

Your Ultimate Guide to Pre-Settlement Lawsuit Loans

Everything You Need to Know About Getting Cash While Your Lawsuit is Pending



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What is a pre-settlement lawsuit loan?

A pre-settlement lawsuit loan is a relatively new type of financing available to plaintiffs in a wide variety of lawsuits, including personal injury, car accidents, wrongful death, workplace injury, medical malpractice, product liability, employment, and commercial lawsuits.

Also referred to as a “pre-settlement advance,” a “lawsuit advance,” or “lawsuit funding,” this type of financing differs from a traditional loan in several important ways. The term “loan” is used only to help people become familiar with this type of financial assistance.

A pre-settlement lawsuit “loan” is an advance on an expected settlement or verdict in a pending legal case. After you file a lawsuit, a lawsuit funding company advances you an amount of money based on the estimated value of your legal claims.

To be a loan, repayment is required. With a pre-settlement advance, if you lose your case you are not required to pay anything back. You only repay the advance if you win your case or reach a favorable out-of-court settlement. The interest and fees charged on the advance will vary based on the lawsuit settlement funding company you select.

“Lawsuit loans are not actually loans because repayment is not required if you lose your case.”

When you’re waiting on the outcome of a lawsuit, a pre-settlement advance can help you cover essential living expenses. A lawsuit loan can also help you negotiate from a stronger position with the insurance company or lawyers for the defendant, who often low-ball plaintiffs experiencing financial difficulties and use other high-pressure techniques to reduce the amount of money you receive for your legal claims.

How do pre-settlement loans work?



A pre-settlement “loan” is not a loan — it is an advance on a pending legal claim made to you by a pre-settlement financing company. Here is how this new type of financing works.

1. Hire a Lawyer and File a Lawsuit

To secure a pre-settlement advance, you must first file a lawsuit. In most cases, this involves hiring a qualified lawyer who files a lawsuit on your behalf in state or federal court. Many lawyers who represent clients in need of a pre-settlement advance work on a “contingency fee” basis. In a contingency fee arrangement, lawyers agree to represent a client who seeks money damages and collects a percentage of the settlement or verdict at the conclusion of the case. In personal injury and employment lawsuits, these legal fees can be anywhere from 20–40% of the settlement or verdict.

2. Apply for a Lawsuit Loan from a Reputable Funding Company

Once you’ve secured legal representation and filed your lawsuit, a pre-settlement funding company can help you cover your living expenses while your case is pending. When you contact a pre-settlement funding company, a representative will evaluate the strength of your legal claims and make an assessment of how much you are likely to receive in a settlement or verdict. They will use this information to determine how much money they can advance you and the interest rate you will pay if your lawsuit is successful.

3. Review the Proposed Funding Agreement with Your Attorney

You and your lawyer will receive documentation that outlines the essential terms of the proposed pre-settlement advance. Your lawyer should carefully review this paperwork, because in most lawsuit “loans,” the lawyer is ultimately responsible for repaying the advance at the end of a successful lawsuit or settlement. You will receive whatever remains of the judgment or settlement after payment of the cost of legal representation and court costs, plus repayment of the litigation advance plus interest and fees. By issuing a pre-settlement loan, the lawsuit funding company is essentially “buying” a portion of your judgment or settlement that is repaid upon the conclusion of your legal case.

4. Decide Whether a Pre-Settlement Advance is Right for You

There are some important things to consider when deciding whether a pre-settlement advance is right for you. First, you need to talk to your lawyer about how long it will take for your case to reach a settlement or verdict. Sometimes, resolving a case can take a long time and you’ll need to figure in the cost of interest on your pre-settlement advance while your case is pending. You may want to consider other options such as short-term disability assistance, a personal loan, a low-interest credit card, or borrowing money from friends or family. If these alternatives aren’t feasible for you, a lawsuit advance might be your best option.

Although some pre-settlement loan companies charge as much as 50% interest rates on lawsuit advances, a reputable lawsuit funding company may charge rates as low as 1–3%. When deciding which pre-settlement loan company is right for you, try to find one that is upfront about their process and determines interest rates on a case-by-case basis. Only pre-settlement loan companies who use a conservative underwriting process and evaluate cases on their merit can

offer low interest rates and favorable terms. Always speak with your attorney prior to signing a pre-settlement funding agreement, and make sure that all of your questions are answered before accepting a pre-settlement advance.

Are pre-settlement loans safe?

There are advantages to securing pre-settlement loans, including having cash available to cover living expenses and other bills while waiting for the outcome of a lawsuit. This can give you more time to negotiate a favorable settlement and prevent you from going into debt while your case is pending.

Unlike traditional loans, you don't need a good credit history to secure a pre-settlement loan. Finally, a reputable pre-settlement funding company can often deliver an advance in as little as one day.

