BALTIMORE — The house where Freddie Gray’s life changed forever sits at the end of a long line of abandoned rowhouses in one of this city’s poorest neighborhoods. The interior of that North Carey Street house, cluttered with couches and potted plants, is lacquered in a fresh coat of paint that makes the living room glow.

But it wasn’t always this way. When Gray lived here between 1992 and 1996, paint chips flaked off the walls and littered the hardwood floor, according to a 2008 lawsuit filed in Baltimore City Circuit Court. The front window sills shed white strips of paint.

It was worst in the front room, where Gray bedded down most nights with his mother, he recalled years later in a deposition.

“There was a big hole when you go up the steps,” Gray recalled in 2009. “There was a couple of walls that wasn’t painted all the way, peeled. … And like the windows, paint was peeling off the windows.”

Before Freddie Gray was injured in police custody last month, before he died and this city was plunged into rioting, his life was defined by failures in the classroom, run-ins with the law and an inability to focus on anything for very long.

Many of those problems began when he was a child and living in this house, according to a 2008 lead-poisoning lawsuit filed by Gray and his siblings against the property owner. The suit resulted in an undisclosed settlement.

Reports of Gray’s history with lead come at a time when the city and nation are still trying to understand the full ramifications of lead poisoning. Advocates and studies say it can diminish cognitive function, increase aggression and ultimately exacerbate the cycle of poverty that is already exceedingly difficult to break.
It is nonetheless hard to know whether Gray’s problems were exclusively borne of lead poisoning or were the result of other socioeconomic factors as well. From birth, his was a life of intractable poverty that would have been challenging to overcome.

Equally difficult to know is the total number of children lead has poisoned. That’s because the declared threshold for how much lead a body can safely tolerate has shifted dramatically over the years as researchers have come to better understand its dangers. Decades ago, city health officials tested for blood lead levels that were higher than 20 micrograms of lead per deciliter of blood. Now, it is believed that anything higher than 5 micrograms can cripple a child’s cognitive development.

“In 1993, we found that 13,000 kids in Baltimore had been poisoned with lead, but we weren’t collecting at the levels that we are today,” said Ruth Ann Norton, the executive director of the Coalition to End Childhood Lead Poisoning. “If we had, we would have found 30,000 poisoned kids.”

Overall, more than 93,000 children with lead poisoning have been added to the state’s Department of the Environment lead registries over the past two decades, a time frame in which Baltimore and other cities have substantially reduced the number of houses with paint containing lead.

“A child who was poisoned with lead is seven times more likely to drop out of school and six times more likely to end up in the juvenile justice system,” Norton said. She called lead poisoning Baltimore’s “toxic legacy” — a still-unfolding tragedy with which she says the city has yet to come to terms. Those kids who were poisoned decades ago are now adults. And the trauma associated with lead poisoning “creates too much of a burden on a community,” she said.

The burden weighs heaviest on the poorest communities, such as the Sandtown-Winchester neighborhood in West
Baltimore where Freddie Gray lived. Here, most houses were built decades ago, at a time when paint manufacturers hailed lead as a cheap additive. The effect of that lead, which Congress effectively banned in 1978, has been profound on Gray’s neighborhood. Statistics between 2009 and 2013 showed that more than 3 percent of children younger than 6 had possibly dangerous levels of lead in their blood, more than double the figure for the entire city.

Lead poisoning has been an especially cruel scourge on African American communities. “Nearly 99.9 percent of my clients were black,” said Saul E. Kerpelman, a Baltimore lawyer who said he has litigated more than 4,000 lead-poisoning lawsuits over three decades. “That’s the sad fact to life in the ghetto that the only living conditions people can afford will likely poison their kids. … If you only have $250 per month, you’re going to get a run-down, dilapidated house where the landlord hasn’t inspected it the entire time they’ve owned it.”

Residents of Sandtown and other poor pockets of Baltimore now reflect on whether their lives would have turned out differently if they hadn’t grown up inside houses with lead paint.
“All these kids that grew up in those houses, they all have ADHD,” said Rosalyn Brown, referring to attention-deficit hyperactivity disorder. Brown has lived in Gray’s neighborhood for decades and now occupies the house he once lived in. “They have mood swings. They have anxiety.” Like her son, she said. She raised him in a house peppered with shards of paint. He must have eaten some, Brown said. She wonders whether she, too, should pursue litigation and try to collect a “lead check.”

