

CONFERENCE COMMITTEE REPORT

MR. SPEAKER and MR. PRESIDENT: Your committee on conference on Senate amendments to **HB 2518** submits the following report:

The House accedes to all Senate amendments to the bill, and your committee on conference further agrees to amend the bill as printed with Senate Committee amendments, as follows:

On page 1, by striking all in lines 10 through 31;

By striking all on pages 2 through 6;

On page 7, by striking all in lines 1 through 40; following line 40, by inserting:

"Section 1. (a) The provisions of sections 1 through 4, and amendments thereto, shall be known and may be cited as the transparency in consumer legal funding act. The purpose of the act is to promote consumer protections related to consumer legal funding transactions.

(b) The provisions of this act are severable. If any portion of this act is held by a court to be unconstitutional or invalid, or the application of any portion of this act to any person or circumstance is held by a court to be unconstitutional or invalid, the invalidity shall not affect other portions of this act that can be given effect without the invalid portion or application and the applicability of such other portions of this act to any person or circumstance remains valid and enforceable.

Sec. 2. As used in the transparency in consumer legal funding act:

(a) "Advertise" means publishing or disseminating any written, oral, electronic or printed communication or any communication by means of recorded telephone message or transmitted or broadcast on radio, television, the internet or similar communication media, including, but not limited to, audio recordings, film strips, motion pictures and videos, published, disseminated, circulated or placed before the public for the purpose of inducing a consumer to enter into a consumer legal funding contract.

(b) "Charges" means the amount of money to be paid to the consumer legal funding company by or on behalf of the consumer, above the funded amount provided by or on behalf of the consumer legal funding company to the consumer. "Charges" includes all administrative, origination, underwriting and other fees, including interest, regardless of how such charges are denominated.

(c) "Consumer" means a natural person who resides or is domiciled in Kansas and is a plaintiff in a civil action in Kansas. "Consumer" includes the estate of a decedent who was domiciled in Kansas at the time of death if the civil action is a wrongful death claim.

(d) "Consumer legal funding" means a nonrecourse transaction in which a consumer legal funding company purchases and a consumer assigns to the company a contingent right to receive an amount of the potential proceeds of any recovery, including a settlement or judgment, in the consumer's legal claim, and the funds to the consumer are used for household or personal expenses. "Consumer legal funding" does not include expenses directly related to prosecuting the legal claim.

(e) "Consumer legal funding company" or "company" means a person or entity that enters into or facilitates a consumer legal funding contract with a consumer. "Consumer legal funding company" does not include:

- (1) An immediate family member of the consumer;
- (2) a bank, lender, financing entity or other special purpose entity:
 - (A) That provides financing to a consumer legal funding company; or
 - (B) to which a consumer legal funding company grants a security interest in or transfers any rights or interest in a consumer legal funding contract; or
- (3) an attorney or accountant who provides services to the consumer.

(f) "Funded amount" means the amount of money provided to or on behalf of the

consumer in a consumer legal funding contract excluding charges.

(g) "Funding date" means the date on which the funded amount is transferred to the consumer by the consumer legal funding company by, including, but not limited to, personal delivery, wire, ACH or other electronic means or mailed by insured, certified or registered United States mail.

(h) "Immediate family member" means a parent, sibling, child, stepchild, spouse, domestic partner, cohabitant, immediate in-law, aunt, uncle, first cousin, grandparent or grandchild.

(i) "Legal claim" means a civil claim or cause of action.

(j) "Resolution date" means the date the funded amount, plus the agreed upon charges, are delivered to the consumer legal funding company by the consumer, the consumer's attorney or otherwise.

Sec. 3. (a) A consumer legal funding contract shall:

(1) Be written in a clear manner using words with common, everyday meanings to enable a reasonable consumer to read and understand the terms of the contract without having to obtain the assistance of a professional;

(2) be completely filled in when presented to the consumer for signature;

(3) contain a right of rescission, allowing the consumer to cancel the contract without penalty or further obligation if, within 10 business days after the funding date, the consumer returns to the consumer legal funding company the full amount of the disbursed funds;

(4) contain the initials of the consumer on each page;

(5) contain a statement that there are no fees or charges to be paid by the consumer other than what is disclosed on the disclosure form;

(6) if the consumer seeks more than one legal funding contract from the same company,

disclose the cumulative amount due from the consumer for all transactions from the company, including, but not limited to, charges under all contracts, if repayment is made any time after the contracts are executed;

(7) contain a statement of the maximum amount the consumer may be obligated to pay under the contract other than in a case of material breach, fraud or misrepresentation by or on behalf of the consumer;

(8) clearly and conspicuously detail how charges, including, but not limited to, any applicable fees, are incurred or accrued;

(9) for consumers whose primary language is not English, on written request from the consumer or the consumer's attorney, be translated in writing into the consumer's native language in which the oral negotiations are conducted between the consumer legal funding company and the consumer; and

(10) state that if there is no recovery from the consumer's civil action, the consumer shall owe nothing to the consumer legal funding company unless the consumer violated any material term of the contract or committed fraud against the consumer legal funding company.

