
IN THE MATTER OF:

LEGAL FUNDING, LLC
d/b/a CRASH ADVANCE

(“Respondent”)

**TEMPORARY ORDER TO
CEASE AND DESIST**

ORDER TO MAKE RESTITUTION

**NOTICE OF INTENT TO ISSUE
ORDER TO CEASE AND DESIST**

**NOTICE OF INTENT TO IMPOSE
CIVIL PENALTY**

AND

NOTICE OF RIGHT TO HEARING

I. PRELIMINARY STATEMENT

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Part III of Chapter 668, Sections 36a-555 to 36a-573, inclusive, of the Connecticut General Statutes, “Small Loan Lending and Related Activities”, and the regulations promulgated thereunder, Sections 36a-570-1 to 36a-570-17, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”).

2. Pursuant to the authority granted by Section 36a-17 of the Connecticut General Statutes in effect at such time, the Commissioner, through the Consumer Credit Division (“Division”) of the Department of Banking (“Department”), has investigated the activities of Respondent to determine if it has violated, is violating or is about to violate the provisions of the Connecticut General Statutes and Regulations within the jurisdiction of the Commissioner (“Investigation”).

3. As a result of the Investigation, the Commissioner has reason to believe that Respondent has violated subdivision (1) of Section 36a-556(a), subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes and Section 36a-17(e) of the Connecticut General Statutes in effect at such time.

4. As a result of the Investigation, the Commissioner finds that the public welfare requires immediate action to issue an order to cease and desist from violating subdivision (1) of Section 36a-556(a), subdivision (1) of Section 36a-558(c) and Section 36a-17(e) of the Connecticut General Statutes, pursuant to Section 36a-52(b) of the 2022 Supplement to the General Statutes.

5. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to issue an order to make restitution against Respondent pursuant to Section 36a-570(b), subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes and Section 36a-50(c) of the 2022 Supplement to the General Statutes.

6. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to issue an order to cease and desist against Respondent pursuant to Section 36a-570(b), subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes.

7. As a result of the Investigation, the Commissioner has reason to believe that a basis exists to impose a civil penalty against Respondent pursuant to Section 36a-570(b), subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes.

II. MATTERS ASSERTED

8. Respondent is a Connecticut limited liability company with an address of 64 Thompson Street, Suite A101, East Haven, Connecticut.

9. Respondent is currently registered to do business in Connecticut with the Secretary of the State, maintains a Facebook page and an active website, www.crashadvancelc.com, that directly offers Connecticut consumers loans for personal, family or household use from individuals in the form of cash advances in connection with pending lawsuits in amounts ranging from \$500 to over \$5,000.

10. Respondent's website has an "Apply Now" section where borrowers fill out a short form online or are provided with a telephone number to call Respondent directly. Borrowers then provide Respondent

with their name, e-mail address, telephone number, case type, the amount requested and their attorney's name to get the application started.

11. In addition to Respondent's website, a review of the State of Connecticut Judicial Branch website reveals two civil actions filed in Connecticut Superior Court Small Claims Session, on or about May 24, 2019, bearing Docket Nos. NNH-CV19-6092587-S and NNH-CV19-6092588-S, in which Respondent is the named plaintiff and a Connecticut borrower the named defendant.

12. According to the court filings, on July 7, 2017, Respondent entered into a Funding and Sale Agreement ("Agreement 1") with a Connecticut borrower in which Respondent advanced funds in the amount of \$5,000 to the Connecticut borrower and in exchange, the Connecticut borrower agreed that he was "unconditionally and irrevocably selling to CrashAdvance, and CrashAdvance is purchasing, a financial interest in the proceeds of the Legal Claim equal to the amounts set forth on the Disclosure Statement attached to, and made part of, this Agreement. You are granting a lien and security interest in the proceeds of the Legal Claim to CrashAdvance."