Freddie Gray’s path toward such litigation began months after his birth in August 1989. He and his twin sister, Fredericka, were born two months prematurely to a mother, Gloria Darden, who said in a deposition she began using heroin when she was 23. Freddie lived in the hospital his first months of life until he gained five pounds.

It wasn’t long after that he was given the first of many blood tests, court records show. The test came in May of 1990, when the family was living in a home on Fulton Avenue in West Baltimore. Even at such a young age, his blood contained more than 10 micrograms of lead per deciliter of blood — double the level at which the Center for Disease Control urges additional testing. Three months later, his blood had nearly 30 micrograms. In June 1991, when Gray was 22 months old, his blood carried 37 micrograms.

“The real tragedy of lead is that the damage it does is irreparable.”

Dan Levy, assistant professor of pediatrics at Johns Hopkins University

“Jesus,” Dan Levy, an assistant professor of pediatrics at Johns Hopkins University who has studied the effects of lead poisoning on youths, gasped when told of Gray’s levels. “The fact that Mr. Gray had these high levels of lead in all likelihood affected his ability to think and to self-regulate and profoundly affected his cognitive ability to process information.”

Levy added, “And the real tragedy of lead is that the damage it does is irreparable.”

By the time Gray and his family moved into the hovel on North Carey Street, which became the subject of the subsequent litigation, the amount of lead in his system had fallen. But he and his sisters began developing problems.

His sister, Fredericka, developed issues with aggression, Gray said in a 2009 deposition. “She still got problems like that,” he said. “She still do. She always was the aggressive one. She liked to fight all the time and all of that.”

Equally troubling was the children’s performance in the classroom. The twins and an older sister were diagnosed with either ADHD or attention-deficit disorder ADD, and Fredericka’s academic career was “riddled with suspensions,” court records say.

It wasn’t any better for Freddie, who never graduated high school and was often absent from his studies because of truancy
or suspensions. “All the schools that I went to, I was in special education,” Gray said. He ultimately got arrested more than a dozen times, with convictions involving the sale or possession of heroin or marijuana. He eventually served two years behind bars. There, he learned brick masonry and harbored ambitions of getting into the trade.

But even that seemed a stretch to some. “I don’t know much about brick masonry because I am not very handy myself, but, you know, is he someone that I would want to plan my walkway?” said psychologist Neil Hoffman, who interviewed Gray as part of the lead-poisoning lawsuit. “No.”

The compounding setbacks didn’t come as a surprise to Levy, who said he has seen numerous children in Baltimore’s ghettos — sometimes called “lead kids” — whose lives have followed a similar trajectory.

Still, the relationship between poverty and lead poisoning remains difficult to parse. Was it the lead poisoning that resigned Gray and his family to a life on the margins? Or would they have ended up there anyway?

Those were questions that Brown, who now lives in Gray’s old house, mulled over Wednesday afternoon. An attorney sends her weekly notices alerting her to the dangers of lead poisoning and asking whether she or other residents want to sue over the alleged damage they experienced years ago.

“I can see it,” she said, recalling the houses she once inhabited. “I was sweeping and mopping up chips of paint all the time. I believe my anxiety comes from that. We got poisoned.”

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Sanders taking aim at ‘billionaire class’

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IN THE NEWS

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Amid the dangers in Freddie Gray’s life, lead paint loomed large

Lead poisoning is ‘toxic legacy’ that still haunts Freddie Gray’s Baltimore

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In Baltimore, black residents are lured by fast money to sell decades of settlement payments for dimes on the dollar

CASHING IN OFF POOR LEAD-POISONING VICTIMS

by Terrence McCoy in Baltimore

The letter arrived in April, a mishmash of strange numbers and words. This at first did not alarm Rose. Most letters are that way for her — frustrating puzzles she can’t solve. Rose, who can scarcely read or write, calls herself a “lead kid.” Her childhood home, where lead paint chips blanketed her bedsheets like snowflakes, “affected me really bad,” she says. “In everything I do.”

She says she can’t work a professional job. She can’t live alone. And, she says, she surely couldn’t understand this letter.

So on that April day, the 20-year-old says, she asked her mom to give it a look. Her mother glanced at the words, then back at her daughter. “What does this mean all of your payments were sold to a third party?” her mother recalls saying.