(b) A consumer legal funding contract shall contain the disclosures described in this section and such disclosures are material terms of the contract. Unless otherwise specified, such disclosures shall be typed in at least 12-point font and be placed clearly and conspicuously within the contract as follows:

(1) On the front page under appropriate headings, language specifying:

(A) The funding amount to be paid to the consumer by the consumer legal funding company;

(B) an itemization of one-time charges;

(C) the maximum total amount to be assigned by the consumer to the company,

including the funded amount and all charges; and

(D) a payment schedule including, but not limited to, the funded amount and charges, all dates and the amount due at the end of each six-month period from the funding date until the date the maximum amount due to the company pursuant to the contract is paid.

(2) Within the body of the contract:

(A) In at least 12-point bold type font: "Consumer's right to cancellation: You may cancel this contract without penalty or further obligation within 10 business days after the funding date if you return to the consumer legal funding company the full amount of the disbursed funds."

(B) A statement that the consumer legal funding company shall have no role in deciding whether, when or how much the legal claim is settled for, but the consumer and consumer's attorney shall notify the company of the outcome of the legal claim by settlement or adjudication prior to the resolution date. The company may seek updated information about the status of the legal claim, but the company shall not interfere with the independent professional judgment of the attorney handling the legal claim or any settlement thereof.

(C) In all capital letters and in at least 12-point bold type font contained within a box: "THE FUNDED AMOUNT AND AGREED UPON CHARGES SHALL BE PAID ONLY FROM THE PROCEEDS OF YOUR LEGAL CLAIM, AND SHALL BE PAID ONLY TO THE EXTENT THAT THERE ARE AVAILABLE PROCEEDS FROM YOUR LEGAL CLAIM. YOU WILL NOT OWE (INSERT NAME OF THE CONSUMER LEGAL FUNDING COMPANY) ANYTHING IF THERE ARE NO PROCEEDS FROM YOUR LEGAL CLAIM, UNLESS YOU HAVE VIOLATED ANY MATERIAL TERM OF THIS CONTRACT OR YOU HAVE COMMITTED FRAUD AGAINST (INSERT NAME OF CONSUMER LEGAL FUNDING COMPANY)."

(3) Located immediately above the place on the contract where the consumer's signature is required in 12-point bold type font: "Do not sign this contract before you read it completely. Do not sign this contract if it contains any blank spaces. You are entitled to a completely filled-in copy of the contract before you sign this contract. You should obtain the advice of an attorney. Depending on the circumstances, you may want to consult a tax, public or private benefits planning or financial professional. You acknowledge that your attorney in the legal claim has provided no tax, public or private benefit planning, or financial advice regarding this transaction. You further acknowledge that your attorney has explained the terms and conditions of the consumer legal funding contract."

(c) If requested, a copy of the executed contract shall promptly be delivered by the consumer to the attorney for the consumer.

(d) A consumer legal funding contract shall contain a written acknowledgment by the attorney retained by the consumer in the legal claim that attests to the following:

(1) The attorney has reviewed the mandatory disclosures required by this section with the consumer;

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

(3) all proceeds of the legal claim will be disbursed by means of either the trust account of the attorney or a settlement fund established to receive the proceeds of the legal claim on behalf of the consumer;

(4) the attorney is obligated to disburse funds to the consumer legal funding company from the legal claim and take any other steps to ensure that the terms of the legal funding contract are fulfilled;

(5) the attorney has not received and will not receive a referral fee or other

consideration from the consumer legal funding company in connection with the consumer legal funding; and

(6) the attorney in the legal claim has provided no tax, public or private benefit planning or financial advice regarding the consumer legal funding transaction.

(e) If the acknowledgment required by subsection (d) is not provided by the attorney or firm retained by the consumer in the legal claim, the consumer legal funding contract shall be null and void. A consumer legal funding contract that complies with this section shall remain valid and enforceable if the consumer terminates the relationship with the initial attorney or retains a new attorney with respect to the legal claim.

(f) No prepayment penalties or fees shall be charged or collected on consumer legal funding. A prepayment penalty or fee on consumer legal funding shall be unenforceable.

(g) A consumer legal funding transaction that complies with this section is not a loan and is not subject to any provision of law governing loans or investment contracts. To the extent that this section conflicts with any other law, this section shall control for the purposes of regulating consumer legal funding transactions.

(h) The contracted amount to be paid to the consumer legal funding company shall be a predetermined amount based upon intervals of time from the funding date through the resolution date and shall not be determined as a percentage of the recovery from the legal claim.