13. On August 28, 2017, Respondent entered into a second Funding and Sale Agreement ("Agreement 2") with the same Connecticut borrower, in which Respondent advanced an additional \$5,000 under identical terms and conditions as stated in Agreement 1 and as aforesaid in the previous paragraph.

14. The explicit language of Agreements 1 and 2 represent a promise by a Connecticut borrower to pay Respondent from future income.

15. Respondent was awarded judgments in both lawsuits. In the first case, Docket No. NNH-CV19-6092587-S, on October 31, 2019, a wage execution was ordered by the Court commanding the marshal to execute \$130 per week from the Connecticut borrower's wages payable to Respondent starting at the next available payroll. The Court further ordered that, upon that wage execution being paid in full, the same will be ordered to attach to the companion case bearing Docket No. NNH-CV19-6092588-S.

16. The Disclosure Statement attached to both Agreements 1 & 2 states the amount of money needed to repay the original \$5,000 advance in the agreement if paid within certain timeframes as follows: less than 6 months (\$6,300), between 6 and 12 months (\$8,800), between 12 and 18 months (\$10,800), between 18 and 36 months (\$12,800), and more than 36 months (\$20,000).

17. The annual percentage rate (“APR”) measures the cost of credit on an annual rate, or in other words the “finance charge”. 12 CFR 1026.4 of Regulation Z provides, in pertinent part, that, “[t]he finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit.” Respondent charged an APR on the Agreements to the Connecticut borrower that was approximately 36.79% to 76%, depending on when the payments were made.

18. In October 2021, the Division contacted the individual attorney (“Counsel”) representing Respondent in the Superior Court actions regarding unlicensed small loan activity. Counsel informed the Department that he no longer represented Respondent and to direct all communications to the Respondent.

19. On January 12, 2022, Respondent’s owner admitted via e-mail to being engaged in the activity of purchasing interest in the outcome of lawsuits, which resulted in advanced funding based upon the settlement prospects of those lawsuits, but stated that Respondent’s settlement funding has nothing to do with the banking commission.

20. At no time relevant hereto was Respondent licensed as a small loan company in Connecticut, nor is Respondent exempt from such licensure requirements.

21. Respondent disagreed with the Division’s position, refused to produce any records of Connecticut activity and refused to cooperate with the Division during its Investigation.

22. On or about January 12, 2022, the Division sent Respondent an e-mail that reiterated its position that Respondent’s activity falls under Connecticut small loan statutes requiring licensure for such activity, requested a list of all Connecticut activity, informed Respondent of the probability of an

administrative action regarding the activities of Respondent and provided Respondent with an opportunity to provide an explanation why Respondent believed the activity did not fall under the Department's jurisdiction.

23. On or about January 12, 2022, Respondent stated unequivocally, "I will not be providing you with any of my records", and further directed the Division to contact its Counsel.

24. On or about January 21, 2022, Respondent's Counsel replied that he disagreed with the Department's position, stated that neither he nor Respondent would cooperate with any informational or document requests and further requested that the Department cease communication with him.

III. STATUTORY BASIS FOR ORDER TO CEASE AND DESIST, ORDER TO MAKE RESTITUTION AND IMPOSITION OF CIVIL PENALTY

25. Respondent's making at least two small loans for a Connecticut borrower without the required license, as more fully described in paragraphs 9 through 19, inclusive, constitutes a violation of Section 36a-556(a)(1) of the Connecticut General Statutes. Such violations form the basis to issue an order to make restitution against Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(c) of the 2022 Supplement to the General Statutes, issue an order to cease and desist against Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, and impose a civil penalty upon Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes. Section 36a-50(a) of the 2022 Supplement to the General Statutes authorizes the Commissioner to impose a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