The distraught woman said the letter, written by her insurance company, referred to Rose’s lead checks. The family had settled a lead-paint lawsuit against one Baltimore slumlord in 2007, granting Rose a monthly check of nearly $1,000, with yearly increases. Those payments were guaranteed for 35 years.

“It’s been sold?” Rose asked, memories soon flashing.

She remembered a nice, white man. He had called her one day on the telephone months after she’d squeaked through high school with a “one-point something” grade-point average. His name was Brendan, though she said he never mentioned his last name. He told her she could make some fast money. He told her he worked for a local company named Access Funding. He talked to her as a friend.

Rose, who court records say suffers from “irreversible brain damage,” didn’t have a lot of friends. She didn’t trust many people. Growing up off North Avenue in West Baltimore, she said she’s seen people killed.

But Brendan was different. He bought
her a fancy meal at Longhorn Steakhouse, she said, and guaranteed a vacation for the family. He seemed like a gentleman, someone she said she could trust.

One day soon after, a notary arrived at her house and slid her a 12-page “purchase” agreement. Rose was alone. But she wasn’t worried. She said she spoke to a lawyer named Charles E. Smith on the phone about the contract. She felt confident in what it stated. She was selling some checks in the distant future for some quick money, right?

The reality, however, was substantially different. Rose sold everything to Access Funding — 420 monthly lead checks between 2017 and 2052. They amounted to a total of nearly $574,000 and had a pres-
ent value of roughly $338,000.

In return, Access Funding paid her less than $63,000.

‘They fall through a crack’

Rose, who spoke to The Washington Post on the condition that her full name not be used, had just tumbled into the little-noticed, effectively unregulated netherworld of structured settlements.

Traditional settlements are paid in one immediate lump sum. But these structured agreements often deliver monthly payments across decades to protect vulnerable recipients from immediately spending the money. Since 1975, insurance companies have committed an estimated $350 billion to structured settlements. This has given rise to a secondary market in which dozens of firms compete to purchase the rights to those payments for a fraction of their face value.

What happens in these deals is a matter of perspective. To industry advocates, the transactions get money to people who need it now. They keep desperate families off the streets, pay medical bills, put kids through school.

“What we do is provide equity for those people to buy homes,” said Access Funding chief executive Michael Borkowski. He said his organization had no reason to think Rose was cognitively impaired, pointing to her high school degree, driver’s license and written documents in her name. He said Access Funding has no record showing that Brendan, whom he praised for “the highest level of professionalism,” took Rose out to eat, and he disputed that she’d been promised a vacation. “We’re trying to bring better value to people,” Borkowski continued. “… We really do try to get people the best deals.”

But to critics, Access Funding is part of an industry that profits off the poor and disabled. And Baltimore has become a prime target. It’s here that one teen — diagnosed with “mild mental retardation,” court records show — sold her payments through 2030 in four deals and is now homeless. It’s here that companies blanket certain neighborhoods in advertisements, searching for a potentially lucrative type of inhabitant, whose stories recall the legacy of Freddie Gray.

Before his April death after being severely injured in police custody, before this hollowed-out city plunged into rioting, the life of Freddie Gray was a case study in the effect of lead paint on poor blacks. The lead poisoning Gray suffered as a child may have contributed to his difficulties with learning, truancy and arrests — all of it culminating in a 2008 lead-paint lawsuit and a windfall of cash locked inside a structured settlement. By late 2013, Gray was striking deals with Access Funding.

People like Gray who have suffered lead poisoning as children are especially vulnerable to predatory transactions. Many are impulsive and mentally disabled, but not so much that the law regards them as incapable of acting on their own behalf, as long as they’re 18 or older.
Baltimore’s Sandtown-Winchester neighborhood, top, where court records show Freddie Gray’s family had lived in buildings with lead paint. Freddie Gray, above left, whose April death sparked protests, and his siblings were awarded structured settlements from their lead-paint lawsuits. Gray and his sisters signed six contracts with Access Funding; the family now burns with resentment.
“A lot of them can barely read,” said Saul E. Kerpelman, who estimates he has defended more than 4,000 victims of lead poisoning, nearly all of them black. “They have limited capacity. But they fall through a crack. If they were severely disabled enough, you could file a court petition to have a trustee manage their property. But they’re not disabled enough.”

