

Randy Dyer  
July, 1999

SUMMARY OF TESTIMONY OF  
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IN SUPPORT OF SB 818  
THE STRUCTURED SETTLEMENT PROTECTION ACT

**Nature and Purpose of Structured Settlements**

- Structured settlements are negotiated settlements of physical injury claims and workers' compensation claims, under which part of the compensation payable to the injury victim takes the form of deferred payments tailored to meet the injury victim's future needs. Under a structured settlement —
  - ◊ Payments to the injury victim can be structured for a fixed period or for a lifetime; payments can include both recurring annuity-type payments (often on a monthly basis) and scheduled future lump-sum payments timed to meet predicted needs or simply to provide for contingencies.
  - ◊ Payments normally are funded through an annuity contract issued by a highly rated life insurance company, or are supported by a trust containing federally backed obligations such as Treasury bonds.
  - ◊ If the settlement complies with applicable federal tax rules, all of the payments, including amounts attributable to earnings under the annuity contract, are tax-free.
  - ◊ The federal tax rules dictate that payments under a structured settlement be fixed at the outset and that they not be subject to acceleration.
  - ◊ The tax rules also require that the settlement recipient have no ownership or control of the annuity contract or the rights to receive payments under the annuity contract; accordingly, the settlement recipient is designated as the "payee" and the "annuitant," but ownership of the annuity contract is always vested in another party, typically an insurance company or insurance company affiliate, which serves as a kind of stakeholder.
- Structured settlements are negotiated at arm's length between the parties to the underlying tort or workers' compensation claim, any liability insurer that is involved, and their counsel, generally with the assistance of a licensed structured settlement broker and often with guidance from financial planners, life care planners, or other specialists.
- Surveys conducted by Insurance Services Office Inc., an independent data collection agency, confirm that structured settlements account for only a fraction of all closed insurance claims, typically larger claims involving "major injuries." ISO's 1997 Closed Claim Survey for Commercial General Liability Insurance shows that of 1,763 claims covered by the survey, 12.2% were settled using structured settlements. The average payment for claims settled through structured settlements was 62% larger than the average of all claims settled without structures. Even for claims settled through structured settlements, however, the ISO survey shows that the cost of annuity

contracts (*i.e.*, the structured portion of the settlements) represented only 48% of the total amount paid. The remainder of the settlement took the form of up-front cash payments.

### **Structured Settlements Serve Strong Public Policy Objectives**

- Long-term financial protection for injury victims and their families.
- Protection against loss or premature dissipation of lump sum recoveries.
- Avoiding shift of responsibility for victims' care to public assistance programs.
- As explained by U.S. Treasury Department:

*Congress enacted favorable tax rules intended to encourage the use of structured settlements — and conditioned such tax treatment on the injured person's inability to accelerate . . . the periodic payments — because recipients of structured settlements are less likely than recipients of lump sum awards to consume their awards too quickly and require public assistance.*

### **What Are Factoring Transactions and How Do They Work?**

- A factoring transaction is a financing, under which a structured settlement recipient sells (or sometimes borrows against) future structured settlement payments in exchange for a discounted lump-sum payment from the factoring company
- Factoring companies advertise intensively. During the first nine months of 1997, J.G. Wentworth, the largest factoring company, ran 56,000 television commercials promoting its structured settlement buy-outs. Other factoring companies have employed celebrities like F. Lee Bailey and Judge Wapner to promote their services. Some factoring companies also make heavy use of independent "brokers" who seek out structured settlement recipients and bring them to factoring companies for a negotiated fee.
- Factoring companies use sophisticated telemarketing techniques. J.G. Wentworth runs a telemarketing call center in New Jersey with 200 workstations; the call center operates 24 hours a day, six days a week.
- Because, for tax reasons, the terms of structured settlements almost always prohibit any transfer of future payments, factoring companies generally try to arrange their purchases so that they do not alert the annuity issuers and other settlement parties that payments have been transferred. When it buys future payments from a settlement recipient, a factoring company typically requires the settlement recipient (i) to direct the annuity issuer to begin sending the payments to a post office box or other address that is under the control of the factoring company (but not identified with the factoring company); (ii) to grant the factoring company an irrevocable power of attorney to endorse payment checks and sign other documents pertaining to the structured settlement; and (iii) to provide specimen signatures to be used by the factoring company in creating a stamp of the settlement recipient's signature.

## Growth of Structured Settlement Factoring

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- Between mid-1995, when it began factoring structured settlements, and January 1999, J.G. Wentworth purchased payments totaling approximately \$370 million under some 7,700 structured settlements. In other words, Wentworth has bought up, at sharp discounts, \$370 million of future payments that would otherwise be made to victims of serious personal injuries. (Comparable figures are not available for other factoring companies, because their transactions are not reported.)
- While Wentworth is apparently the largest factoring company, it has many competitors, including some which are growing exponentially. Between March of 1997 and September of 1998, Peachtree Settlement Funding of Norcross, Georgia reportedly grew from a single employee to 82 employees.

## Factoring of Structured Settlement Payments Undermines These Public Policy Objectives, Harms Settlement Recipients and Insurers and Jeopardizes Structured Settlements for the Future

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- Factoring companies persuade injury victims to cash out their future payments at sharp discounts. These transactions --
  - ◇ Deprive injury victims and their families of the long-term financial security their settlements are designed to provide.
  - ◇ Often involve discounts corresponding to 30, 40 or even 50% interest per year. For the five cases whose factoring transactions are profiled in the U.S. News & World Report article, *Settling for Less*, the discounts equate to mortgage-equivalent annual interest rates of 26.2%, 26.8%, 40.5%, 43.1% per year. In ruling in four garnishment cases arising from structured settlement factoring transactions, a court in Kentucky recently found that the returns to the factoring company ranged from 36% to 68% per year.
  - ◇ Create risks of adverse federal income tax consequences for the parties to structured settlements. Testifying before a Subcommittee of the House Ways and Means Committee on March 18, Joseph Mikrut, Tax Legislative Counsel to the U.S. Treasury Department, told the subcommittee that "present law is unclear" concerning the tax impact of factoring transactions on the original parties to a structured settlement. In a written statement submitted for the same hearing, Representative Clay Shaw (R-Fla.), a member of the Ways and Means Committee, testified that factoring transactions —  
  
*[C]reate the risk that the special tax treatment accorded the original structured settlement no longer applies after a sale. Thus, the uncertainty caused by factoring transactions may hinder the use of structured settlements.*
  - ◇ Create risks of double liability for the insurance company parties to structured settlements, who may be required to pay both the factoring company and the injury victim. In one case arising from a factoring company's purchase of payments under

a workers' compensation settlement — in violation of the Florida Workers' Compensation Act — the workers' compensation insurer, having made payments to the factoring company, was later ordered by a Florida court to make the same payments to the claimant. Similar claims are being made in other cases.

- ◇ Entangle insurers (and the courts) in hundreds of garnishment proceedings arising from judgments, most often confessed judgments and default judgments, obtained by factoring companies against their own customers. Court dockets show that —

**J.G. Wentworth** has entered more than 400 confessed judgments against structured settlement recipients in state court in Pennsylvania since September, 1996.

**Windsor-Thomas** has filed at least 153 lawsuits against its customers in state court in Florida since October, 1995.

**Settlement Capital** has filed at least 70 lawsuits against its customers in state court in Texas since June, 1994.

**Settlement Funding (a/k/a Peachtree)** has filed 38 lawsuits against its customers in state court in New Jersey since September, 1998.

Except for the most recently filed cases, nearly all of these lawsuits have led to garnishment proceedings, sometimes multiple proceedings, involving the insurers as garnishees.

- ◇ Discourage continued use of structured settlements and thwart the central objective of structured settlements. As explained in the April 18 testimony of Treasury Tax Legislative Counsel Mikrut —

*[T]he factoring transaction undermines the purpose of the special favorable tax rules applicable to structured settlements. In fact, the combination of existing statutory requirements and the willingness of certain companies to ignore those requirements (but to exact heavy discounts in so doing) leaves injured persons potentially more vulnerable than before the enactment of the 1983 changes [which codified the favorable tax rules].*

### **How the Structured Settlement Protection Act Would Work**

- The Model Act would protect the parties to existing structured settlements, and vindicate the long-standing public policies that favor structured settlements, by requiring advance court approval for all factoring transactions. In order to approve a factoring transaction the court would have to find that —
  - ◇ The factoring transaction complies with the Act itself and will not violate other applicable law.
  - ◇ The transfer is necessary to enable the settlement recipient or his or her dependents to avoid imminent financial hardship.

- ◇ The key economic terms of the proposed transfer have been disclosed, so that the settlement recipient can compare the net amount he or she will receive with the present value of the payments to be transferred.
- ◇ The settlement recipient has received independent professional advice concerning the transfer.
- ◇ If the factoring transaction would violate effective anti-assignment provisions or other terms of the structured settlement, all of the affected parties to the settlement have consented (except that if there has been a favorable determination concerning the tax implications of factoring transactions for the insurers that are parties to structured settlements, the consents of the insurers will not be required).

### Support for the Structured Settlement Protection Act

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- Supporters of the Structured Settlement Protection Act include the National Spinal Cord Injury Association, the National Organization on Disability, the Paralyzed Veterans of America, the Consumer Federation of America, the American Insurance Association, the Alliance of American Insurers, and the American Council of Life Insurers (as well as the National Structured Settlements Trade Association).
- Legislation corresponding to the Model Act has received the active support of the State Attorneys General and the State trial lawyers' organizations (among other groups) in Kentucky, Minnesota, Maine, Delaware and North Carolina, among other states.

### Status of Other Structured Settlement Protection Legislation

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- The National Structured Settlements Trade Association developed the Model Structured Settlement Protection Act. Statutes based on the same model have been enacted in Kentucky, Maine, Minnesota, Virginia, Missouri and West Virginia, and bills similar to the Model Act are currently under consideration in at least a dozen more states. Statutes for the same purpose have been enacted in Connecticut, Georgia and Illinois.
- At the federal level, a broad bi-partisan group representing a majority of the members of the House Ways and Means Committee has introduced a federal "Structured Settlement Protection Act," H.R. 263. An identical bill, S. 1045 has been introduced by a bi-partisan group of the members of the Senate Finance Committee. Both Acts are based on proposals made by the Treasury Department, which would require factoring companies to pay a punitive excise tax on structured settlement factoring transactions, except in court-approved hardship cases. H.R. 263 and S. 1045 would also resolve the current uncertainties regarding the tax implications of factoring transactions for the original parties to structured settlements.
- The Model Act and the Federal bills are complementary. Enactment of the Federal measures will not eliminate the need for structured settlement protection legislation in Pennsylvania. State legislation will still be needed because, under the Federal bills, state courts will be asked to make hardship determinations. The Model Act will provide a simple, tested framework for courts to use in making those determinations.



# News You Can Use

## Settling for less

*Should accident victims sell their monthly payouts?*

BY MARGARET MANNIX

**O**rlan Olson has had his share of hard knocks. When he was 3 years old, a dog bite caused him vision and neurological problems, as well as injuries requiring plastic surgery. In his teens, he dropped out of high school and wound up homeless. But he had hope. On his 18th birthday, the Minneapolis man was to start receiving the first of five periodic payments totaling \$75,000 from a lawsuit stemming from the dog attack. He received the first installment of \$7,500, but the money didn't last long.

So when Olson saw a television ad for a finance company named J. G. Wentworth & Co. that provided cash to accident victims, he saw a way to get his life back on track. He agreed to sell his remaining future payments of \$67,500 to Wentworth for a lump sum of \$16,100. "I needed money," says Olson, now 20 years old. "If I could get the money out like they were saying on TV, I wouldn't have to worry about being on the street anymore." Within six months, however, Olson had spent all the money and was living in a car. He now wishes he had waited for his regular payments.

