

New York Enacts Landmark Consumer Legal Funding Legislation

ARC applauds NY Gov Hochul for signing into law AB 804C/SB 1104, a landmark measure establishing regulation for Consumer Legal Funding in the Empire State.

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EINPresswire.com/ -- The Alliance for Responsible [Consumer Legal Funding](#) (ARC) applauds New York Governor Kathy Hochul for signing into law Assembly Bill 804C/Senate Bill 1104, a landmark measure establishing thoughtful regulation for Consumer Legal Funding in the Empire State.



Sponsored by Assemblymember William B. Magnarelli and Senator Jeremy Cooney, this legislation creates a clear framework that protects consumers while preserving access to a vital financial resource that helps individuals cover essential living expenses—such as rent, mortgage, and utilities, while their legal claims are pending.

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This law strikes the right balance between consumer protection and financial empowerment, freedom of choice, and access to funds consumers need during some of life’s most difficult moments.”

Eric Schuller

“I am pleased that the Governor signed this important bill into law today. It is the culmination of 8-years of hard work on this issue. This law will provide a sound framework to regulate financing agreements and provide protections to consumers. I want to thank the Alliance for Responsible Consumer Legal Funding and its President, Eric K. Schuller for working with me to get this bill over the finish line. I would also like to thank and acknowledge my late colleague, Assemblyman Michael Simanowitz, who was the original sponsor of this legislation.” -- William B.

Magnarelli, 129th Assembly District

For many New Yorkers, Consumer Legal Funding provides a critical financial lifeline while a legal claim is pending, often for months or years. Injured consumers frequently face lost income and mounting household expenses at the very moment they are least able to manage financial strain. Consumer Legal Funding allows individuals to cover essential living costs, such as rent, utilities, transportation, and groceries, without being forced into an early or unfair settlement simply to make ends meet.

Senator Jeremy Cooney stated: "Today marks a historic step forward in protecting everyday New Yorkers from opaque and often predatory litigation financing practices. For too long, vulnerable plaintiffs have been left in the dark about the true cost of third-party funding, only to see the majority of their hard-earned legal recovery eroded by fees and unclear terms. I'm proud to sponsor this bill that brings transparency, accountability, and basic consumer protections to this industry, ensuring New Yorkers can pursue justice without sacrificing financial security."

Because Consumer Legal Funding is non-recourse, consumers repay funds only if they recover proceeds from their legal claim, if there is no recovery, they owe nothing. This structure protects consumers from taking on debt, preserves their financial stability, and ensures they retain full control over their legal decisions. By enacting this legislation, New York affirms that Consumer Legal Funding supports financial stability and access to justice.

"This law strikes the right balance between consumer protection and financial empowerment, by establishing clear rules of the road, New York ensures that consumers retain freedom of choice, transparency, and access to funds that help them meet their immediate needs during one of the most difficult times in their lives." said Eric K. Schuller, President of the Alliance for Responsible Consumer Legal Funding (ARC). "We thank Governor Hochul for her leadership and Assemblymember Magnarelli and Senator Cooney for their commitment to fairness and consumer choice. This new law affirms that Consumer Legal Funding is about funding lives, not litigation."

Under the new law, Consumer Legal Funding is defined as a non-recourse transaction in which a company purchases a contingent right to receive proceeds from a consumer's legal claim. The law contains several key consumer safeguards, including:

- **Clear Contract Disclosures:** All terms, charges, and cumulative repayment amounts must be plainly stated and initialed by the consumer.
- **Right to Cancel:** Consumers have ten business days to cancel a contract without penalty.
- **Attorney Oversight:** Attorneys must acknowledge reviewing mandatory disclosures and are prohibited from accepting referral fees or having a financial interest in funding companies.
- **Prohibited Practices:** Funding companies may not influence settlement decisions, mislead consumers through advertising, or refer clients to specific attorneys or medical providers.
- **Registration and Reporting:** All funding companies must register with the State of New York and file annual reports, and meet bonding and disclosure requirements.

The act takes effect 180 days after becoming law and marks another milestone in advancing consumer protection and responsible business practices across the nation.

About ARC

The Alliance for Responsible Consumer Legal Funding (ARC) is the national trade association representing companies that provide Consumer Legal Funding—non-recourse financial assistance that helps

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