Over the past two decades, state legislatures and the U.S. Congress have passed measures to protect vulnerable people selling structured settlements. In 2000, Maryland inked the Structured Settlement Protection Act, which enumerated a series of requirements. First, a seller must seek the counsel of an independent professional adviser. Then the proposed deal must go before a county judge, who decides whether that agreement reflects the seller’s best interests.

But today, critics say, that measure is failing. “There are weaknesses and ways people can circumvent it,” said

**Putting Rose’s decision to scale**

Rose’s structured settlement allotted her 420 monthly payments. Starting at $956.13 per month, the payments would increase 2 percent every 12 months.

On Oct. 22, 2022, Rose’s cumulative amount of $62,876 would have surpassed the $62,637 lump sum from Access Funding.
Eric Vaughn, executive director of the National Structured Settlements Trade Association, which represents companies and lawyers working in the industry. “And these companies are getting around the intents of the law. … And when that happens, people get hammered.”

A Washington Post review of thousands of pages of court records and interviews with industry insiders and eight victims of lead poisoning have revealed these loopholes in Baltimore.

Access Funding, located in Chevy Chase, isn’t the biggest player in the industry. But the company’s court
documents nonetheless illuminate the mechanics of this trade, as well as how little scrutiny it receives. The firm has filed nearly 200 structured settlement purchases in Maryland since 2013. A review of two-thirds of those cases, which primarily funnel through one judge’s courtroom in Prince George’s County Circuit Court, shows nearly three-fourths involved victims of lead poisoning.

Every case spells out the deal’s worth. It lists the aggregate value of the lead victim’s payments, their present value and the agreed purchase price. A random survey of 52 of those deals shows Access Funding generally offers to pay around 33 cents on the present value of a dollar. Sometimes, it offers more. And sometimes, much less. One 24-year-old lead victim sold nearly $327,000 worth of payments, which had a present value of $179,000, for less than $16,200 — or about 9 cents on the dollar. Another relinquished $256,000 worth of payments, which had a present value of $166,000, for $35,000 — or about 21 cents on the dollar.

Taken together, the sample shows Access Funding petitioned to buy roughly $6.9 million worth of future payments — which had a present value of $5.3 million — for around $1.7 million.

Presented with these findings, Borkowski said Access Funding doesn’t target lead victims and that Baltimore’s glut of lead-paint lawsuits has artificially inflated that aspect of its business. He said interested investors set the purchase prices, which are lower than the payments’ present value because various factors — such as a life-contingency clause that stops payments if the holder dies — diminish their worth.

“When you get all the way until 2052, that’s pretty far out there,” he said, adding that his company, which does 80 percent of its work outside Maryland, survives only by offering better deals than other firms.

Still, Borkowski urged stricter legislation and more oversight. “These questions you raise touch on fundamental things we are going to be doing differently now,” he said. “We want to secure ourselves in the future from any potential questions like this again, so we can say, ‘No, that’s not us.’”

‘They sucker you in’

The court proceeding that would alter the futures of Freddie Gray and his siblings took place an hour’s drive south from their home in Baltimore, in the town of Upper Marlboro. At stake were hundreds of thousands of dollars, but none of the Grays attended the hearing.

The issue — and the company — was familiar to the presiding judge, Herman C. Dawson. Access Funding has petitioned his court more than 160 times since 2013 to purchase structured settlement payments. Dawson has approved those requests 90 percent of the time.

Freddie Gray, awarded a structured settlement as a result of his lead-paint lawsuit, now wanted the same. “Being debt free will be a great help,” said an affidavit
that Gray signed. “It will take a lot of stress off of me and will help improve my credit rating so that I can make larger purchases in the future.”

Gray had agreed to sell $146,000 worth of his structured settlement, valued at $94,000, to Access Funding for around $18,300. His sisters wanted almost the same exact deal, which in all would relinquish $435,000 of the Gray siblings’ settlement — valued at around $280,000 — for about $54,000, or less than 20 cents on the dollar of its present-day value.

No one objected to the proposed deals. Dawson adjudicated the petitions, along with two other deals involving victims of lead poisoning, within three minutes, according to a recording of the hearing. “The matter is closed,” Dawson said at the hearing. He declined to comment.