26. Respondent's enforcement and collection of monies in connection with at least two small loans against a Connecticut borrower without the required license, as more fully described in paragraphs 11 through 16, inclusive, constitutes a violation of Section 36a-558(c)(1) of the Connecticut General Statutes. Such violation forms the basis to issue an order to make restitution against Respondent pursuant

to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(c) of the 2022 Supplement to the General Statutes, issue an order to cease and desist against Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, and impose a civil penalty upon Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes. Section 36a-50(a) of the 2022 Supplement to the General Statutes authorizes the Commissioner to impose a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

27. Respondent's failure to provide information requested during the Investigation, as more fully described in paragraphs 21 through 24, inclusive, constitutes a violation of Section 36a-17(e) of the Connecticut General Statutes in effect at such time. Such violation forms the basis to issue an order to cease and desist pursuant to Section 36a-52(a) of the 2022 Supplement to the General Statutes, and impose a civil penalty pursuant to Section 36a-50(a) of the 2022 Supplement to the General Statutes. Section 36a-50(a) of the 2022 Supplement to the General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

IV. FINDING AND STATUTORY BASIS FOR TEMPORARY ORDER TO CEASE AND DESIST

The Commissioner finds that the public welfare requires immediate action to issue a temporary order requiring Respondent to cease and desist from violating subdivision (1) of Section 36a-556(a) and subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes. Respondent shall take such action as set forth herein to effectuate the purposes of Section 36a-52(b) of the 2022 Supplement to the General Statutes in that the interests of Connecticut residents are being materially prejudiced by Respondent not being duly licensed as a small loan company or consumer collection agency in Connecticut and continuing to facilitate the origination and collection of loans in amounts of \$500 or less with APRs of up to approximately 36.79% to 76%.

V. TEMPORARY ORDER TO CEASE AND DESIST, ORDER TO MAKE RESTITUTION, NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING

WHEREAS, the Commissioner has reason to believe that Respondent has engaged in acts or conduct which forms the basis to issue an order to cease and desist pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, issue an order to make restitution against Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(c) of the 2022 Supplement to the General Statutes, and impose a civil penalty upon Respondent pursuant to Section 36a-570(b) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes;

AND WHEREAS, the Commissioner has made the finding required under Section 36a-52(b) of the 2022 Supplement to the General Statutes.

THE COMMISSIONER THEREFORE ORDERS, pursuant to the authority granted in Section 36a-52(b) of the 2022 Supplement to the General Statutes, that Legal Funding, LLC d/b/a Crash Advance immediately **CEASE AND DESIST** from violating subdivision (1) of Section 36a-556(a) and subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes, including, but not limited to, enforcing such loans by any means. This Temporary Order to Cease and Desist shall become effective upon receipt by Legal Funding, LLC d/b/a Crash Advance and, unless set aside or modified by a court, shall remain in effect until the effective date of a permanent order or dismissal of the matters asserted in this Temporary Order to Cease and Desist.

THE COMMISSIONER FURTHER ORDERS, pursuant to the authority granted in Sections 36a-17 and 36a-52(b) of the 2022 Supplement to the General Statutes, that: Not later than fourteen (14) days from receipt of this Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing, Legal Funding, LLC d/b/a Crash Advance shall provide to Carmine Costa, Director, Consumer Credit Division, Department of Banking, 260 Constitution Plaza, Hartford, Connecticut 06103-1800, or

carmine.costa@ct.gov, a list of all Connecticut residents who, on or after October 1, 2016, have:

(1) applied for a small loan or any advanced funding agreement from Legal Funding, LLC d/b/a Crash Advance, or (2) entered into any advanced funding agreement with Legal Funding, LLC d/b/a Crash Advance in which the interest paid on the agreement is at a rate in excess of 12%. For each small loan, and/or other agreement included within the statutory definition of a small loan, consummated by a Connecticut borrower, such submission shall include: (a) a copy of each loan agreement specifying the amount, annual interest rate of the loan and/or the scheduled repayment amounts as attached any agreement, and (b) a list of each Connecticut borrower's name and address and full itemization of payments made pursuant to the loan agreement, specifying the dates and amounts of such payments.