Olson may be financially unsophisticated, but he is also caught up in a burgeoning, and unregulated, new industry that specializes in converting periodic payments into fast cash. Also known as factoring companies, these firms can be a godsend to accident victims, lottery winners,



**JERRY MAGEE** Mississippi accident victim sold his payments for quick cash. Today he has only regrets.

and others who have guaranteed future incomes but need immediate funds. But like a modern-day Esau trading his inheritance for a bowl of soup, the unwary consumer may be selling future sustenance for cheap. A growing number of federal and state legislators, as well as several attorneys general, contend that factoring companies charge usurious interest rates,

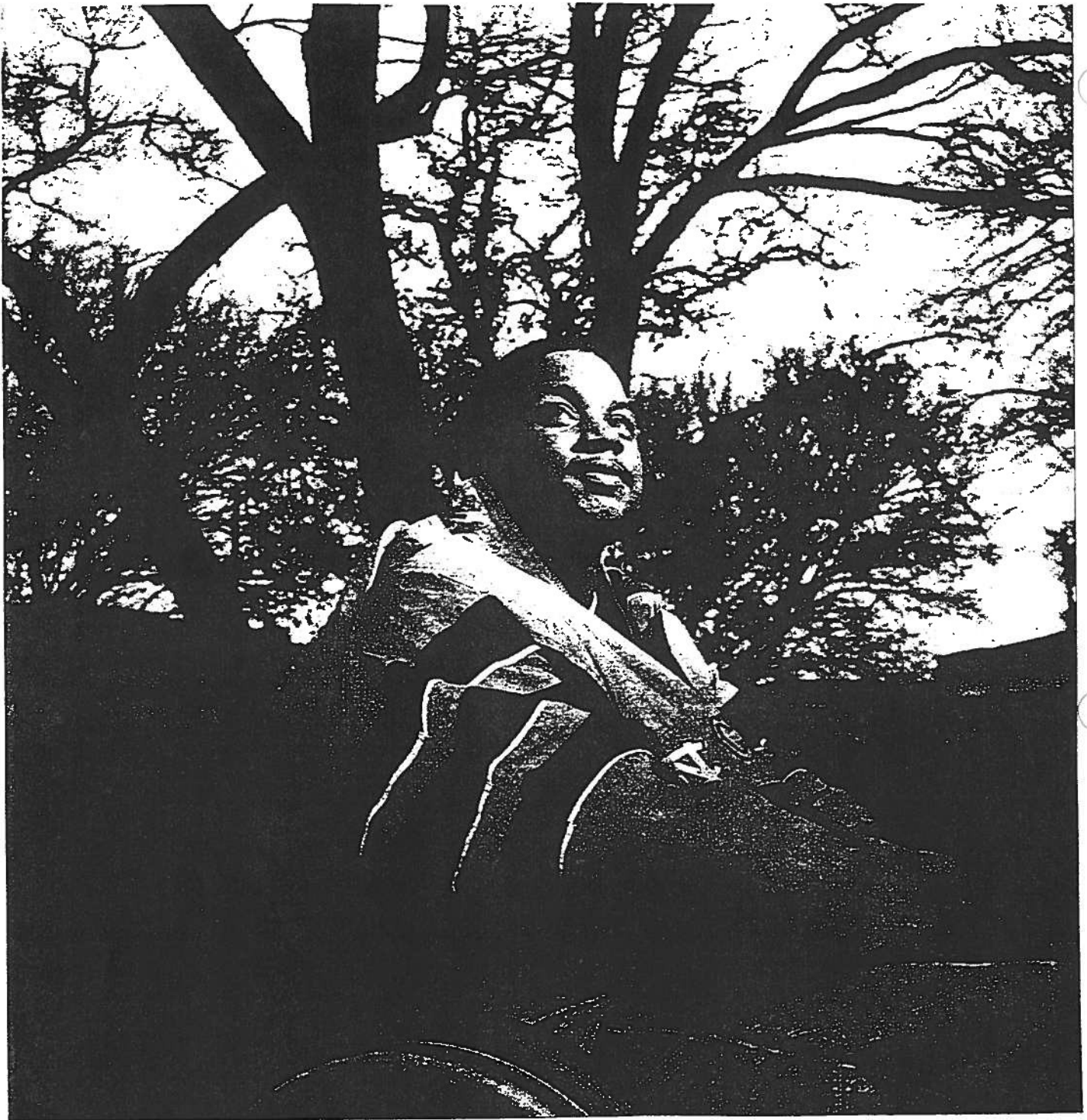
fail to properly disclose terms, and take advantage of desperate people. "It's unconscionable," says Minnesota Attorney General Mike Hatch. "They are really preying upon the vulnerable."

**Frittering away.** Critics further allege that factoring companies undermine the very law that Congress passed to help beneficiaries of large damage awards. In 1982, seeking to prevent accident victims from frittering away large sums intended to provide for them over their lifetimes, Congress instituted tax breaks for those who agreed to receive their money over a period of years. But now, contends Montana Sen. Max Baucus, a sponsor of that legislation, the careful planning that goes into the structuring of these payments "can be unraveled in an instant by a factoring company offering quick cash at a steep discount."

A number of advanced-funding companies compete for their share of future payments that include more than \$5 billion in structured settlements awarded each year. The largest buyer is Wentworth, handling an estimated half of all such transactions. Based in Philadelphia, the firm began by financing nursing homes and long-term-care facilities. In 1992 it started buying

PHOTOGRAPHY BY

THOMAS W. BROENING FOR USN&WR



**CHRISTOPHER HICKS** Wentworth sued the Oklahoma man for the entire amount of his payments. "They make you think you are doing the right thing . . ., but you are really messing up your life."

settlements that auto-accident victims were owed by the state of New Jersey. Since then, Wentworth has completed more than 15,000 structured-settlement transactions with an approximate total value of \$370 million.

The deals work like this: A structured-settlement recipient who wants to sell, say, \$50,000 in future payments, will not

get a lump sum of \$50,000. That's because, as a result of inflation, money scheduled to be paid years from now is worth less today. Formulas based on such factors as inflation and the date that payments begin are used to determine the "present value" of the future payments. The seller is, in essence, borrowing a lump sum that is paid back with the in-

surance company payments. The interest on the borrowed sum is called the "discount rate."

Wentworth and other advanced-funding companies say they are providing a valuable service because structured settlements have a basic flaw: They are not flexible. Consumer needs change, they note, and a fixed monthly payment does not. Wentworth points to an Ohio woman who sold the company a \$500 portion of her monthly payments for six years when her bills were piling up and her home mortgage was about to be foreclosed. She re-



ceived instant cash of \$21,000, at a discount rate of 15.8 percent. The customer, who did not wish to be identified, says she is grateful to Wentworth for advancing her the money when her insurance company would not. "The insurance companies just don't understand," she says. "When I needed their help, they were not there." Likewise, a New York quadriplegic, who also did not want to be named, says he secured funds from Wentworth at a 12 percent discount rate to expand his own business and, as a result, is more successful than ever. "It was definitely worth it for me," he says.

But other customers are not as satisfied. New York City resident Raymond White lost part of one leg when he was struck by a subway train in 1990. A lawsuit led to a settlement that guaranteed White a monthly payment of \$1,100, with annual cost-of-living increases of 3 percent. In 1996, White, who did not have a job, wanted cash to buy a car and pay medical bills. So he turned to Went-

13-page contract or in the 25 other documents Wentworth required him to sign. Wentworth says it has been revising its documents to make them easier to understand.

**Change of address.** While the factoring transaction itself is complex, the transfer of payments is simple. The structured settlement recipient instructs the insurance company to change his or her address to that of the factoring company. The check remains in the recipient's name, and the factoring company uses a power of attorney, granted by the recipient, to cash it.

This roundabout method is used because insurance companies say structured payments should not be sold. Most settlement contracts

**RAYMOND WHITE** After losing a leg in a subway accident, the New Yorker was guaranteed \$1,100 every month. He gave up future payments totaling \$198,000 in exchange for \$54,000.

worth, selling portions of his monthly payments for the next 15 years in six different transactions.

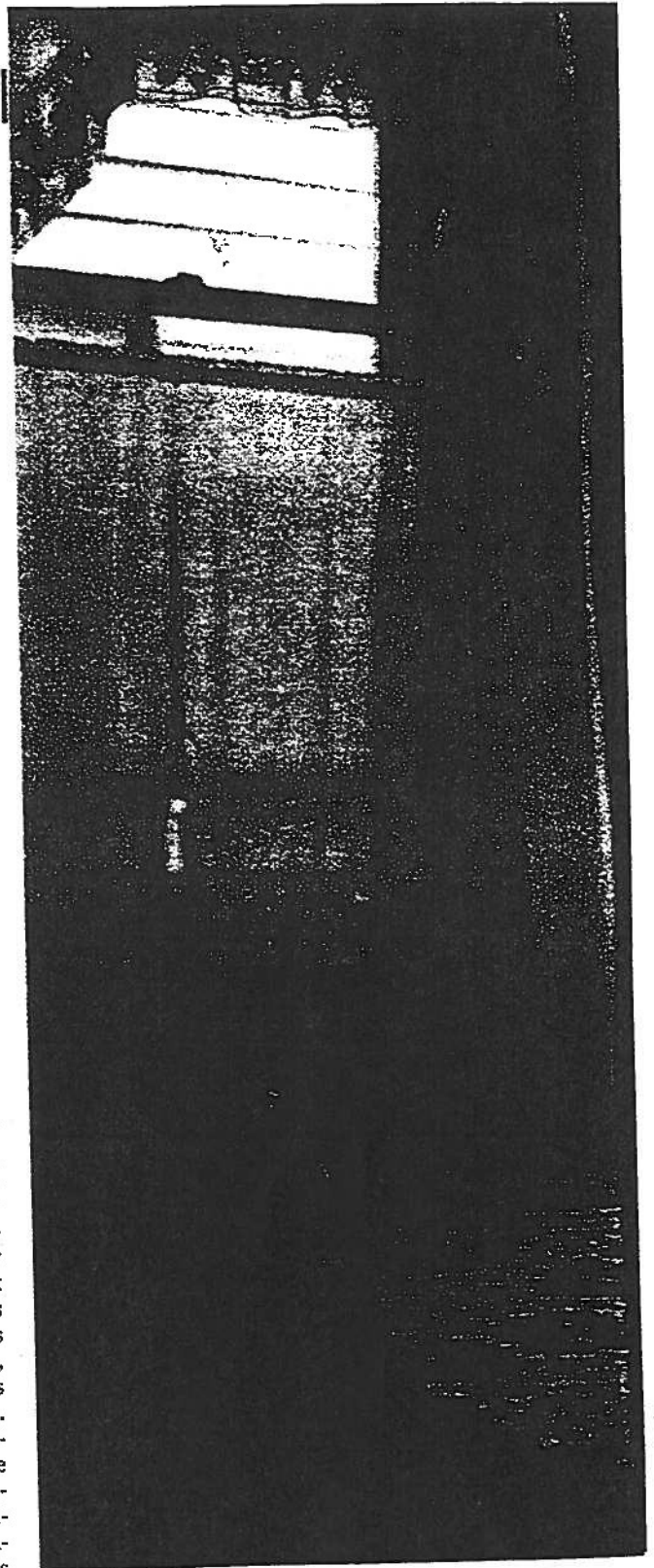
Altogether White gave up future payments totaling \$198,000. He received a total of \$54,000 in return, but the money, which he used for living expenses, is now gone. He bought a car, but it has been repossessed. He bought a plot of land in Florida, but lost it to foreclosure. With debts mounting, he now relies partially on public assistance to get by. "Unfortunately I was so overwhelmed with debt and striving for a better life that I went along with it," says White. "In reality, what I was doing was accumulating more debt for myself."

Some Wentworth customers say they might have realized the repercussions of their transactions had the contracts been clearer about the long-term costs. Jerry Magee of Magnolia, Miss., who has filed a class action suit against the company, is one of them. In a mortgage contract, for instance, lending laws require that consumers see their interest rate and the total amount of money they will be paying over the life of the loan. By contrast, Magee's lawyer says, neither the effective interest rate nor the total amount of the transaction was clearly spelled out in the

specify that payments cannot be "assigned," and the Internal Revenue Service says that payments "cannot be accelerated, deferred, increased or decreased." Selling payments, the insurance companies say, amounts to accelerating them. And that may threaten the claimant's tax break. Insurance companies say that if their annuitants start selling their payments, the social good that justifies the tax break disappears. Ironically, they make this argument even though some insurance companies themselves are now making counteroffers to factoring companies, accelerating payments to their own claimants. Berkshire Hathaway Life Insurance Co., for example, recently offered a claimant a lump sum of \$59,000, beating Wentworth's offer of \$45,000. The IRS has not formally addressed the tax issues, but the U.S. Department of the Treasury has recommended a tax on factoring transactions to discourage them.

Insurance companies also worry about

having to pay twice. Last year, a judge ruled an insurance company was obligated to pay a workers' compensation recipient his monthly payments because the factoring transaction he entered into was invalid under Florida's workers' compensation statute. For their part, the factoring companies argue that even though the claimants do not own the annuities—



allows the factoring company to sue customers quickly for default when their payments are not received; customers also waive the right to defend themselves.