The Gray family, which signed six contracts with Access Funding, now burns with resentment. The kids were in a tough spot financially, stepfather Richard Shipley said. Shipley said he tried to dissuade them from taking the deal but failed. “They sucker you in. . . . They didn’t know they were giving up so much for so little,” he said. Now, he said, the lead checks have stopped, and Access Funding won’t return their calls.

Access Funding, Borkowski said, has a “good” relationship with the Grays. “In fact, we have had dialogue since Freddie’s passing in which we provided our condolences and sent flowers to the family,” Borkowski wrote in an e-mail.

The path that led the Gray siblings into these deals began decades ago, inside a series of poorly maintained, lead-painted tenements in the neighborhood of Sandtown-Winchester, court records show.

“They told us to move out of the house,” Shipley recalled one lead-paint inspector advising the family. But where could they go? Every house they lived in between 1988 and 1996 had lead paint. Each of the siblings’ lead levels soared to at least 36 micrograms of lead per deciliter of blood. This was considered high then, when the city annually produced thousands of lead-poisoned children. It’s considered even higher now. The Centers for Disease Control and Prevention today describes any level above 5 micrograms as “elevated,” and on Tuesday, federal authorities pledged $3.7 million to eliminate what remains of Baltimore’s lead-paint problem.

The study of lead’s effects on the body remains an evolving science. Used as an artificial sweetener in ancient Rome, lead later became a cheap manufacturing additive. But lead never lost its sweetness — a poison candy irresistible to children. Scientists once assumed the body could withstand a fair amount of lead, which government authorities banned in residential paint in 1978. But researchers now say any trace of lead, which children absorb by eating paint chips and breathing paint dust, can cripple cognitive development.

The Grays eventually exhibited “neurocognitive deficits,” records say. Psychologists also discovered those same “deficits”
in Rose and her siblings. Her blood lead level reached 31 and inflicted “permanent and severe brain damage,” according to court papers, severing her capacity to “enjoy a normal life.”

So the Grays — as Rose did, as thousands of other families did — sued their landlord, settling in 2010. The Grays then decided on a course that six lead-paint lawyers say they often counsel clients to take. The Grays structured their settlements, an arrangement recommended by insurance companies, disability advocates and even Congress.

“I try to convince my clients that taking a structured settlement might be in their best interest,” Kerpelman said. “They have no experience managing money, are brain compromised, and history shows they’ll likely run through a large cash settlement in a short time.”

But poverty is expensive. Disability is expensive. Debt mounts. Forfeiting future payments for immediate cash can seem like a painful necessity.

That’s how 42-year-old Tarsha Simms recently reconciled her decision to sell a portion of her daughter’s settlement to Access Funding. “I do regret it,” Simms said. “But if it wasn’t for this deal, we would be on the street right now.”

To balance clients’ vulnerabilities with purchasing companies’ desire for profit, most state legislatures called upon county judges to decide the cases. But Maryland’s law, according to longtime structured settlement expert Craig Ulman, is “substantially weaker” than in most states. For example, it doesn’t require that settlement recipients appear in court, as Illinois’ law does. It also doesn’t make purchasing companies file their petitions in the seller’s county of residence, as in New York, Oregon and other states.

Critics say such conditions can give rise to something called “forum shopping,” in which purchasing companies seek out less-scrutinious judges. Those firms “find the squeaky wheels, where things aren’t as enforced as much . . . and the judge simply looks at the affidavit,” said John Darer, who operates a blog monitoring the industry.

Petitions involving Maryland’s lead victims cluster in Montgomery, Howard and Prince George’s counties — anywhere but Baltimore City, the jurisdiction where most of those lead victims live. Access Funding says it has overwhelmingly filed in Prince George’s County because that’s where their attorney’s office is located.

Maryland’s court system also makes it easy to find the right clientele. Its case search puts lead-paint lawsuits into their own category, meaning a few keystrokes can call forth thousands of names. This unique confluence of factors constitutes the “perfect storm of bad stuff,” said Earl Nesbitt, executive director of the National Association of Settlement Purchasers.

But it isn’t bad for everyone. For the savvy operative, someone willing to travel deep into Baltimore’s poorest neighborhoods, this can be a lucrative trade.
And for a time, it was for Scott Blumenfeld.