There are some drawbacks to pre-settlement loans, too. You'll be charged interest on the pre-settlement advance, and lawsuits can take a long time to settle or reach a judgment in court. It's important to wait to take out an advance until you absolutely need one since interest on the advance will grow over time.

In addition, pre-settlement loans are a new type of consumer financing product and they are not strictly regulated in many jurisdictions. This is one of the many reasons why it's important to select a trusted pre-settlement funding company with an excellent reputation.

How long does it take to get a settlement loan?

If you use a trusted pre-settlement loan company, you may receive your funds within 24 hours of signing the pre-settlement advance paperwork. Unlike a bank loan, credit card, or mortgage, whether you are approved for a pre-settlement loan is not based on your credit history or income. Instead, the pre-settlement loan company will evaluate the facts of your case and the strength of your legal position to determine your eligibility.

Before deciding to take out a pre-settlement advance, you should carefully review the terms and conditions of the advance with your attorney. Do not sign anything until you fully understand how the advance will work and the repayment terms.

How long does it take to get paid after a settlement?

Nearly 95 percent of all lawsuits settle out of court, which means that a settlement agreement is reached by parties before the case reaches trial. A settlement agreement typically requires the defendant to pay a sum of money to the plaintiff. Unfortunately for plaintiffs, there is no law that requires a settlement be paid within a certain amount of time. This is a contractual term that is left up to the parties to negotiate.

The amount of time it takes to get paid after a settlement depends on a number of factors, including whether the defendant or the defendant's insurance company will be responsible for

paying the settlement, the financial solvency of the defendant, the settlement terms negotiated by the parties, and the number of plaintiffs involved in the lawsuit. Because of the uncertainty around settlement payout times, many plaintiffs decide that a pre-settlement loan is the best way for them to proceed while their lawsuit is pending.

Can you get more than one settlement loan?

If you need money while your lawsuit is pending, you may be wondering if you can get more than one pre-settlement loan. Lawsuits can take a long time to resolve, and unexpected expenses may arise while your case is still pending. In some cases, it may be possible to take out more than one lawsuit loan. You may be able to secure a second pre-settlement advance from the same company or work with a different lawsuit funding company on a second advance.

If you need a second pre-settlement loan, you should be honest with the pre-settlement funding company about the existing loan. Ultimately, it will be up to the funding company to decide whether to issue the additional pre-settlement advance. The lawsuit financing company will need to consider all of the factors related to your case, including the existence of a prior pre-settlement advance. You should talk to your attorney about whether taking out more than one settlement loan is right for you.

How much does pre-settlement funding cost?

Taking out a lawsuit loan is a serious decision. The cost of pre-settlement funding varies on a number of factors, including the strength of your legal case, where it was filed, and the amount of damages claimed. When you apply for a pre-settlement loan, the settlement company should ask you for detailed information about your lawsuit and consult with your attorney.

You'll want to work with a company that charges low interest rates and considers the facts of the case before setting their fees. If you secure a favorable settlement or win in court, you will be required to pay back the amount you borrowed plus an interest payment. Some companies also charge funding fees.

Ultimately, the amount of your lawsuit loan will depend on how long your case lasts. Any lawsuit funding company worth trusting will talk with your attorney to gather detailed facts about your case and will give you clear information about the terms and conditions of your settlement loan. Remember to consult with your attorney before signing any paperwork, and make sure that all of your questions are answered before accepting a pre-settlement advance.

Do lawyers give advances on settlements?

There are strict ethical rules that prohibit lawyers from lending money to their clients. Although lawyers can advance court costs and the costs of their legal services to a client, ethical rules in all 50 states forbid lawyers from giving advances on settlements or otherwise loaning their clients money.

The rationale for these ethical rules is that if lawyers have a financial interest in the outcome of a

lawsuit or are owed money by their client for something other than professional services, that their professional judgment may be impacted and the client may suffer as a result.

If you are experiencing financial difficulties while your lawsuit is pending, you should speak with your lawyer about your options. A pre-settlement advance from a reputable litigation financing company may be able to help you with your living expenses and other costs while you wait for your legal case to reach a conclusion.

If you decide to pursue a pre-settlement advance, your lawyer will be involved in the lawsuit financing process. Your lawyer may need to provide information about your case to the pre-settlement funding company and will review the financing paperwork before you agree to the pre-settlement advance.

Are there any alternatives to settlement loans?

If you filed a lawsuit and need to secure cash quickly, there are several alternatives to a pre-settlement loan. With help from your lawyer, you can push for a quicker settlement. This typically means that you will receive less money for your claims than had you waited until closer to trial. You can also apply for a personal loan or credit card to help cover the costs of your living expenses while your case is pending. If you suffered a serious personal injury and are unable to return to work, you may be eligible for state or federal disability benefits. Finally, you may be able to ask a trusted friend or family member to borrow money.