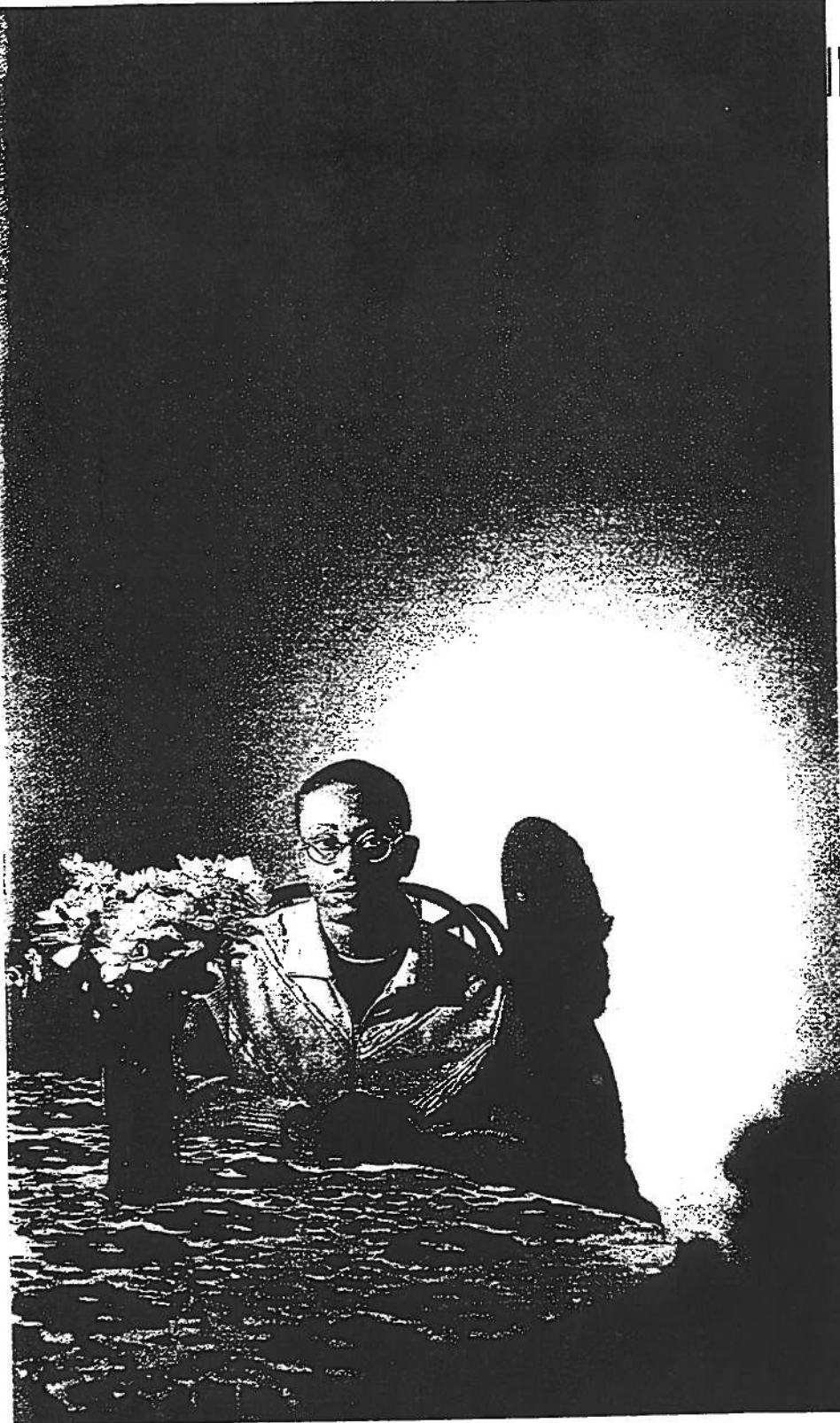
Christopher Hicks, a 20-year-old accident victim from Oklahoma City, learned the effects of that clause the hard way. In 1997, Hicks signed over to Wentworth half of his \$2,000 monthly payments for the next 32 months and \$1,500 for the 26 months after that. In exchange, Hicks received \$37,500, which he admits he quickly spent on furniture, clothes, and other items. When Wentworth failed to receive a check from the insurance company that pays Hicks the annuity, it secured a judgment against him for the *entire* amount of the deal—\$71,000.

**No clue.** To collect, Wentworth garnished Metropolitan Life, meaning that Metropolitan Life was supposed to start sending Hicks's monthly checks to Wentworth. It did not—the company won't say why—and Hicks, who was supposed to be getting \$1,000 back from Wentworth, was left with nothing. "When the money stopped, I had no clue what was going on," says Hicks, who had to rely on family and friends until the two companies settled their differences in court. Hicks now wishes he had never gotten involved with Wentworth. "They make you think you are doing the right thing in the long run," says Hicks, "but you are really messing up your life."

Wentworth makes liberal use of confession-of-judgment clauses even though they are illegal in consumer transactions in the company's home state of Pennsylvania. The Federal Trade Commission also bans the clauses as an unfair practice in consumer-credit transactions. The clauses *are* allowable in business transactions in Pennsylvania if they are accompanied by a statement of business purpose. So in each case Wentworth certifies that the agreements "were not entered into for family, personal, or household purposes."

Such language is used in affidavits despite cases like that of Davinia Willis, a 24-year-old resident of Richmond, Calif., who entered into a transaction with Wentworth in 1996 to stop her house from being foreclosed upon and to repair wheelchair ramps—clearly, she says, personal uses. In a class action lawsuit against the company, she cites the confession of judgment as one reason why the contract is "illegal, usurious, and unconscionable." Wentworth says the clauses are necessary to keep its customers from renegeing on their agreements.

In the end, the controversy over factoring companies comes down to a funda-



the insurance companies do—the factoring companies can buy the "right to receive" the payments.

Insurance companies are getting wise to these factoring deals—CNA, a Chicago-based insurer, noticed that annuitants from all over the country were changing their addresses to Wentworth's Philadelphia post office box—and some are trying

to stop the transactions. Some insurance companies, for example, refuse to honor change-of-address requests or redirect the payments back to the annuitant after the deal is done. But redirecting a payment can cause serious consequences for the claimant. In Wentworth's case, the company has each customer sign a clause called a "confession of judgment," which

mental disagreement over the definition of their business. The factoring companies say they are not subject to usury or consumer-credit disclosure laws because they are not, in fact, lenders. "We don't make loans," declares Andrew Hillman, Wentworth's general counsel. "We buy assets." But some state attorneys general say these transactions differ very little, if at all, from loans and perhaps should be classified as such. That way, says Shirley Sarna, chief of the New York attorney general's consumer fraud and protection bureau, the law could prevent factoring companies from charging discount rates that she says in some cases have exceeded 75 percent. Wentworth says its average rate is 16 percent, and several factoring companies insist their rates would be much lower if insurance companies did not make it expensive for them to complete the deals. "By getting the insurance companies to process the address changes, it would overnight transform our discount rates from high teens to the single digits," says Jeffrey Grieco, managing director of Stone Street Capital, an advanced-funding firm in Bethesda, Md.

Who is right and who is wrong is being hammered out in courtrooms and statehouses across the country. The insurance companies were heartened last summer when a Kentucky judge denied four of Wentworth's garnishment actions, saying the purchase agreements the customers signed were neither valid nor legal. But other courts have ruled differently.

In Illinois, a new state law says that structured settlements can be sold as long as a judge approves the transaction. Wentworth notes that more than 100 such sales have been approved. At the same time, several state attorneys general are examining the factoring industry's practices. "You have got to worry about people who have a debilitating injury," says Joseph Goldberg, senior deputy attorney general for Pennsylvania. "The injury is never going away and they have no real means of income and probably no means of employment. . . . If they give that monthly payment up, it could have serious consequences." Voicing similar concerns, disability groups like the National Spinal Cord Injury Association, which now refuses to accept factoring companies' ad-



**DAVINIA WILLIS** California woman sold her payments to prevent a home foreclosure. She is suing Wentworth claiming "illegal and usurious" terms.

vertisements in its magazine, are warning members about the hazards of cashing out. The association is "deeply concerned about the emergence of companies that purchase payments intended for disabled persons at a drastic discount," says its executive director, Thomas Countee.

While opinions are divided about the validity of factoring transactions, both sides agree that regulation of the secondary market is necessary. As in Illinois, Connecticut and Kentucky have passed laws requiring a judge's approval of advanced-funding deals, as well as fuller disclosure of costs. Faced with mounting criticism, Wentworth this week will announce its pledge to submit every re-

quest for purchase of a settlement to a court for approval. Other states are expected to address the issue this year, and in Congress, Rep. Clay Shaw, a Florida Republican, has reintroduced a measure that would tax

factoring transactions.

The factoring companies respond to all these efforts by also calling for better disclosure from the primary market—the insurance companies, attorneys, and brokers that set up the structured settlements in the first place. Factoring companies argue that structured settlements are not always as generous as they are represented to be. "We challenge insurance companies and their brokers to take the same pledge," said Michael Goodman, Wentworth's executive vice president.

Whatever the outcome of the debate, consumers thinking about selling their future payments are well advised to take a hard look at what they are getting into. ■



## DISCOUNTS CHARGED TO STRUCTURED SETTLEMENT RECIPIENTS IN FACTORING TRANSACTIONS

The accompanying table illustrates the discounts charged by factoring companies in a series of factoring transactions in which the settlement recipients have transferred or agreed to transfer future payments in exchange for immediate lump sums.

All of the transaction information in the table is taken from publicly available pleadings filed in federal and state courts in connection with confessions of judgment, garnishments, interpleader actions and other litigation arising from factoring transactions. Because factoring transactions are unregulated and are not publicly reported in any fashion, pleadings filed by factoring companies and other parties represent the best publicly available source of information about individual factoring transactions. The present values and the discount rate figures (i.e., the mortgage-equivalent rates and internal rates of return) have been computed by professional actuaries.

In most cases the factoring transactions listed in the table were completed. In a few cases the transactions have become the subject of litigation (e.g., declaratory judgment actions and proceedings for advance approval of factoring transactions under state statutes designed to protect structured settlements) prior to completion.

The material in the table can be illustrated by the following explanation of the factoring transaction entered into by payee Isaac Major: In early 1997, Major entered into a factoring agreement under which he agreed to sell 60 future structured settlement payments of \$730 per month. Thus, Major sold the factoring company future payments in the aggregate amount of 60 times \$730, or \$43,800. In exchange for these future payments, the factoring company, J.G. Wentworth, agreed to make an immediate lump sum payment of \$20,000. At the time of this transaction, the 60 future payments had a present value of \$36,521.58. (This was the value of the future payments as discounted back to the time of the transaction, using the "applicable federal rate" published by the Internal Revenue Service for purposes of determining the present value of future annuity payments.) The \$20,000 contract price represented 55% of the present value of the 60 future payments.

Expressed as an annual rate of interest, the discount charged by a factoring company can be presented in either of two related ways: (i) as a nominal or "mortgage-equivalent" annual rate computed in the same fashion as the nominal rate on a conventional mortgage loan (i.e., twelve times the monthly rate at which interest accrues and is paid), or (ii) as a "true" annual interest rate representing the factoring company's internal rate of return on its investment. For Major's factoring transaction the mortgage-equivalent rate was 35.0 percent (annually), and the internal rate of return on the factoring company's \$20,000 investment was 41.2 percent (annually).

In many cases the effective discount rate paid by a settlement recipient may exceed the rate set forth in the table, because a broker's commission, an attorney's fee or other transaction charge may have been deducted from the stated contract price in computing the amount actually paid to the settlement recipient. From the information available in court files NSSTA has no means of determining the amounts of these deductions.

For some payees who have entered into multiple factoring transactions the table includes data for two or more transactions. Some payees with transactions listed in the table may have entered into additional transactions that are not listed in the table, because the available court records do not clearly indicate the terms of those additional transactions.