THE COMMISSIONER FURTHER ORDERS, pursuant to authority set forth herein, that Legal Funding, LLC d/b/a Crash Advance **MAKE RESTITUTION** of any sums obtained as a result of Legal Funding, LLC d/b/a Crash Advance violating subdivision (1) of Section 36a-556(a) of the Connecticut General Statutes, plus interest at the legal rate set forth in Section 37-1 of the Connecticut General Statutes. Specifically, the Commissioner **ORDERS** that: Not later than thirty (30) days from the date this Order to Make Restitution becomes permanent, Legal Funding, LLC d/b/a Crash Advance shall:

1. Repay any amounts received by Legal Funding, LLC d/b/a Crash Advance from Connecticut borrowers in connection with a loan, plus interest. Payments shall be made by cashier's check, certified check or money order; and
2. Provide to Carmine Costa, Director, Consumer Credit Division, Department of Banking, 260 Constitution Plaza, Hartford, Connecticut 06103-1800, or carmine.costa@ct.gov, evidence of such repayments.

NOW THEREFORE, notice is hereby given to Respondent that the Commissioner intends to issue an order requiring Respondent to **CEASE AND DESIST** from violating subdivision (1) of Section 36a-556(a) and subdivision (1) of Section 36a-558(c) of the Connecticut General Statutes, including, but not limited to, enforcing such loans by any means, and from violating Section 36a-17(e) of the 2022 Supplement to the General Statutes, and impose a **CIVIL PENALTY** upon Respondent as set forth herein, subject to Respondent's right to a hearing on the allegations set forth above.

A hearing will be granted to Respondent if a written request for a hearing is received by the Department of Banking, Consumer Credit Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 or submitted by e-mail to DOB.hearingsupport@ct.gov within fourteen (14) days following Respondent's receipt of this Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing as set forth in subdivisions (a) and (c) of Section 36a-50(a) of the 2022 Supplement to the General Statutes, and subdivisions (a) and (b) of Section 36a-52 of the 2022 Supplement to the General Statutes. This Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing shall be deemed received on the earlier of the date of actual receipt, or seven (7) days after mailing or sending. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to one of the above-referenced addresses. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". Respondent may request that the hearing be held in person at the Department's offices or remotely via videoconference using Microsoft Teams. Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the Connecticut General Statutes and Section 36a-1-21 of the Regulations of Connecticut State Agencies. If a hearing is requested, the hearing will be held either in person or remotely via videoconference using Microsoft Teams on November 16, 2022, at 10 a.m.

If a hearing is requested, it will be held in accordance with the provisions of Chapter 54 of the Connecticut General Statutes, unless Respondent fails to appear at the requested hearing. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner. If the hearing is remote, it will be held in accordance with Section 149 of June Special Session Public Act 21-2, as amended by Section 1 of

Public Act 22-3, and the Remote Hearing Guidelines available on the Department's website at <https://portal.ct.gov/dob>.

If Respondent does not request a hearing within the time prescribed or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Order to Make Restitution shall remain in effect and become permanent, and the Commissioner will issue an order that Respondent cease and desist from violating subdivision (1) of Section 36a-556(a) and subdivision (1) of Section 36a-558(e) of the Connecticut General Statutes, including, but not limited to, enforcing such loans by any means, and Section 36a-17(e) of the 2022 Supplement to the General Statutes, and may order a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation be imposed upon Respondent.

So ordered at Hartford, Connecticut
this 16th day of September 2022.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 16th day of September 2022, I caused to be mailed by certified mail, return receipt requested, the foregoing Temporary Order to Cease and Desist, Order to Make Restitution, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing to Legal Funding, LLC d/b/a Crash Advance, 64 Thompson Street, Suite A101, East Haven, Connecticut 06513, Certified Mail No. 7016 2710 0000 5896 9377.

_____/s/_____
Carmen M. Calderon
Secretary 2