(i) Within 30 days after receipt of a written request, a consumer or the consumer's attorney shall disclose to any requesting party to a legal claim and each insurer that has a duty to defend if the consumer has entered into a consumer legal funding contract. The consumer and the consumer's attorney have a continuing obligation to disclose that the consumer has entered into a consumer legal funding contract within 30 days after the consumer enters such contract.

(j) The contingent right to receive an amount of the potential proceeds of a legal claim

is assignable by a consumer to a consumer legal funding company.

(k) Communications between a consumer's attorney and a consumer legal funding company to allow the consumer legal funding company to ascertain the status of a legal claim or a legal claim's expected value are not discoverable by a person against whom the legal claim is asserted or filed.

Sec. 4. (a) A consumer legal funding company shall not:

(1) Pay or offer to pay commissions, referral fees or other forms of consideration to any attorney, law firm, medical provider, chiropractor or physical therapist or any employees of such providers for referring a consumer to the company;

(2) accept commissions, referral fees, rebates or other forms of consideration from any attorney, law firm, medical provider, chiropractor or physical therapist or any employees of such providers;

(3) advertise false or misleading information regarding its products or services;

(4) knowingly provide funding to a consumer who has previously assigned or sold a portion of the consumer's right to proceeds from the 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 if the consumer and the consumer's attorney consent to the arrangement in writing;

(5) have any influence, receive any right to or make any decisions with respect to the conduct of the underlying legal claim or any settlement or resolution thereof, and the right to make such decisions shall remain solely with the consumer and the consumer's attorney in the legal claim;

(6) attempt to obtain a waiver of any remedy or right by the consumer, including, but not limited to, the right to trial by jury;

(7) knowingly pay or offer to pay for court costs, filing fees or attorney fees during or after the resolution of the legal claim using funds from the consumer legal funding transaction;

(8) knowingly offer or collude to provide funding as an inducement to a consumer who is presently represented by counsel to terminate that relationship and engage an attorney or law firm to represent the consumer in the legal claim, and any contract that purports to do so is void and unenforceable; and

(9) collude with or knowingly assist an attorney 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 brought not in good faith, and any contract that purports to do so is void and unenforceable.

(b) (1) Any attorney retained by a consumer or any immediate family member of such attorney shall not have a financial interest in a consumer legal funding company offering consumer legal funding to that consumer or provide consumer legal funding, loans or advances for personal needs, cash or nonmonetary equivalent to current or prospective consumers or the consumer's immediate family members.

(2) Any attorney who has referred the consumer to the consumer's retained attorney shall not have a financial interest in the consumer legal funding company offering consumer legal funding to such consumer.

(c) The attorney for a consumer may only disclose confidential or privileged information to the consumer legal funding company with the written consent of the consumer.

(d) Only the consumer shall be authorized to execute a consumer legal funding agreement unless the consumer lacks the legal capacity to execute a contract. The consumer's

legal representative in the legal claim shall not execute a consumer legal funding contract on behalf of the consumer. A consumer legal funding contract executed by the consumer legal representative on behalf of such consumer shall be void and unenforceable.

(e) A consumer legal funding company shall not accept any funds from a foreign government or foreign adversary as defined in 15 C.F.R. §791.4, as in effect on July 1, 2026.

(f) All consumer legal funding companies shall register with the secretary of state pursuant to K.S.A. 17-7901, et seq., and amendments thereto.

(g) (1) The attorney general, upon a finding that a consumer legal funding company has willfully violated the provisions of this act after notice and opportunity for hearing in accordance with the Kansas administrative procedure act, may assess upon such consumer legal funding company a civil penalty of not to exceed \$10,000 per violation.

(2) In addition to any civil penalty assessed pursuant to paragraph (1), such consumer legal funding company shall not recover the funded amount or any charges under such consumer legal funding contract.

(3) Any civil penalty recovered pursuant to this subsection shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state general fund.

(4) All civil penalties assessed pursuant to this subsection shall be due and payable within 10 days after written notice of assessment is served on the person. If a civil penalty is not paid within the applicable time period, the attorney general may file a certified copy of the notice of assessment with the clerk of the district court in the county where the violation occurred. The notice of assessment shall be enforced in the same manner as a judgment of the district court.

(5) Any action by the attorney general pursuant to this subsection shall be subject to

review in accordance with the Kansas judicial review act.";

Also on page 7, in line 42, by striking "Kansas register" and inserting "statute book";

And by renumbering sections accordingly;

On page 1, in the title, in line 1, by striking all after "ACT"; by striking all in lines 2 through 6; in line 7, by striking all before the period and inserting "enacting the Kansas transparency in consumer legal funding act; providing requirements for consumer legal funding agreements; prohibiting consumer legal funding companies from engaging in certain conduct; requiring certain consumer disclosures related to consumer legal funding agreements; providing for penalties for violation of the act";

And your committee on conference recommends the adoption of this report.

Conferees on part of Senate

Conferees on part of House