DISCOUNTS CHARGED TO SETTLEMENT RECIPIENTS IN FACTORING TRANSACTIONS

Payee's Name and State(s) of Residence	Factored Payments		Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No. Interval					Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Adkins, June OH	\$25,000	1 12/98	6.8%	\$23,613	\$18,341.00	78%	36.2%	42.8%	Wentworth
	\$20,000.00	1 12/00	7.0%	\$37,976	\$23,052.12	61%	19.8%	21.7%	
	\$20,000.00	1 12/02							
	\$10,000.00	1 12/04							
Allen, Michael LO	\$618,24/mo.	37 9/01-9/04	7.8%	\$14,599	\$8,754.90	60%	16.2%	17.5%	Windsor-Thomas
Alsbrook, Anita KY	\$250/mo.	119 1/97-11/06	7.6%	\$21,081	\$7,795.04	37%	37.5%	44.6%	Wentworth
	\$200/mo.	120 12/06-11/16	7.6%	\$8,614	\$1,800.00	21%	19.3%	21.1%	
Andrews, Freeman AK	\$500.00/mo.	47 9/98-7/02	6.6%	\$20,794	\$15,250.00	78%	24.2%	27.1%	Peachtree
Arsenault, Ronald MA	\$800.00/mo.	36 5/97-4/00	7.8%	\$25,634	\$17,730.68	69%	33.8%	39.5%	Wentworth
Beam, Suzette LA	\$100,000.00	1 3/00	8.2%	\$79,796	\$47,024.24	59%	26.6%	30.1%	Wentworth
	\$350.00	30 9/97-2/00	7.6%	\$9,668	\$7,162.00	74%	36.9%	43.8%	
Becker, Donald IA, FL	\$2300/yr.	4 3/99-3/02	7.8%	\$7,326	\$4,319.81	59%	26.1%	29.5%	Western/Met. Mortgage
Becker, Holly UT	\$3,852.00	1 8/98	6.8%	7,238	\$9,863.10	53%	83.1%	128.3%	Wentworth
	\$3,852.00	1 8/99							
Berghman, Earle FL, NH	\$500.00/mo.	37 5/96-5/99	6.6%	\$37,209	\$25,500.25	69%	22.8%	25.3%	Wentworth
	\$25,000.00	1 5/99							
Blackmon, Jack VA	\$400.00/mo.	72 1/97-12/02	8.0%	\$22,777	\$12,192.55	54%	32.2%	37.4%	Wentworth
Blake, Fashion MD	\$10,000/yr.	3 8/98-8/00	7.6%	\$25,887.00	\$17,000.00	66%	29.6%	33.9%	Wentworth
	\$7,000/yr.	2 8/01-8/02	7.6%	\$10,171.00	\$4,232.00	42%	27.5%	31.7%	
	\$300/mo.	36 4/98-3/01	6.8%	\$12,833.00	\$8,507.50	66%	28.1%	32.0%	
	\$2,000/yr.	2 8/01-8/02							

Payee's Name and State(s) of Residence	Factored Payments			Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No.	Interval					Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Blankenship, Rebecca VA	\$309.51/mo.	118	12/97-9/07	7.6%	\$25,721	\$10,488.11	41%	32.6%	37.9%	Wentworth
Bolden, James CT	\$1,000/mo.	120	11/96-10/96	8.0%	\$82,897	\$55,000.00	66%	17.8%	19.3%	Settlement Capital/ Wentworth
	\$16,000.00	1	11/98	7.6%	\$43,837	\$24,980.00	57%	17.2%	18.6%	
	\$19,500.00	1	11/03							
Bourdovales, Ricky NJ	\$40,000.00	1	11/08							Wentworth
	\$400.00/mo.	36	11/97-10/00	7.6%	\$12,851	\$7,571.35	59%	46.3%	57.5%	
Bradbury, Paul ME	\$376.39/mo.	36	9/97-8/00	7.8%	\$12,092	\$7,200.00	60%	45.4%	56.2%	Wentworth
Bradshaw, George TX	\$710/mo.	36	1/03-12/05	6.8%	\$16,876.00	\$7,522.00	45%	19.6%	21.5%	Stone Street
Brewster, Sandra Silverman FL	\$3,951.18 semiannually (May & Nov.)	24	11/98-5/10	6.6%	\$57,090	\$23,895.18	42%	27.7%	31.5%	Wentworth
	\$1,075.59	1	11/10							
Brown, Burnell NJ	\$850.00/mo.	7	6/98-12/98	6.8%	\$9,747	\$6,400.00	66%	26.9%	30.5%	Wentworth
	\$5.00	1	1/99							
	\$6,000.00	1	7/04							
Brown, Roger VA	\$250,000.00	1	5/07	6.8%	\$197,207	\$59,400.00	43%	15.8%	17.0%	Singer
Brubaker, J. Clause CO	\$1,000.00/mo.	9	6/97-2/98	7.8%	\$93,389	\$23,884.27	70%	32.1%	37.3%	Wentworth
	\$1,100.00/mo.	26	3/98-4/00							
Byrd, Randy TN	\$756.65/mo.	60	6/96-5/01	8.0%	\$87,694	19,300.00	51%	41.7%	50.7%	Wentworth
Campbell, Richard NC	\$800.00/mo.	35	3/97-1/00	7.4%	\$25,125	\$19,200.00	76%	26.2%	29.6%	Wentworth
Carter, Rosae GA	\$500/mo.	120	8/98-7/08	8.0%	\$98,510.00	\$24,000.00	62%	17.1%	18.5%	R&P Capital Resources/ Stone Street

Payee's Name and State(s) of Residence	Factored Payments		Aggregate Amount of Factored Payments	Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No. Interval						Factorage-Internal Rate of Return <sup>4</sup> (Annual)	Equivalent Rate <sup>3</sup> (Annual)	
Castaneda, Angela CA	\$12,000	1	\$45,000.00	6.8%	\$38,447	\$28,300.00	74%	21.7%	24.0%	Wentworth
	\$12,000	1								
	\$7,000	1								
	\$7,000	1								
	\$7,000	1								
Chatreau, Michael CA	\$791/mo.	79	\$62,489.00	6.8%	\$50,191.00	\$32,639.94	65%	21.3%	23.5%	Stone Street
	\$1611/mo.	35	\$56,365.00	6.8%	\$50,893	\$37,000.00	73%	28.8%	32.9%	Wentworth
Cline, William R., Jr. NJ	\$500.00/mo.	36	\$18,000.00	8.0%	\$15,976	\$10,562.00	66%	37.5%	44.7%	Wentworth
	\$500.00/mo.	36								
	\$500.00/mo.	45								
	\$18,500.00	1								
Cook, Melissa CA	\$4,328.25/yr.	2	\$20,487.05	7.6%	\$16,379	\$9,000.00	55%	34.6%	40.6%	Wentworth
	\$4,616.80	1								
Cox, Thomas MD	\$7,213.75	1	\$55,000	7.4%	\$37,449	\$18,500	49%	22.3%	24.7%	Stone Street
	\$20,000	1								
Crawford, Jerry NY	\$35,000	1	\$360,000.00	7.6%	\$252,174.00	\$107,000.00	42%	30.8%	35.6%	Wentworth
	\$3,000/mo.	120								
	\$50,000	1								
	\$278/mo.	60								
	\$40,000	1								
	\$300/mo.	84								
	\$10,000	1								
	\$1,700.10/mo	2								
	\$1,868.36/mo.	12								
	\$2,021.66/mo.	12								
	\$1,823/mo.	12								
	\$2,132/mo.	12								
	\$2,240/mo.	6								
	\$2,315/mo.	6								
	\$2,500/mo.	12								
	\$2,250/mo.	8								
	\$3,000.54/mo.	4								
\$50,000	1									
	9/10									



Payee's Name and State(s) of Residence	Factored Payments		Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Aggregate Amount of Factored Payments	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No. Interval						Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Crossland, Kari MO	\$6,000/yr.	4 10/96-10/99	8.2%	\$54,000.00	\$40,006	\$20,400.00	51%	30.4%	36.0%	Settlement Capital/Wentworth
	\$7,500/yr.	4 10/00-10/03						30.4%	36.0%	
Davis, Alan VA	\$600.00/mo.	84 8/97-7/04	8.0%	\$50,400.00	\$38,722	\$32,500.00	84%	13.3%	14.1%	Wentworth
Davis, Eulyssees GA	\$400.00/mo.	120 12/97-11/07	7.4%	\$48,000.00	\$34,210	\$16,000.00	47%	28.1%	32.0%	Windsor-Thomas
Demore, Steve MA	\$1,500.00/mo.	35 4/97-2/00	7.6%	\$52,500.00	\$46,726	\$33,628.86	72%	29.8%	34.2%	Wentworth
Dosch, Nicole MN	\$4,422.43/yr.	10 8/98-3/07	8.2%	\$44,224.30	\$29,000	\$13,000	44%	29.4%	33.7%	Wentworth
Dowling, John MI	\$445.83/mo.	8 3/97-10/97	7.6%	\$68,414.00	\$46,958	\$22,000.00	47%	26.1%	29.4%	Wentworth
	\$463.12/mo.*	112 11/97-2/07						26.1%	29.4%	
	*Increasing 5% per year, compounded annually									
Duncan, Jamie OH	\$17,500.00	1 10/98	7.6%	\$17,500.00	\$15,451	\$10,088.00	65%	32.8%	38.2%	Wentworth
Edwards, Hosea AL	\$250/mo.	113 2/98-6/07	7.2%	\$28,250.00	\$20,612.00	\$12,850.00	62%	19.3%	21.1%	Stone Street
Fely, April HI	\$100.00/mo.	136 10/98-1/10	6.6%	\$13,600.00	\$9,628	\$4,513.00	47%	24.6%	27.6%	Peachtree
Flora, Antoine	\$8,000.00	1 8/98	7.2%	\$34,500.00	\$30,889	\$25,240.37	82%	20.4%	22.4%	Wentworth
	\$8,000.00	1 8/99						20.4%	22.4%	
	\$8,000.00	1 8/00						20.4%	22.4%	
	\$300.00/mo.	35 2/98-12/00						20.4%	22.4%	
Ford, James MD	\$259.65/mo.	85 4/97-4/04	7.8%	\$22,072.80	\$17,011.00	\$8,603.52	51%	31.9%	37.0%	Wentworth
Frost, Keith OH	\$9,590.00	1 10/98	7.2%	\$9,590.00	\$9,080	\$6,076.80	67%	59.5%	78.7%	Wentworth
Getchell, Wayne ME	\$800.00/mo.	109 3/98-3/07	7.2%	\$129,700.00	\$91,626	\$46,000.00	50%	23.6%	26.3%	Windsor-Thomas
	\$17,500.00	1 4/01						23.6%	26.3%	
	\$25,000.00	1 4/06						23.6%	26.3%	

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	Amount	No.							Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Gill, Sheila PA	\$450/mo.	156	4/98-3/01	\$70,200.00	6.8%	\$46,930	\$21,648.00	46%	23.5%	26.2%	Peachtree
Glover, Andrew CT	\$389.80/mo.	47	10/96-8/00	\$18,320.60	8.2%	\$15,561	\$9,446.02	61%	35.3%	41.6%	Wentworth
Grant, Julia L. NJ	\$10,000 \$3,000.00 \$29,000.00	1 1 1	8/97 8/98 8/04	\$10,000.00 \$3,000.00 \$29,000.00	7.6% 7.6%	\$9,498 \$20,097	\$6,709.46 \$7,507.00	71% 37%	58.1% 24.7%	76.3% 27.7%	Wentworth
Grieve, Alison VT	\$750.00/mo. \$3,500.00 \$4,500.00 \$5,000.00 \$510.00/mo.	120 1 1 1 180	10/97-9/97 6/99 6/02 6/05 3/94-2/14	\$103,000.00 \$104,800.00	7.6% 5.4%	\$72,504 \$73,056	\$41,800.00 \$39,862.00*	58% 55%	21.3% 16.4%	23.5% 17.7%	Singer Merrick Bank/Singer
Guthrie, Rick FL	\$563/mo.* *Life-contingent	120	5/96-4/06	\$69,960.00	7.0%	\$46,600	\$18,000.00	97.0%	37.0%	44.0%	Wentworth
Haynes, Doris MD	\$422.06/mo.	72	6/97-5/03	\$30,388.32	8.2%	\$24,059.00	\$13,302.00	55%	31.9%	37.0%	Wentworth
Hicks, Christopher OK	\$1,000/mo. \$1,500 mo.	32 26	5/97-12/99 1/00-2/02	\$71,500.00	7.8%	\$58,227	\$87,500.00	64%	26.2%	29.6%	Wentworth
Holland, Ralph DC/NC	\$198/mo. \$9,900	16 1	11/1/97-2/1/99 7/15/08	\$18,068.00	7.6%	\$7512	\$5165.89	69%	13.7%	14.6%	Wentworth
Holt, Juan VA	\$15,000.00 \$16,000.00 \$15,000.00 \$4,000.00 \$8,000.00 \$25,000.00	1 1 1 1 1 1	7/98 7/03 7/08 7/03 7/08 7/13	\$15,000.00 \$31,000.00 \$37,000.00	7.6% 7.6% 7.2%	\$13,989 \$17,280 \$14,969	\$10,000.00 \$5,000.00 \$2,866.49	71% 29% 19%	43.3% 24.5% 21.7%	53.0% 27.5% 24.0%	Wentworth
Howard, David KY	\$1,152.74/mo.	156	9/03-8/16	\$179,827.44	5.6%	\$99,945	\$26,212.95	26%	19.6%	21.5%	Stone Street