**An insider’s view**

He likes risks. He’s partial to large, shiny watches. He has played so much poker, peering over cards, shuffling chips, that he’s developed carpal tunnel syndrome in his right arm and now wears a large, black brace. He drives a late-model blue Audi, which he says has made him nervous when driving through certain Baltimore neighborhoods at night to meet a lead-paint victim.

“I never roll up on someone without calling first,” he said.

Blumenfeld, who has worked hundreds of settlement transfer contracts, said he never intended to get into this sort of work. He grew up in Rockville, got his undergraduate degree in Madison, Wis., then entered the University of Baltimore School of Law. While there, he says he met other law students who went on to form the legal foundation for some of the area’s biggest structured settlement purchasing firms.

Many settled in one place, he said. “Around Bethesda, there’s a whole concentration of these structured settlement companies, but no [settlement recipients] are in Bethesda. Zero. None. Like, I’ve never heard of one in Bethesda,” Blumenfeld said. “But they’re not doing business with anyone in Bethesda. No one even in Montgomery County. It’s all about Baltimore.”

Blumenfeld’s first role in the industry came in 2005, notarizing contracts for a Bethesda settlement purchasing company. Over the next five years, he rapped on doors in Baltimore’s toughest blocks to secure hundreds of signatures.

In 2010, Blumenfeld became an independent professional adviser and started counseling sellers before their deals went to court. Maryland legislation holds that such a person — who can neither be paid by nor affiliated with a purchasing firm — must “render advice concerning the [deal’s] legal, tax and financial implications.” The sellers are supposed to pay their adviser.

Sounds complicated. It wasn’t, Blumenfeld said. “I was doing most of them on the phone,” he said. He asked whether they understood the “legal, tax and financial implications” of the deal. “It would take less than a minute. I didn’t go over the terms of the contract. That wasn’t my function. I don’t think any of the other lawyers do that, or else they would never get any repeat business.”

Charles E. Smith is another lawyer who does this work. A review of 52 Access Funding deals revealed that Smith worked as the independent adviser on every one. Smith entered the same letter in every case stating that the lead victim understood the deal’s “legal, tax and financial implications” and that he was not “affiliated” with Access Funding. Borkowski said his company has no contractual or business relationship with Smith, declining to answer additional questions.
Smith said such transactions “represent an extremely small percentage of my practice. I have no business partnerships with any company in the structured settlement purchasing industry. … In all instances, I am directly contacted by the [settlement recipient.] … I’m not exactly sure how [they] come to me. … My independence is in no way compromised or at risk.”

Critics condemned the practice of an independent adviser working deal after deal for the same company. “It’s a total conflict of interest,” lawyer Kerpelman said. “He’s doing business for them and with them all the time. Imagine if he ever said, ‘No, she can’t read. She can’t understand what she’s signing.’” That partnership, he said, would evaporate.

But Blumenfeld said perceived conflicts of interest weren’t the only matters that discomforted him. “A 10-year-old does not have the mental ability to sell these payments, but you see this person is 20, but he has the mental brain capacity of a 10-year-old. … So does this annuitant have the ability to sell these payments?”

So Blumenfeld said he adopted a third and final role, this time as something of a broker. He shopped around clients between several purchasing companies, he said, to secure better deals. One client was lead victim Kevin Owens, who wanted to sell hundreds of thousands of dollars’ worth of payments. He committed to Access Funding but backed out after Blumenfeld spoke with him. In a lawsuit dismissed in March, Access Funding accused Blumenfeld of interference with business practices and unjust enrichment.

Around that same time, the Maryland Attorney Grievance Commission accused Blumenfeld of employing a paralegal with a “substantial criminal history” whom an elderly client gave power of attorney. The board also alleged that Blumenfeld “failed to properly maintain trust account records” and client ledgers. It suspended him in July last year for at least six months for improper supervision and record maintenance.

Those legal issues have stalled Blumenfeld’s work in the structured settlement industry, he said. But even now, he said he still wonders at opportunities missed. One person, especially, still crosses his thoughts. He tried to get in touch with him. He sent him letters.

But Blumenfeld never did connect with Vincent Maurice Jones Jr.

‘They gave me pennies’

Sunlight spilled across the silent street in West Baltimore. But inside one of its few occupied homes, everything was dark. Black curtains hung across the windows. The living room was strewn with pawn slips and a pamphlet advising what to do upon suffering a gunshot wound. And anchoring its mantel was a cookie tin emblazoned with the words “Access Funding.”