If these alternatives are not viable, talk to a pre-settlement funding company about your options. A reputable settlement lender can help you secure the cash you need to cover living expenses until your case settles.

What are the benefits of settlement loans?

Although no two cases are exactly alike, there are significant benefits of pre-settlement loans. First, a lawsuit loan can give you financial peace of mind while your lawsuit is pending. An advance can help you cover your living expenses like mortgage payments, car payments, medical expenses, and childcare until your lawsuit ends. This can prevent you from incurring significant debt during a lawsuit.

Most importantly, litigation financing can give you more time to negotiate a favorable settlement with the defendant. As a plaintiff, the goal of your lawsuit should be to obtain a fair result. Sometimes, the lawyers for the defendant or representatives for the defendant's insurance company will do everything they can to reduce the amount of your settlement.

If they know you need money, they may try to pressure you into accepting a low-ball settlement figure. If the defendant refuses to offer you a fair settlement, a pre-settlement loan can help tide you over until a trial. The closer you get to a trial, the more likely the defendant will be to settle your claims in your favor.

What are the drawbacks to settlement loans?

As with all consumer financial products, there are some drawbacks to pre-settlement loans. First, all pre-settlement loans accrue interest. If you find a reputable lender, your rates might be as low as 1–3%. Because lawsuits take several months (or even years) to come to a conclusion, the interest on a pre-settlement loan can add up over time.

Second, not all lawsuits qualify for a pre-settlement loan. A reputable litigation financing company will only take cases that it knows have a high chance of success. Finally, because lawsuit loans are a relatively new concept, they are not strictly regulated in most states. It can be difficult to find an experienced and reputable lender, which is why you should carefully research litigation financing and select a company that both you and your attorney trust.

Are there consumer protection guidelines on settlement advances?

As pre-settlement funding becomes a more and more popular option for plaintiffs looking for financial assistance during a lawsuit, a number of states have enacted legislation to protect consumers from unscrupulous lending companies. The pre-settlement lending industry has generally welcomed these regulations and has even spoken before legislatures to help inform these new policies.

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- ✓ **Arkansas, Tennessee, and West Virginia enacted consumer protection laws capping interest rates on pre-settlement advances.**
- ✓ **Indiana, Oklahoma, Vermont, and Wisconsin have imposed some limits on lawsuit loans, and in some cases increased regulatory enforcement of pre-settlement financing companies.**
- ✓ **Nevada is considering standards and limitations on how lawsuit lending companies operate, including a requirement that funding companies obtain a license from the state.**
- ✓ **Maine, Nebraska, and Ohio enacted legislation that codified the practice of litigation funding but did not impose significant restrictions on the practice.**

Several other states are considering enacting legislation or consumer protection guidelines on

litigation financing. Alabama, Georgia, Illinois, Kansas, Louisiana, Missouri, New Jersey, New York, North Carolina, Texas, and Utah have considered bills that regulate various aspects of the pre-settlement loan process.

Are lawsuit loans legal in every state?

Pre-settlement loans are a relatively new type of consumer financing product. At least 10 states have enacted laws that apply to pre-settlement loans, and a dozen other states have considered regulating the practice. In some states, decisions by regulatory agencies or local courts have made pre-settlement loans difficult or impossible for pre-settlement funding companies to administer.

Nova Legal Funding provides lawsuit loans to plaintiffs in 47 states. Due to regulations, we do not work with plaintiffs in Colorado, Maryland, and Tennessee. Before taking out a lawsuit loan, you should speak to your attorney about whether this is the right decision for you. Your lawyer can help you understand the long-term implications of a lawsuit loan and whether taking an advance on an anticipated settlement is right in your case.

What do attorneys have to say about lawsuit loans?

Attorneys play a critical role in the pre-settlement loan process. In order for the pre-settlement funding company to evaluate your case, your lawyer must disclose certain information about your lawsuit and the relevant evidence supporting your legal claims. If you qualify for a lawsuit loan, your attorney must review the pre-settlement advance paperwork. Before agreeing to advance you funds on an expected settlement, a trustworthy pre-settlement loan company will work closely with your lawyer to make sure that your case is likely to succeed.

Experienced lawyers who represent plaintiffs in personal injury cases, employment lawsuits, and other civil legal matters are familiar with the pre-settlement funding process. They also must abide by strict ethical prohibitions on lending their clients money. Although they may encourage their clients to think carefully about agreeing to a pre-settlement loan, most attorneys understand that pre-settlement funding can be an important resource for clients in need of financial assistance during a lawsuit.

Before taking out a pre-settlement loan, you should talk to your lawyer about the implications of a pre-settlement loan. Your lawyer can help answer your questions about this process and how it will impact the amount of money you ultimately receive from your lawsuit. Pre-settlement loans depend on support from attorneys. As the litigation financing industry grows, more and more lawyers are working with lawsuit loan companies to help their clients obtain financial relief ahead of a settlement.