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	Amount	No. Interval						Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Hughes, Todd J. NJ	\$8,000.00	1	\$26,000.00	6.8%	\$23,735	\$16,500.00	70%	34.0%	39.8%	Wentworth
	\$18,000.00	1						39.5%	47.5%	
Isemann-Cokas, Margaret NJ	\$500.00/mo.	36	\$18,000.00	8.0%	\$16,077	\$10,637.00	66%	37.0%	43.9%	Wentworth
	\$500.00/mo.	36						18.80%	20.5%	
James, Frank MD	\$500/mo.	87	\$43,000.00	7.8%	\$32,931.00	\$23,500.00	70%	12.8%	13.6%	Singer/ Mutual Bancorp
Johnson, Richard/Pamela CA	\$2,808.48/mo*	172	\$769,217.21	6.8%	\$478,157	\$322,816	68%	33.6%	39.3%	Wentworth
	\$60,000.00	1						32.5%	37.8%	
	\$105,943.97	1						27.7%	31.5%	
	*Increasing 3%, compounded annually							28.7%	32.8%	
Jones Steven R. VA	\$351.00/mo.	60	\$21,060.00	6.8%	\$17,851	\$10,000.00	56%	30.8%	35.6%	Wentworth
Jones, Cynthia	\$543.73/mo.	48	\$26,099.04	7.8%	\$22,475	14,508.00	65%	32.8%	37.8%	Wentworth
	\$360.00/mo.	60						33.6%	39.3%	
Jones, Richard MO	\$1,000.00/mo.	120	\$120,000.00	7.8%	\$84,143	\$39,311.34	47%	33.6%	39.3%	Wentworth
Jones, Sylvia	\$543.73/mo.	36	\$39,074.28	8.2%	\$30,080	16,746.00	56%	33.6%	39.3%	Wentworth
	\$325.00/mo.	60						32.5%	37.8%	
Jones, Vann TN	\$200.00/mo.	120	\$24,000.00	8.0%	\$16,685	\$9,100.00	55%	23.6%	26.3%	Singer
	\$100.00/mo.	115						23.1%	25.7%	
	\$300.00/mo.	15						23.1%	26.3%	
	\$5,000.00	1						35.0%	41.2%	
	\$14,000.00	1						19.5%	21.4%	
Kekuewa, Burgundy HI	\$20,000/yr.	2	\$40,000.00	6.6%	\$36,167	\$23,500.00	65%	35.0%	41.2%	Wentworth
	\$10,000	1	\$55,000.00	8.2%	\$21,579	\$5,500.00	30%	22.2%	24.6%	Windsor-Thomas
	\$20,000	1						28.9%	33.1%	
	\$25,000	1						28.9%	33.1%	
Keller, Michael WI	\$500.00/mo.	94	\$47,000.00	7.2%	\$36,248	\$22,412.00	62%	22.2%	24.6%	Windsor-Thomas
Kidwell, Michael OH	\$55.00.00	1	\$55,000.00	7.6%	\$45,963	\$27,282.00	59%	28.9%	33.1%	Wentworth

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	Amount	No.							Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Kim, Patricia NY, VA	\$9,486.35	1	11/97	\$9,486.35	7.6%	\$8,845	\$5,500.00	62%	58.4%	76.9%	Wentworth
Kirven, Vicki NM	\$500.00/mo.	60	9/98-8/03	\$30,000.00	6.6%	\$25,684	\$16,936.00	66%	25.8%	29.1%	Peachtree
Kruse, Dawn SD	\$5,000.00 \$5,000.00 \$16,850.00 \$16,850.00	1 1 1 1	8/98 8/99 8/01 8/03	\$43,700.00	7.6%	\$32,702	\$18,590.00	57%	23.3%	25.9%	Singer
Lake, Ronald LO, NJ	\$375.00/mo. \$50,000.00	49 1	9/97-9/01 10/01	\$6,375.00	8.0%	\$51,507	\$34,625.00	67%	19.0%	20.8%	Wentworth
Lambert, Kurt ME	\$221.00/mo. \$28,000.00	36 1	2/98-1/01 1/01	\$35,956.00	7.2%	\$29,808	\$20,000.00	67%	22.3%	24.7%	Windsor-Thomas
Lark, Manisha IL	\$58,333.33 \$58,333.33	1 1	9/00 9/08	\$116,666.66	8.2%	\$68,865	\$40,121.00	58%	17.9%	19.5%	Singer
Levdo, Edna NJ	\$500.00/mo. \$300.00/mo. \$500.00/mo.	120 110 120	7/96-6/06 5/97-6/06 7/06-6/16	\$60,000.00 \$98,000.00	8.0% 7.8%	\$41,597 \$44,782	\$20,250.00 \$19,617.00	49% 44%	27.3% 19.5%	31.0% 21.3%	Wentworth
Lewis, Kenneth MA	\$175.00/mo. \$400.00/mo. \$900.00/mo.	104 120 106	11/97-6/06 7/06-6/16 7/16-4/25	\$161,600.00	7.6%	\$49,121	\$10,000.00	20%	24.5%	27.5%	Wentworth
Lorah, Wade VA, NC	\$700.00/mo.	28	9/96-12/98	\$19,600.00	8.2%	\$17,789	\$13,250.00	74%	33.8%	39.6%	Wentworth
Lovin, Kenneth VA	\$11,000.00 \$11,000.00 \$64,400.00	1 1 1	7/97 7/98 7/98	\$86,400.00	8.0%	\$76,269	\$55,343.00	73%	28.0%	31.9%	Wentworth
Lynch, James KA	\$1,000/mo. \$5,000 \$25,000	111 1 1	6/96-8/05 10/96 10/01	\$141,000.00	7.6%	\$102,029	\$59,500.00	68%	22.0%	24.3%	Wentworth
	\$250.00/mo. \$15,000.00 \$25,000.00 \$40,000.00 \$50,000.00 \$85,000.00 \$124,000.00	116 1 1 1 1 1 1	10/95-5/05 6/00 6/05 6/10 6/15 6/20 6/25	\$368,000.00	7.6%	\$97,324	\$31,650.00	33%	17.6%	19.1%	Windsor-Thomas

Payee's Name and State(s) of Residence	Factored Payments			Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No.	Interval					Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Machera, Patrick NY	\$210/mo.	119	7/98-5/08	7.0%	\$24,990.00	\$8,690.00	47%	26.9%	30.5%	Wentworth
Mackey, Tonya MI	\$478.73/mo.	36	3/97-2/00	7.6%	\$17,234.28	9,937.13	64%	40.3%	48.6%	Wentworth
Magee, Jerry MS	\$400.00/mo.	48	9/97-8/01	8.0%	\$19,200.00	\$9,125.00	56%	40.5%	48.9%	Wentworth
Major, Isaac MI	\$730/mo.	60	8/97-2/02	7.4%	\$43,800.00	\$20,000	55%	35.0%	41.2%	Wentworth
Maloney, Kenneth CT	\$460.00/mo.	50	4/97-5/01	7.6%	\$23,000.00	\$14,229.00	73%	23.3%	26.0%	Singer
Mangum, Tonya NC	\$850/mo.	84	5/98-4/05	6.8%	\$29,400.00	\$13,756.00	59%	24.1%	26.9%	Peachtree
Marion, Crystal NY	\$500.00/mo. \$40,000.00	85 1	9/95-9/02 10/02	7.6%	\$82,500.00	\$34,632.00	60%	19%	20.8%	Windsor-Thomas
McCollum, Johnny ME	\$509.00/mo.	155	5/98-3/11	6.8%	\$77,500.00	\$28,000.00	54%	19.9%	21.8%	Windsor-Thomas
McCollum, Odessa NJ	\$425.00/mo.	36	8/95-7/99	8.2%	\$15,300.00	7,886.00	58%	51.6%	65.8%	Wentworth
Merryman, Charles	\$460.97/mo. \$5,000.00	101 1	11/98-3/07 3/02	5.4%	\$51,557.97	\$24,000.00	57%	21.6%	23.9%	Peachtree
Miraglio, Joseph NY	\$21,680.46 \$21,375.84 \$23,417.24 \$34,843.19 \$41,816.02 \$54,876.27	1 1 1 1 1 1	11/97 11/98 11/99 11/03 11/05 11/08	7.6%	\$198,009.02	\$80,000.00	64%	16.2%	17.5%	Stone Street
Molinaro, Michael WI	\$539.32/mo.	58	4/98-1/03	6.8%	\$31,280.56	\$18,000.00	68%	24.6%	27.6%	Wentworth
Mooradian, Terry NH	\$500.00/mo. \$246.05/mo.	60 56	9-96-8/01 2/97-9/01	8.2% 7.4%	\$30,000.00 \$13,778.80	\$14,012.00 \$8,156.00	57% 70%	34.5% 24.1%	40.5% 26.9%	Wentworth
Muntz, William PA	\$500.00/mo.	165	6/96-2/10	7.6%	\$82,500.00	\$30,343.00	59%	17.9%	19.4%	Singer

Payee's Name and State(s) of Residence	Factored Payments		Interval	Aggregate Amount of Factored Payments	Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by		Factoring Company
	Amount	No.							Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Nason, Wayne ME, NH	\$840.00/mo.	25	3/98-3/00	\$200,480.00	6.8%	\$130,102	\$71,000.00	55%	18.6%	20.3%	Windsor-Thomas
	\$840.00/mo.	122*	4/00-5/10						21.9%	24.2%	
	\$17,000.00	1	3/00						20.8%	22.9%	
*Life-contingent Payee's DOB is 8/21/59	\$25,000.00	1	3/05	\$63,650.00	7.6%	\$51,961	\$36,306.25	70%	21.9%	24.2%	Settlement Capital/Wentworth
	\$35,000.00	1	3/10						20.8%	22.9%	
	\$950/mo.	67	3/97-9/02						25.7%	29.0%	
Nunez, Adrainna CA	\$950/mo.	61	9/97-9/02	\$72,000.00	7.6%	\$48,096	\$35,283.25	73%	21.9%	24.2%	Wentworth
	\$2,000/mo.	36	7/96-6/99						25.7%	29.0%	
	\$2,000/mo.	24	7/99-6/01						21.0%	23.1%	
Olivas, Lupe CA	\$1,000/mo.	51	7/01-9/05	\$51,000.00	7.6%	\$31,341	\$13,600.00	43%	20.3%	22.3%	Wentworth
	\$20,000.00	1	5/99						59.4%	78.6%	
	\$1,000/mo.	120	9/96-8/06						23.9%	26.7%	
Parker, Patricia FL	\$845.00/qtr.	40	6/1/97-3/1/07	\$33,800.00	8.2%	\$21,971	\$11,392.00	52%	22.4%	24.8%	Wentworth
Pecoraro, Doris FL	\$274.34/mo.	77	5/97-9/03	\$21,124.18	7.8%	\$16,711	\$7,660.00	46%	39.4%	47.3%	Singer
Penn, Genia CA	\$903.36/mo.	84	10/98-9/05	\$75,882.24	6.2%	\$61,943	\$38,289.10	62%	22.6%	25.1%	Wentworth
Peters, John TN	\$425.79/mo.	10	6/97-3/98	\$88,891.62	7.8%	\$61,988	\$36,448.72	59%	26.1%	29.5%	Wentworth
	\$468.56/mo.	12	4/96-3/99						26.1%	29.5%	
	\$512.62/mo.	12	4/99-8/00						26.1%	29.5%	
Peterson, Dennis NM	\$558.00/mo.	12	4/00-3/01	\$88,891.62	7.8%	\$61,988	\$36,448.72	59%	26.1%	29.5%	Wentworth
	\$604.74/mo.	12	4/01-3/02						26.1%	29.5%	
	\$632.88/mo.	12	4/02-3/03						26.1%	29.5%	
Phelps, Kimberly MN	\$702.47/mo.	12	4/03-3/04	\$88,891.62	7.8%	\$61,988	\$36,448.72	59%	26.1%	29.5%	Wentworth
	\$753.54/mo.	12	4/04-3/05						26.1%	29.5%	
	\$33,600	1	3/00						26.1%	29.5%	