Vincent Maurice Jones Jr., who didn’t graduate from high school, was playing video games upstairs in his bedroom. He
quickly tired of questions.

What happened with Access Funding? “You feeling me, they got all that money, and I didn’t even get a lot.” How much money was in his settlement? “What settlement?”

Jones, 25, came of age in a house on Mosher Street, which today stands abandoned and boarded up. Lead paint so infested its interior that only a few walls were free of it, according to records filed in a lead-paint lawsuit that Jones settled in 2008. “Just a lead pit,” was what one Baltimore pediatrician called it in a deposition.

When Jones was 2 years old, his blood carried 16 micrograms — triple the level considered elevated — before shooting to 28. Then it dropped to 16 before rising to 22. Even at age 8, lead still coursed at high levels in his bloodstream. Soon, he was repeating grades, failing classes.

One psychologist, court records show, doubted his employability, citing his “severe learning difficulties.” He put his lifetime economic loss at more than $1.5 million. Another medical professional couldn’t determine whether Jones, who repeated several grades, was “severely disabled” or just “generally disabled.”

“His mother essentially handles his medical regimen, takes him to doctors and makes sure he gets his medications,” pediatrician Michael A. Conte said in a deposition. “She, obviously, takes care of all the financial matters. And she transports him, or his girlfriend transports him, when he needs to travel to places that involves more than just walking down the street.”

But an affidavit written by Access Funding and signed by Jones in 2013 said Jones wanted to sell $90,000 of his settlement for $26,000 to “purchase a vehicle.” The money, the affidavit said, would also be used to “look for work and also need furniture, clothes, school supplies for my young daughter.”

But Jones has a son, not a daughter. And Jones has never had a driver’s license. Within months of buying a Ford sedan, Jones collected four tickets for operating a vehicle without a license. That car today bakes in the sun, unused.

Months later, Jones struck another deal with Access Funding. This time, he signed two contracts. One relinquished $327,000 worth of future payments, with a present value of $179,000, for $16,000 in return. Another deal, later dismissed, offered $34,000 for a stream of payments that totaled $336,000 and had a present value of $195,000. In all, Jones seemed willing to sell $663,000 of his settlement for $50,000.

The official reason stated in the two spring 2014 affidavits was puzzling. Jones, who had just bought the house he and his mother share using money from a structured-settlement deal, hadn’t needed to pay rent for months. But he signed an affidavit compiled by Access Funding saying he intended “to purchase [a] down payment on a house. Because I am currently unemployed, renting is expensive and detracts from my ability to provide suitable housing
for myself and my dependent.” The other affidavit said: “Renting is an expense I no longer wish to incur.”

Burkowski, Access Funding’s chief executive, said he could only speculate as to what happened. “We take what is told to us,” he said. “These are people, respectable people who have honest needs. If they say they need a house, it’s not Access Funding’s position to challenge what that client is representing to us. We’re trying to help these people.”

It’s help that Jones said he could have done without. “The whole thing’s a scam,” said Jones, claiming Access Funding made up why he needed the money. “All that money I got is gone. They gave me pennies.”

So Jones has decided to fight. He’s working with an attorney who’s considering litigation against Access Funding. And he’s not the only one.

Tears, then litigation

“There it is,” Rose said, pointing at a large structure looming just blocks from where the CVS burned during the Freddie Gray protests. This is where her lead-painted, childhood house once stood. “They knocked it down,” Rose said. “It’s gone now.”

It was a Saturday afternoon, and West Baltimore was alive with funeral processions. The city had just undergone its bloodiest month in four decades — 43 shot dead — and Rose pulled out her phone to show a grisly image of a dead black man making the rounds on Facebook. “He got killed over nothing,” she said.

Rose said she hates it here. She doesn’t want to stay long. The funeral processions remind her of everything she was happy to leave behind when her family bought a large home just outside Baltimore with settlement money. The move brought her within a few miles of Heritage High School, where she secured the diploma she now calls her greatest achievement.

That accomplishment, Rose said, now feels far away. One afternoon, she suddenly began to cry. She often tells people she’s “not dumb.” She just needs a little extra time to understand things. But right now, saddled by the weight of decisions made and contracts signed, she felt less sure of that conviction.

