a registration under subsection a. of this section and are

1 complying with all requirements of this act while the application for
2 the company is pending.

3
4 9. This act shall take effect on the 90th day next following
5 enactment. Nothing in this act shall in any way affect or invalidate
6 any consumer legal funding effectuated prior to the effective date of
7 this act.

8
9
10 STATEMENT

11
12 This bill regulates consumer legal funding providers. Consumer
13 legal funding is a transaction in which a company purchases and a
14 consumer sells to the company a contingent right to receive an
15 amount of the potential proceeds of a settlement, judgment, award,
16 or verdict obtained in the consumer's legal claim for the consumers
17 household needs. Under current law, consumer legal funding
18 providers are largely unregulated in New Jersey.

19 The bill requires consumer legal funding contracts to: be
20 completely filled in when presented to the consumer for signature;
21 contain, in bold and boxed type, a right of rescission, allowing the
22 consumer to cancel the contract without penalty or further
23 obligation within five business days after the funding date under
24 certain circumstances; contain the initials of the consumer on each
25 page; and if applicable, require that the consumer legal funding
26 contract be written in the consumer's native language.

27 The bill requires consumer legal funding contracts to contain a
28 written acknowledgment by the attorney retained by the consumer
29 in the legal claim that attests to the following:

30 (1) all proceeds of the legal claim will be disbursed via either
31 the trust account or a settlement fund;

32 (2) the attorney is following the written instructions of the
33 consumer with regard to the consumer legal funding; and

34 (3) the attorney has not and will not receive a referral fee or
35 other consideration from the consumer legal funding company.

36 The bill provides that if the written acknowledgment by the
37 attorney is not complete, the contract is void. If the
38 acknowledgement is completed, the contract will remain valid if the
39 consumer terminates the initial attorney or retains a new attorney
40 with respect to the legal claim.

41 Under the bill, a consumer legal funding company cannot:

42 (1) pay or offer to pay commissions, referral fees, or other forms
43 of consideration for referring a consumer to the company;

44 (2) accept any commissions, referral fees, rebates, or other
45 forms of consideration for the referral of consumers;

46 (3) intentionally advertise materially false or misleading
47 information;

1 (4) refer, in furtherance of an initial legal funding, a customer or
2 potential customer to a specific attorney, law firm, medical
3 provider, chiropractor, or physical therapist or any of their
4 employees; provided, however, if a customer needs legal
5 representation, the company may refer the customer to a local or
6 State bar association referral service;

7 (5) fail to promptly supply a copy of the executed contract to the
8 attorney for the consumer;

9 (6) provide funding to a consumer who has previously assigned
10 or sold a portion of the consumer's right to proceeds under certain
11 circumstances;

12 (7) receive any right to or make any decisions with respect to
13 the conduct of the underlying legal claim or any settlement or
14 resolution thereof; or

15 (8) knowingly pay or offer to pay for court costs, filing fees, or
16 attorney's fees either during or after the resolution of the legal
17 claim, using funds from the consumer legal funding transaction.
18 The consumer legal funding contract is required to include a
19 provision informing the consumer that funding is not to be used to
20 pay for court costs, filing fees, or attorney's fees during or after the
21 resolution of the legal claim;

22 The bill requires a consumer legal funding company to require
23 the contracted amount to be paid to the company to be set as a
24 predetermined amount based upon intervals of time from the
25 funding date through the resolution date, and not to be determined
26 as a percentage of the recovery from the legal claim.

27 The bill requires all consumer legal funding contracts to contain
28 certain disclosures. The bill requires the front page of the contract
29 to contain language specifying: (1) the funded amount to be paid to
30 the consumer by the consumer legal funding company; (2) an
31 itemization of one time charges; (3) the total amount to be assigned
32 by the consumer to the company, including the funded amount and
33 all charges; (4) a payment schedule; and (5) language specifying
34 that upon written request by the consumer or consumer's attorney,
35 the consumer legal funding company must reduce charges to a
36 maximum of 25 percent of the gross proceeds from the legal claim.
37 The contract must also contain disclosures on: (1) the consumer's
38 right to cancellation; (2) how the company will be notified of a
39 settlement; and (3) the consumer only being required to pay in the
40 event that there are proceeds from the legal claim.

41 The bill provides that nothing in it is to restrict the exercise of
42 powers or the performance of the duties of the Attorney General,
43 which the Attorney General is authorized to exercise or perform by
44 law. Under the bill, if a court of competent jurisdiction determines
45 that a consumer legal funding company has intentionally violated
46 the provisions of the bill with regard to a specific consumer legal
47 funding, the consumer legal funding company is to only be entitled
48 to recover the funded amount provided to the consumer in that

1 specific consumer legal funding and is not entitled to any additional
2 charges.

3 The bill provides that the contingent right to receive an amount
4 of the potential proceeds of a legal claim is assignable by a
5 consumer.

6 Under the bill, an attorney or law firm retained by the consumer
7 in the legal claim may not have a financial interest in the consumer
8 legal funding company offering consumer legal funding to that
9 consumer. Additionally, no communication between the
10 consumer's attorney in the legal claim and the consumer legal
11 funding company as it pertains to the consumer legal funding is to
12 limit, waive, or abrogate the scope or nature of any statutory or
13 common-law privilege, including the work-product doctrine and the
14 attorney-client privilege. The bill provides the existence of a
15 consumer legal funding contract to be presumed to be discoverable
16 in a civil action and allows an attorney, upon receipt of a written
17 discovery request, 30 calendar days to disclose to the requesting
18 party that a consumer has entered into a consumer legal funding
19 transaction.

20 The bill provides that unless a consumer legal funding company
21 has first registered with the Department of Banking and Insurance,
22 the company is not to engage in the business of consumer legal
23 funding, and provides for certain criteria for registration, such as
24 the payment of fees, maintenance of a bond, and investigation of the
25 character and fitness of the applicant.