Payee's Name and State(s) of Residence	Factored Payments		Interval	Aggregate Amount of Factored Payments	Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No.							Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Pilato, James J. NJ	\$333.37/mo.	52	8/98-11/02	\$17,335.24	6.8%	\$15,003	\$12,000.00	80%	17.5%	19.0%	Wentworth
Pitre, Pablo FL	\$1,030/mo.	183	7/98-9/13	\$188,490.00	7.0%	\$116,955	\$52,653.00	45%	22.4%	24.9%	Peachtree
Presley, Rosemary GA	\$500.00/mo. \$6,749.87 \$8,297.73 \$12,765.03	201 1 1 1	10/95-6/12 8/97 1/00 1/05	\$128,312.63	7.6%	\$76,369	\$42,256.00	55%	18.4%	20.0%	Windsor-Thomas
Pridmore, Dean PA, MI, OH	\$2,370/mo.	87	12/96-2/04 <sup>5</sup>	\$206,190.00	8.0%	\$156,508	\$91,780.00	59%	25.4%	28.6%	Wentworth
Pridgen, Samuel NC	\$500/mo. \$10,000 \$15,000	47 1 1	4/97-2/01 3/98 3/01	\$48,500.00	7.8%	\$40,677	\$27,000.00	66%	27.4%	31.1%	Wentworth
Purdie, Henry AL	\$249.58/mo.	48	8/97-7/01	\$11,979.84	8.2%	\$10,174	\$5,850.00	87%	38.8%	46.5%	Wentworth
Ramos, Roberts NY	\$400/mo. \$500/mo. \$750/mo.	51 60 9	3/97-5/01 6/01-5/06 6/06-2/07	\$57,150.00	7.6%	\$39,162	\$19,600.00	50%	24.2%	27.1%	Wentworth
Reading, Deborah NY	\$173.43/mo.	60	9/98-8/03	\$10,405.80	6.8%	\$8,820	\$6,203.75	70%	22.1%	24.5%	Wentworth
Reed-Lopez, Mary Lou CA	\$1,150/mo.	35	4/97-2/00	\$40,250.00	7.6%	\$35,823	\$23,850.00	67%	35.5%	41.9%	Wentworth
Rich, Timothy TN	\$392.00/semi-mo.	100	10/97-11/15/01	\$39,200.00	7.6%	\$33,636	\$20,600.00	61%	34.3%	40.3%	Windsor-Thomas
Ricks, Eddie MD	\$350/mo. \$5,455.60 \$350/mo. \$12,500 \$20,000 \$350/mo.	60 1 60 1 1 41	4/96-3/01 9/96 4/01-3/06 9/99 9/4 4/06-8/09	\$21,000.00 \$26,455.60 \$46,850.00	6.6% 8.0% 8.2%	\$17,882.00 \$17,356.00 \$26,198.00	\$9,774.11 \$8,250.00 \$9,704.00	55% 48% 37%	34.7% 26.9% 24.2%	40.8% 30.5% 27.1%	Wentworth

Payee's Name and State(s) of Residence	Factored Payments		Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Aggregate Amount of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No. Interval					Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Roberts, Donald MS	\$801/mo.	60 11/95-10/00	7.6%	\$48,060.00	25,250.00	63%	28.9%	33.1%	Western/Met. Mortgage
Robinson, Clarence NJ	\$1,140.39/mo.	36 4/98-3/01	7.4%	\$41,064.04	\$24,093.37	67%	29.9%	34.4%	Wentworth
Romano-Jackman, Cheryl MN	\$556.10/mo.	23 9/97-7/99	7.8%	\$13,020.30	\$8,291.06	70%	36.7%	42.1%	Wentworth
Roper, Robert CA	\$460/mo	36 7/98-6/01	6.8%	\$16,560.00	\$10,541.23	70%	33.3%	38.9%	Wentworth
Ross, Eric CA	\$20,000 \$25,000 \$40,000 \$10,000	1 1 1 1 11/98 11/00 11/02 11/02	8.0% 7.2% 6.8%	\$45,000.00 \$40,000.00 \$10,000.00	\$23,556.00 \$10,685.95 \$3,400.00	63% 38% 46%	27.9% 26.9% 23.5%	31.7% 30.5% 26.2%	Wentworth
Rusyn, Matterson OH	\$416.67/Mo.	127 7/98-1/09	6.8%	\$52,917.09	\$24,121.00	65%	15.8%	17.0%	Singer
Savage, Mable NY	\$100,000.00 \$200,000.00	1 1 4/00 4/05	7.4%	\$300,000.00	\$132,000.00	66%	15.5%	16.6%	Singer/ Mutual Bancorp
Schwartz, Stephen CA, TX	\$644.00/mo.	135 7/97-9/08	8.0%	\$66,940.00	\$40,360.00	69%	16.1%	17.3%	Stone Street
Seng, William NY	\$645/mo.	144 5/97-4/09	7.8%	\$78,480.00	\$32,350.00	63%	17.3%	18.7%	Stone Street
Severson, Peter WI IL	\$17,720.00 \$22,720.00 \$27,720.00	1 1 1 3/00 3/05 3/10	7.6%	\$68,160.00	\$13,700.00	40%	18.6%	20.3%	Windsor-Thomas



Payee's Name and State(s) of Residence	Factored Payments		Aggregate Amount of Factored Payments	Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No. Interval						Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Shade, Clarenca NJ	\$1,650.00	1 8/98	\$32,800.00	7.4%	\$21,392	\$6,550.00	31%	31.9%	37.0%	Wentworth
	\$1,650.00	1 12/98								
	\$1,650.00	1 8/99								
	\$1,650.00	1 12/99								
	\$1,650.00	1 8/00								
	\$1,650.00	1 12/00								
	\$1,650.00	1 8/01								
	\$1,650.00	1 12/01								
	\$2,450.00	1 8/03								
	\$2,450.00	1 12/03								
	\$2,450.00	1 8/04								
	\$2,450.00	1 8/04								
\$2,450.00	1 8/05									
\$2,450.00	1 12/05									
\$2,450.00	1 8/06									
\$2,450.00	1 12/06									
Shumante, Travis IL	\$5,000.00	1 2/98	\$25,000.00	7.2%	\$14,103.00	\$7,038.00	50%	19.6%	21.5%	Stone Street
Silverman-Brewster, Sandra FL	\$3,351.18/ semi-annual	24 11/98-5/10	\$82,103.91	6.6%	\$57,090	\$23,855.18	42%	27.7%	31.5%	Wentworth
	\$1,675.59	1 11/10								
Smith, Kimberly IL	\$500.00/mo.	60 4/97-3/02	\$40,000.00	7.8%	\$94,707	\$29,158.00	84%	17.9%	19.4%	Wentworth
	\$10,000.00	1 9/97								
	\$20,000.00	1 9/02								
	\$350.00/mo. \$17,500.00	65 4/02-8/07 9/07								
Soujanen, Robert UT	\$14,650.00	1 11/98	\$14,650.00	8.2%	13,061	\$8,580.43	66%	37.2%	44.3%	Wentworth
Stanley, Brian TX	\$607.00/mo.	60 9/97-8/02	\$36,420.00	7.6%	\$30,399	\$18,075.49	59%	31.9%	37.0%	Wentworth
Stinette, Aeysha NY	\$85,000	1 10/98	\$85,000.00	8.2%	\$29,508	\$18,000.00	61%	31.1%	35.9%	Wentworth
Streety, Latonya MI	\$340.00/mo.	60 11/96-10/01	\$20,400.00	8.0%	\$16,828	\$9,284.55	55%	35.9%	42.5%	Wentworth
Tarp, Melissa CA	\$553/mo.	120 5/96-4/06	\$66,360.00	7.0%	\$48,089	\$23,000.00	48%	26.8%	30.3%	Wentworth
	\$553/mo.	60 5/06-4/11								
			\$33,180.00	7.6%	\$13,397	\$1,700.00	13%	24.5%	27.5%	Wentworth

Payee's Name and State(s) of Residence	Factored Payments		Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Aggregate Amount of Factored Payments	Present Value of Factored Payments	Contract Price for Factored Payments <sup>5</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by Factoring Company		Factoring Company
	Amount	No.						Interval	Mortgage-Equivalent Rate <sup>3</sup> (Annual)	
Taylor, Stanley CA	\$1,250/mo.	30	9/97-8/99	\$37,500.00	\$34,093	\$26,333.18	77%	28.6%	32.6%	Wentworth
Thomas, Jerry MS, MO	\$444/mo.	132	9/98-8/09	\$58,608.00	\$41,488.00	\$16,595.00	40%	30.5%	35.2%	Wentworth
Townsend, Priscilla AL	\$915.62/mo.	120	7/00-6/10	\$109,874.40	\$59,640	\$31,217.00	52%	17.1%	18.5%	Singer
Turner, William CA	\$675.50 \$1,000.00/mo.	1 32	4/01 5/01-12/03	\$32,675.50	\$21,623	\$14,177.00	66%	16.1%	17.3%	Windsor-Thomas
VanZandt, Michael SC, TX	\$10,000.00 \$12,000.00 \$14,000.00 \$16,000.00 \$20,000.00 \$25,000.00 \$30,000.00 \$40,000.00	1 1 1 1 1 1 1 1	6/98 6/01 6/04 6/07 6/10 6/13 6/16 6/19	\$36,000.00 \$36,000.00 \$36,000.00 \$95,000.00	\$25,924 \$14,316 \$23,694	\$16,520.00 \$3,940.00 \$5,025.00	64% 28% 21%	18.9% 19.2% 15.8%	20.6% 21.0% 17.0%	Singer
Vnuk, Daniel MN	\$440.00/mo. \$4,000	36 1	3/97-2/00 8/97	\$19,840.00	\$18,044	\$12,000.00	67%	43.8%	53.7%	Wentworth
Walker, Rashima NJ	\$7,538.02 \$4,000.00 \$3,538.02	2 1 1	9/97&9/98 9/99 9/99	\$15,076.04 \$4,000.00 \$3,538.02	\$13,951 \$3,340 \$3,066	\$10,138.08 \$1,730.00 \$1,716.48	29% 52% 56%	40.6% 37.2% 37.5%	49.1% 44.2% 44.7%	Wentworth
White, Raymond NY	\$500.00/mo.	36	8/96-7/99	\$18,000.00	\$15,945.00	\$9,900.00	62%	43.1%	52.7%	Wentworth

Payee's Name and State(s) of Residence	Factored Payments		Interval	Aggregate Amount of Factored Payments	Applicable Federal Rate Used to Compute Present Value <sup>1</sup>	Present Value of Factored Payments	Contract Price for Factored Payments <sup>2</sup>	Contract Price as a Percent of Present Value	Discount Rate Charged by		Factoring Company
	Amount	No.							Mortgage-Equivalent Rate <sup>3</sup> (Annual)	Internal Rate of Return <sup>4</sup> (Annual)	
Whitlock, Chuck OH	\$600/mo.	55	8/98-2/03	\$168,400.00	6.8%	\$107,823	\$60,357.00	56%	16.9%	18.3%	Peachtree
	\$700/mo.	60	3/03-2/08								
	\$800/mo.	48	3/08-2/12								
	\$10,000.00	1	2/00								
	\$15,000.00	1	2/04								
\$30,000.00	1	2/08									
Williams, Stacy GA	\$5,000.00/yr.	8	12/97-12/04	\$60,000.00	7.6%	\$39,966	\$24,680.00	62%	18.4%	20.0%	Singer
	\$10,000.00	1	12/05								
	\$10,000.00	1	12/10								
Willis, Davinia CA	\$2,000.00/mo.	59	11/96-2/01	\$118,000.00	8.0%	\$97,013	\$65,098.94	65%	26.8%	30.3%	Wentworth
	\$558.36/mo.	36	9/98-8/01	\$20,100.96	6.8%	\$17,846.00	\$19,000.00	73%	25.3%	28.4%	
Wood, Michael FL WV	\$326.00/mo.	100	1/97-4/05	\$47,600.00	7.6%	\$84,985	\$24,000.00	69%	17.6%	19.1%	Singer
	\$5,000.00	1	5/98								
	\$10,000.00	1	5/03								
	\$15,000.00	1	5/08								
\$20,000.00	1	5/13									
Wyrick, Alicia TX	\$4,000.00/yr.	8	4/97-4/04	\$32,000.00	7.6%	\$24,443	\$18,900.00	77%	15.2%	16.3%	Singer
	\$10,000.00	1	8/96								
Zeoli, Robert NY	\$15,000.00	1	8/01	\$25,000.00	6.6%	\$20,296	\$13,000.00	64%	24.2%	27.1%	Wentworth
	\$20,000.00	1	8/06	\$20,000.00	8.0%	\$9,120	\$3,500.00	38%	17.2%	18.6%	
	\$50,000.00	1	8/11	\$50,000.00	6.6%	\$21,849	\$9,895.65	45%	12.6%	13.3%	

<sup>1</sup> The present value of factored payments is computed in each case using the "applicable federal rate" for determining the present value of an annuity, as published by the Internal Revenue Service ("IRS") for the month of the factoring transaction.

<sup>2</sup> The contract price is the amount of the payment by the factoring company (net of any "underwriting," "administration" or other fees deducted by the factoring company) as identified in the court filings which are the source for this table.

<sup>3</sup> The mortgage-equivalent rate is the nominal annual rate of interest that the payee would be paying if, in lieu of "selling" the factored payments and receiving the indicated contract price, the payee had obtained a loan in the same amount and had used the factored payments to pay off the loan in equal monthly installments equivalent to monthly payments on a

conventional mortgage loan. For example, a payee may have "sold" 60 monthly payments of \$730.00 each and received a contract price of \$20,000.00. If a payee had instead obtained a loan for \$20,000.00, payable in 60 equal monthly installments of \$730.00, the nominal annual interest rate on that loan (i.e., twelve times the rate at which interest accrues and is paid each month) would have been 35%.

4 The internal rate of return is the annual rate at which the factored payments must be discounted (assuming monthly compounding) in order for their discounted present value to equal the contract price paid by the factoring company. Viewed from a different perspective, the internal rate of return is the factoring company's pre-tax return when it invests the contract price and collects the factored payments.

5 The Purchase Agreement in this case indicates that the factored payments were to end on April 14, 2004 — two months after the 87th payment.

March, 1999

*Summary of Sheila Gill Case\**

- In July, 1994, Sheila Gill of Huntingdon, Pennsylvania, entered into two settlements of claims arising from a 1989 accident involving several municipal entities and other defendants. In one settlement, Ms. Gill received \$200,000 in cash. In a second settlement, she received \$47,500 in cash, plus the right to receive monthly structured settlement payments of \$1,023.77 for twenty years. The structured settlement was funded by an annuity contract issued by Hartford Life Insurance Company to Hartford Accident & Indemnity Company, as owner.

- In March, 1998, Ms. Gill entered into a factoring transaction under which Settlement Funding, L.L.C. (d/b/a Peachtree Settlement Funding), a Georgia-based factoring company, agreed to purchase \$450.00 of each of Ms. Gill's annuity payments for the following 156 months. The aggregate (undiscounted) amount of the payments purchased by Peachtree was \$70,200. Peachtree paid \$21,648.00. Peachtree's discount amounts to a mortgage-equivalent interest rate of 23.78% per year.

- According to the questionnaire Ms. Gill submitted to Peachtree at the time of the factoring transaction, Ms. Gill was unemployed and had four children.

- In October, 1998, Peachtree sued Ms. Gill in state court in New Jersey. In December, 1998, Peachtree obtained a default judgment against her in the amount of \$72,315.10.

\* The National Structured Settlement Trade Association ("NSSTA") has compiled this and other, similar summaries of structured settlement factoring transactions from the information contained in the pleadings filed in lawsuits that have arisen from those transactions. In most cases the lawsuits are collection actions brought by factoring companies against their own customers. The source for this summary is the pleadings filed in Settlement Funding, L.L.C. v. Sheila Gill, Union Cty., N.J. Sup. Ct. Docket No. UNN-L5743-98. Copies of the pleadings are available through NSSTA.

April, 1999

*Summary of Sandra Brewster Case\**  
(Workers' Compensation)

- Sandra Brewster of Cape Canaveral, Florida, is entitled to receive semi-annual payments, each in the amount of \$3351.18, under a 1991 structured settlement of a Florida workers' compensation claim. The settlement is funded through an annuity contract issued by SAFECO Life Insurance Company.
- In August, 1994 Ms. Brewster entered into a factoring agreement with Settlement Capital covering ten years of her future settlement payments. Settlement Capital was on notice that Ms. Brewster's settlement represented workers' compensation, because Settlement Capital received a copy of the settlement stipulation submitted to the Florida Division of Workers' Compensation. (The record in Ms. Brewster's case does not disclose the amount of the discount charged by Settlement Capital.)
- In June, 1997, Settlement Capital sued Ms. Brewster, claiming that she had defaulted under the Purchase Agreement by arranging to have the settlement payments "diverted to herself." Settlement Capital then sought and obtained a default judgment against Ms. Brewster for actual damages of \$17,750, attorneys' fees in the amount of \$3,500 and exemplary damages of \$30,000. Under the terms of the judgment, SAFECO was directed to send Ms. Brewster's annuity payments directly to Settlement Capital until May, 2004.
- In September, 1998, Ms. Brewster entered into a new factoring transaction, under which J.G. Wentworth agreed to purchase all of Ms. Brewster's annuity payments for the following 12 years (i.e., from November, 1998 through May, 2010), plus half of Ms. Brewster's annuity payment due in November, 2010. The aggregate (undiscounted) amount of these payments was \$82,103.91, and they had a discounted present value (discounted based on the applicable federal rate published by the Internal Revenue Service for purposes of valuing annuities) of \$57,090. Wentworth paid \$23,835.18, or 42% of the present value. Wentworth's discount corresponds to a mortgage-equivalent interest rate of 27.7% per year.
- In January, 1999, Wentworth entered a confessed judgment against Ms. Brewster in state court in Pennsylvania in the amount of \$83,186.54.

\* The National Structured Settlement Trade Association ("NSSTA") has compiled this and other, similar summaries of structured settlement factoring transactions from the information contained in the pleadings filed in lawsuits that have arisen from those transactions. In most cases the lawsuits are collection actions brought by factoring companies against their own customers. The source for this summary is the pleadings filed in LFC Structured Payment Fund Ltd. and Settlement Capital Corporation v. Sandra Silverman Brewster, Dallas Cty., TX, D.Ct. Case No. 97-03072, and J.G. Wentworth S.S.C. Limited Partnership v. Sandra Silverman Brewster, Phil. Cty., PA, Ct. of Com. Pleas, Jan. Term 1999, No. 209. Copies of the pleadings are available through NSSTA.

Wentworth also initiated garnishment proceedings seeking to collect its judgment from SAFECO (which was already sending Ms. Brewster's annuity payments to Settlement Capital to satisfy Ms. Brewster's judgment debt to Settlement Capital).

- Florida law prohibits assignments of workers' compensation benefits in any form: "no assignment, release, or commutation of compensation or benefits due or payable under this chapter [i.e., the Florida Workers' Compensation Act] . . . shall be valid." Fla. Stat. § 440.22.

- Thus, both Settlement Capital, in 1994, and Wentworth, in 1998, purchased from Ms. Brewster settlement payments that are non-transferable under the Florida Workers' Compensation Act. Thanks to the litigation that has followed the two transactions, Ms. Brewster has incurred judgment debts totaling more than \$134,000, including \$30,000 of exemplary damages. SAFECO, as the issuer of the annuity contract that funds Ms. Brewster's settlement, faces multiple conflicting claims to the same payments, including claims of both Settlement Capital and Wentworth, based on contracts that violate the Florida Workers' Compensation Act.

March, 1999

### *Summary of Alison Grieve Case\**

- In 1990, when she was seventeen years old, Alison Grieve of Burlington, Vermont was involved in a bicycling accident that left her a paraplegic. Ms. Grieve and her mother pursued claims against the bicycle owners. Those claims were resolved in part by a 1991 structured settlement, under which Ms. Grieve receives monthly annuity payments of \$1,021, plus scheduled lump sum payments at three-year intervals. (The settlement also provided for immediate cash payments totalling \$134,000.)

- Complications associated with Ms. Grieve's paralysis, including "frequent" and "unplanned" hospitalizations, prevent her from working. According to an affidavit she has filed in federal district court in Vermont, Ms. Grieve has been hospitalized "almost half the time" since 1997.

- In September, 1997, Ms. Grieve entered into a factoring agreement under which Singer Asset Finance Co., a Florida-based factoring company, agreed to acquire several of her future lump sum settlement payments, plus \$750 (approximately 73%) of each of Ms. Grieve's \$1,021 monthly settlement payments for the following ten years. The payments to be purchased by Singer totaled \$103,000. The agreed purchase price was \$41,800, from which an unspecified broker's commission would have been deducted. Singer's discount on the transaction would have amounted to a mortgage-equivalent interest rate of 21.3% per year. The effective discount rate paid by Ms. Grieve would have been higher, because of the broker's commission.

- The annuity issuer (Integrity Life Insurance Company) and the annuity owner (General American Life Insurance Company) involved in Ms. Grieve's settlement declined to redirect her payments to Singer, and Ms. Grieve brought a declaratory judgment action in Vermont, seeking a determination that she had the right to transfer her payments (notwithstanding clear anti-assignment provisions in the settlement documents).

- Late in 1998 Ms. Grieve and Singer abandoned their original settlement "Purchase" Agreement and replaced it with a "Loan" Agreement, under which Singer proposed to lend Ms. Grieve \$39,862 (less an unspecified broker's commission), to be secured by and repaid from the same lump-sum payments Ms. Grieve had previously agreed to sell to Singer, plus \$510 (i.e., half) of each of

\* The National Structured Settlement Trade Association ("NSSTA") has compiled this and other, similar summaries of structured settlement factoring transactions from the information contained in the pleadings filed in lawsuits that have arisen from those transactions. In most cases the lawsuits are collection actions brought by factoring companies against their own customers. The source for this summary is the pleadings filed in Grieve v. General America Life Ins. Co., U.S.D.C., D. Vt. C.A. No. 2:98-cv-57. Copies of the pleadings are available through NSSTA.



her monthly settlement payments for a 15-year period, beginning in March, 1999. The settlement payments to be applied to repay the loan total \$104,800. The loan documentation specifies an interest rate of 18.88% per year, compounded daily. (The effective interest rate paid by Ms. Grieve would be higher, because of the broker's commission.)

- Singer's own documentation for its proposed transactions with Ms. Grieve includes a notarized declaration by Ms. Grieve containing the following questions and answers:

**Q:** *What is your total annual income?*

**A:** 12 X \$1,021.

**Q:** *Do you rely on your annuity payments for current or future medical expenses? If yes, please explain.*

**A:** Yes, Medica[i]d covers most expenses.

**Q:** *How will you be able to maintain your daily standard of living without the payments that you are assigning?*

**A:** SSI would Be applied for at that time.

- Ms. Grieve's declaratory judgment action remains unresolved. Her "Loan" Agreement with Singer remains in place, and the "loan" will apparently be funded if and when there is some determination that Ms. Grieve's payments can be transferred. Thus, Singer is proposing to take over payments that constitute half of the income of an individual who, according to information collected by Singer itself, is disabled and unable to work, relies on the payments, together with Medicaid, to meet her medical expenses, and will have to rely on public assistance to replace her lost annuity income, if and when her transaction with Singer goes forward.

March, 1999

### *Summary of Christopher Hicks Case\**

- In July, 1992, Christopher Hicks, a 13-year old resident of Oklahoma City, Oklahoma, suffered severe spinal injuries in a swimming pool accident at an apartment complex in Oklahoma. The accident left Christopher a quadriplegic, paralyzed from the chest down, with limited use of his arms and hands.

- Litigation brought on Christopher's behalf against the owners and operators of the apartment complex led to a January, 1994 structured settlement valued at \$1,750,000, including \$857,000 in cash and future payments valued (at the time of the settlement) at \$868,000. The future payments included lifetime annuity payments starting at \$2,000 per month, increasing to \$3,091 per month in January, 2000 and thereafter increasing at 2%, compounded annually. The settlement also provided for future lump sum payments every five years, in amounts ranging from \$25,000 in 1999 to \$175,000 in 2029.

- Altogether, the settlement provided for Christopher to receive guaranteed, tax-free benefits totaling \$2,346,751. Assuming a normal life expectancy the settlement will provide him with tax-free benefits totaling \$4,284,759 over his lifetime.

- The settlement agreement was approved by United States District Judge Lee West (of the United States District Court for the Western District of Oklahoma) in January, 1994.

- Christopher turned 18 on December 28, 1996. Three months later, on March 28, 1997, he entered into a factoring transaction under which J.G. Wentworth agreed to purchase half of Christopher's monthly payments for a period of 58 months, beginning in May, 1997. The payments purchased by Wentworth totaled \$71,000 and had a discounted present value (discounted using the "applicable federal rate" published by the Internal Revenue Service for purposes of valuing future annuity payments) of \$58,227. Wentworth paid \$37,500, or 64% of the present value. Expressed as an annual interest rate, Wentworth's discount amounts to a mortgage-equivalent rate of 26.2% per year.

- On June 27, 1997 (three months after the factoring transaction) Wentworth filed a confessed judgment against Christopher in state court in Pennsylvania for \$71,024.66. Wentworth also obtained a writ of execution, barring the annuity issuer, as garnishee, from making payments to Christopher. The writ of execution, served in July, 1997, halted all of the monthly annuity payments to

\* The National Structured Settlement Trade Association ("NSSTA") has compiled this and other, similar summaries of structured settlement factoring transactions from the information contained in the pleadings filed in lawsuits that have arisen from those transactions. In most cases the lawsuits are collection actions brought by factoring companies against their own customers. The source for this summary is the pleadings filed in Chrystal Hicks v. Michael Mastro et al., U.S.D.C., W.D. OK No. CIV 94-0115W and J.G. Wentworth S.S.C. Limited Partnership v. Christopher Hicks, Phila. Cty., PA Ct. Comm. Pleas, June Term, 1997 No. 3369. Copies of the pleadings are available through NSSTA.

Christopher — both the portion of each monthly payment that he had sold to the factoring company and the portion that he should still have been receiving.

- The subsequent garnishment litigation between Wentworth and the annuity issuer resulted in a January, 1998 court order that permits Christopher to receive the portion of the monthly annuity payments not sold to Wentworth. From July, 1997 to January, 1998, the writ of execution left Christopher with none of the monthly \$2,000 annuity payments that were intended to constitute his primary source of income.

- Christopher now receives half of each of his scheduled monthly annuity payments; the other half will continue to go to pay off his judgment debt to Wentworth until early in 2002.

April, 1999

### *Summary of Davinia Willis Case\**

- In 1979, Davinia Willis of Oakland, California, then five years of age, was injured in a traffic accident that left her totally paralyzed from the chest down. Ensuing litigation led to a July, 1985 structured settlement with the City of Oakland. The settlement provided for an immediate cash payment of \$152,253, plus monthly annuity payments beginning at \$4,153 and increasing at five percent annually. The settlement was approved by the Alameda County Superior Court.

- In September, 1996, Ms. Willis entered into a factoring transaction under which J.G. Wentworth agreed to purchase \$2,000 of each of Ms. Willis' monthly annuity payments for a period of 59 months beginning in November, 1996. The aggregate (undiscounted) amount of the payments purchased by Wentworth was \$118,000; the payments had a discounted present value (discounted based on the applicable federal rate published by the Internal Revenue Service for purposes of valuing annuities) of \$97,013. Wentworth paid \$63,098.94, or 65% of the present value. Wentworth's discount corresponds to a mortgage-equivalent interest rate of 26.8% per year. (Because Ms. Willis paid \$1,000 for the services of an attorney — to whom she was referred by Wentworth — the effective discount paid by Ms. Willis was actually higher than the amounts indicated.)

- In November, 1996, less than three months after the factoring transaction, Wentworth entered a confessed judgment against Ms. Willis in state court in Pennsylvania in the amount of \$119,454.79.

- In February, 1998, Ms. Willis filed in San Francisco County Superior Court a class action complaint alleging, among other things, that her factoring transaction and other Wentworth factoring transactions involving California residents constitute usurious personal loans. In January, 1999, the Court entered an order denying a motion by Wentworth for summary judgment or summary adjudication, finding that Wentworth had failed to meet its "burden of showing that one or more elements of any of plaintiff's four causes of action cannot be established, or that there exists a complete defense to any of them."

\* The National Structured Settlement Trade Association ("NSSTA") has compiled this and other, similar summaries of structured settlement factoring transactions from the information contained in the pleadings filed in lawsuits that have arisen from those transactions. In most cases the lawsuits are collection actions brought by factoring companies against their own customers. The source for this summary is the pleadings filed in Davinia Willis v. J.G. Wentworth S.S.C., San Francisco Cty., CA Sup. Ct. No. 993134. Copies of the pleadings are available through NSSTA.

July 1, 1999

**RECENT COMMENTS REGARDING STRUCTURED SETTLEMENTS  
AND STRUCTURED SETTLEMENT FACTORING**

**Senator John Chafee:**

*Structured settlements were developed because of the pitfalls associated with the traditional lump sum form of recovery in serious personal injury cases, where all too often a lump sum meant to last for decades or even a lifetime swiftly eroded away. Structured settlements have proven to be a very valuable tool. They provide long-term financial security in the form of an assured stream of payments to persons suffering serious, often profoundly disabling, physical injuries. These payments enable the recipients to meet ongoing medical and basic living expenses without having to resort to the social safety net. . . .*

*I am very concerned that in recent months there has been sharp growth in so-called structured settlement factoring transactions. In these transactions, companies induce injured victims to sell off future structured settlement payments for a steeply-discounted lump sum, thereby unraveling the structured settlement and the crucial long-term financial security that it provides to the injured victim. These factoring company purchases directly contravene the intent and policy of Congress in enacting the special structured settlement tax rules. [144 Cong. Rec. S11340 (October 2, 1998).]*

**Senator Max Baucus:**

*Over the almost two decades since we enacted these tax rules [Internal Revenue Code Sections 104(a)(2) and 130], structured settlements have proven to be a very effective means of providing long-term financial protection to persons with serious, long-term physical injuries through an assured stream of payments designed to meet the victim's ongoing expenses for medical care, living and family support. Structured settlements are voluntary agreements reached between the parties that are negotiated by counsel and tailored to meet the specific medical and living needs of the victim and his or her family, often with the aid of economic experts. . . .*

*I now find that this careful planning and long-term financial security for the victim and his or her family can be unraveled in an instant by a factoring company offering quick cash at a steep discount. What happens next month or next year when the lump sum from the*

*factoring company is gone, and the stream of payments for future financial support is no longer coming in? These structured settlement factoring transactions place the injured victim in the very predicament that the structured settlement was intended to avoid. [144 Cong. Rec. (daily ed.) S11499-500 (October 5, 1998).]*

**Representative Pete Stark:**

*Factoring companies are enticing injured victims to sell off their guaranteed stream of payments for quick — but sharply discounted — cash. The long-term financial protection for the victim and their family disappears.*

*The factoring companies assert that they are just providing a financial service to people who need money. The public record shows otherwise. Court records show that across the country the factoring companies are buying up the financial futures of paraplegics, quadriplegics, people with traumatic brain injuries, permanently-disabled children who've just barely reached the age of majority. [Statement Before the Subcommittee on Oversight of the House Committee on Ways and Means, Hearing on the Tax Treatment of Structured Settlements and Structured Settlement Factoring, March 18, 199.]*

**Representative Clay Shaw:**

*Recently there has been dramatic growth in these transactions in which injured victims are induced by factoring companies to sell off future structured settlement payments intended to cover ongoing living and medical needs in exchange for sharply-discounted lump sum that then may be dissipated, placing the injured victim in the very predicament the structured settlement was intended to avoid.*

*As long-time supporters of structured settlements and the congressional policy underlying such settlements, we have grave concerns that these factoring transactions directly undermine the policy of the structured settlement tax rules. The Treasury Department shares these concerns. [Cong. Rec. (daily ed.) E. 192 (Feb. 10, 1999).]*

**United States Department of the Treasury:**

*These factoring transactions directly undermine the policy objective underlying the structured settlement tax regime, that of protecting the long-term financial needs of injured persons. The factoring transactions also effectively contravene the statutory requirement conditioning favorable tax treatment to the various parties to the*

*arrangement on the injured person's inability to accelerate such payments.*

*The same policy considerations expressed in introducing the structured settlement tax legislation in 1981 remain relevant today. Dissipation of an award by an injured person who is unable to earn money because of his or her injury or illness may result in the need for welfare payments or other public assistance. By replacing structured settlements with a lump sum in the hands of the injured person, the factoring transaction facilitates potential dissipation.*

\* \* \*

*In sum, the Administration believes that the factoring transaction undermines the purpose of the special favorable tax rules applicable to structured settlements. In fact, the combination of existing statutory requirements and the willingness of certain companies to ignore those requirements (but to exact heavy discounts in so doing) leaves injured persons potentially more vulnerable than before the enactment of the 1983 changes. The current state of affairs affords favorable tax treatment without insuring that the legislatively-intended conditions for such treatment are satisfied — thereby costing federal revenues without insuring that the goal of long-term income protection for injured persons is achieved. [Written Statement of Tax Legislative Counsel Joseph M. Mikrut, U.S. Department of the Treasury, House Ways and Means Subcommittee Hearing on Tax Treatment of Structured Settlement Arrangements, March 18, 1999.]*

**United States District Judge William Sessions:**

*[Plaintiff Allison] Grieve is now 26. She was rendered a paraplegic by the accident. Her personal and financial circumstances have worsened since she made her [structured] settlement agreement. She has chronic medical complications, which have required numerous hospitalizations. As a result she has been unable to maintain steady employment. She has substantial debts.*

*In September 1997, Grieve entered into a "purchase agreement" with Singer Asset Financial Co. ("Singer"), whereby she would give up 120 months of payments of \$750 and lump sum payments of \$13,000 (\$103,000 over ten years) in exchange for \$41,800 payable immediately. . . .*

*In November 1998, the purchase agreement never having been completed, Grieve and Singer entered into a new "loan agreement."*

*Under this arrangement, Grieve received \$39,862 ... [and] [i]n exchange Grieve gives up 180 monthly payments of \$510 and \$13,000 in lump sum payments, for a total of \$104,800. . . .*

*As Grieve has stated, she is currently in substantial financial need. The Court is asked to enforce a transaction which will place her in significantly greater financial need, by cutting her income stream in half for the next fifteen years. Grieve, like any other citizen, is free to make arrangements which this Court might deem unwise. But this Court will not lend its approval to the voiding of unambiguous, bargained-for contract terms in order to enable Singer to profit, at an exorbitant rate of interest, from Grieve's financial distress. [Grieve v. General American Life Ins. Co., 2:98-CV-57, U.S. Dist. Ct., D. Vermont, June 7, 1999 Opinion and Order.]*

**New York Senator William Larkin:**

*Legislation has been introduced in the New York State Assembly and in the Senate to protect the recipients of structured settlements, to maintain the integrity of structured settlements for use in settling personal injury lawsuits and workers' compensation claims, and to defend the strong public policies that favor structured settlements. This legislation would bar transfers of structured settlement payments except where a state court approves the transfer as being permissible under applicable law, as being appropriate in light of financial hardship faced by the recipient or dependents, and as complying with various disclosure and other protections for the recipient. . . .*

*. . . [T]he factoring companies have vigorously fought all efforts to enact meaningful regulation of their activities in New York State. The factoring companies want to turn court approval into an ex parte, "rubber stamp" process which can be used affirmatively to override the anti-assignment restrictions of the structured settlement. [June 30, 1999 letter to Representative Amo Houghton.]*

**Illinois Representative David Leitch:**

*I'm just very concerned about the people who are being victimized by these people who are taking a very, very deep discount in these settlement amounts, and who are then left penniless without resources in the future. [Illinois House Debate Transcript, April 10, 1997.]*



**Minnesota Attorney General Mike Hatch:**

*I believe that the sales tactics used by the factoring companies, the sharp discounts charged to the personal injury victims, the onerous contracts and use of confessed judgments, and most importantly the impact in human terms on the personal injury victims and their families make these factoring company transactions unconscionable. I have seen first-hand the human toll that these transactions take on injured people and their families. The factoring companies are preying upon the most vulnerable of our society by inducing these personal injury victims to sell off their financial futures. [March 18, 1999 letter to Representative Amo Houghton.]*

**Kentucky Circuit Court Judge John Potter:**

*The whole purpose of structured settlements, the contractual and statutory prohibitions on . . . assignment, specific tax code prohibitions, and the terms of the annuities and contracts are to protect the settling plaintiffs from their inability to manage lump sum payments.*

*To accomplish this result, the Federal government in effect subsidized structured settlements by granting various parties tax breaks if the "periodic payments cannot be accelerated, deferred, increased or decreased by the recipient of such payments." . . . Thus, the ability of settling plaintiffs to freely assign or sell the structured settlement is severely restricted.*

*Wentworth has attempted to accomplish by sleight of hand what it is prohibited from doing directly. [J.G. Wentworth S.S.C. v. Sylvia Jones, Nos. 97CI5285, 5509, 5953, 98CI0007, Jefferson Cty., Ky. Cir. Ct., July 20, 1998 Opinion and Order.]*

**Alan Reich, President, National Organization on Disability:**

*[W]e are extremely troubled at the emergence of factoring companies that convince injury victims, including persons with disabilities, to sell structured settlement payments for a deeply discounted cash lump sum. Such transactions completely undermine the long-term financial security of a structured settlement and threaten the very livelihood of an otherwise extremely vulnerable population — those of us with disabilities. And the steep financial discounts that disabled Americans often are persuaded to accept would be unacceptable to any fair-minded person. [Feb. 19, 1999 Letter to Rep. Bill Archer.]*

**Thomas Countee, Executive Director, National Spinal Cord Injury Association:**

*Over the past 16 years, structured settlements have proven to be an ideal method for insuring that persons with disabilities, particularly minors, are not tempted to squander resources designed to last years or even a lifetime.*

*This is why the National Spinal Cord Injury Association is so deeply concerned about the emergence of companies that purchase payments intended for disabled persons at drastic discount. This strikes at the heart of the security Congress intended when it created structured settlements. The practice of buying the payments of injured parties in exchange for only 50 or 60 cents per present-value dollar strikes me as abusive and inappropriate. [Sept. 8, 1998 Letter to Sen. William Roth.]*

**Chicago Trial Lawyer Robert A. Clifford:**

*I represent many people who are hurt or disabled through no fault of their own.*

*They are victimized once in an accident. The greater tragedy for them can come later when they are victimized again, this time by slick discounters.*

*Other than the initial injury, I can't think of anything worse. ["Stream of payments shields some injury victims from unwise decisions, maximizes compensation," Chicago Daily Law Bulletin, April 25, 1998.]*

**Editorial: "Settlements Should Last":**

*[E]ven if the lump sum paid to the claimant [by a factoring company] is not quickly squandered on some form of immediate gratification, it is certain to disappear more quickly than the original benefit. That can put claimants between a rock and a hard place: They likely still have sizable expenses but no source of adequate income to cover them. . . .*

*Where does that leave them -- especially if circumstances of their claim have left them unable to earn a living? In all likelihood, at the doorstep of the taxpayer who finances Medicare, Medicaid and public assistance programs. [Business Insurance, August 10, 1998.]*