Believing she still had money, Rose in March again tried to sell some settlement payments. But the petition, filed in April, was later dismissed when it emerged that all her money was gone. It was around that time that she also stitched together what had happened with Access Funding. In May, she called lawyers to see whether anything could be done.

In early June, Rose sued Smith, the attorney who had worked as Rose’s independent adviser in the Access Funding deal. Smith “has signed at least 40 identical or substantially similar letters under similar circumstances in other petitions where Access Funding was seeking a transfer of a structured settlement,” states the lawsuit, filed in Baltimore City Circuit Court. The
lawsuit, filed by attorneys Raymond Mar-
shall and Brian Brown, accuses Smith of
legal malpractice and intentional misrep-
resentation.

It says Smith failed to disclose his
ongoing relationship with Access Fund-
ing to Rose and neither met her in person
nor inquired about her intellectual capa-
bilities. “No reasonable attorney acting on
behalf of Rose would have recommended
the proposed transaction,” it says.

Smith argued in court papers that
Rose’s lawsuit is “fundamentally inconsis-
tent” with her earlier position and warrants
dismissal. Rose, he said, signed a contract
stating her desire to sell the payments. She
signed an affidavit saying she’d spoken to
an independent adviser. “A party who signs
a contract is presumed to have read and
understood its terms,” the response stated.

“… This general rule applies even where
the individual signing the document is
‘functionally illiterate.’”

Rose now works for a local home care
service, providing companionship to an
elderly woman, she said. In between shifts
and helping her brother with his kids, she
said she tries not to think about what has
happened to her settlement. Still, she said
she feels hunted, “like a target or some-
thing.”

Settlement purchasing companies,
she said, pester her with phone calls and
letters. Just the other day, Rose said she
opened the mailbox and there was a letter
from Access Funding. It promised her fast
money. All Rose had to do was pick up the
phone and call.

terrence.mccoy@washpost.com
In Baltimore, black residents are lured by fast money to sell decades of settlement payments for down on the dollar.

CASHING IN OFF POOR LEAD-POISONING VICTIMS

The kids were in a tough spot. Their mother, Wenche, 50, said she couldn't work a professional job. She can't live alone. And, she didn't want to raise her daughter alone.

Presented with these findings, the health department had already dismissed the idea. A few people had raised their hands, indicating they might be interested in having their houses bought by the government. But the health department had already decided that any house they bought would be a small fraction of its present value.

She often tells people she's "not ready for the recession," but she knows she has to make a decision. She's considering litigation to get her share of the settlement.

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Virginia GOP loyalty oath idea could trip up Trump

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Putting Rose's decision to scale
Rose's structured settlement titled for 429 monthly payments.

On Oct. 31, 2012, Rose's cumulative amount of $56,351 would have represented the $105,075 lump sum from Access Funding.

August 2012

$105,075
Access Funding lump sum

$4,000
First payment on Aug. 22, 2013, would be $4,000.

$24,000

$30,000

$56,351

$105,075

November 2017

Source: Families Against Necessary Crowd Fund
Tighter rules sought for Md. settlement buyouts

BY TERENCE McCOY

Maryland lawmakers on Wednesday called for strengthened legislation that would tighten restrictions on an industry that buys settlement payments amid mounting criticism that some of the businesses profit off the poor and disabled.

Members of the House of Delegates and Attorney General Brian E. Frosh (D) pressed for increased scrutiny of these transactions after an article in The Washington Post detailed how companies often strike deals with victims of lead poisoning that deliver dimes on the dollar.

“My office is going to be looking into this,” said Frosh, who also called on the General Assembly to strengthen legislation. “And we’re going to be looking into a number of different aspects of these transactions.”

Baltimore’s long struggle with lead paint poisoning has generated thousands of cognitively disabled residents and a glut of lead paint lawsuits, some of which have resulted in what are known as structured settlements. Traditional settlements are paid out in one lump sum. But these agreements often dispense payments across decades under the argument that doing so protects vulnerable recipients from immediately spending all of their money.

This has made Baltimore a primary target for companies interested in buying settlement payments. In 2000, Maryland inked the Structured Settlement Protection Act for vulnerable residents. It called upon county judges to determine whether these deals reflect the seller’s best interests.

But according to The Post’s analysis, this has not averted what critics call predatory deals between purchasing companies and victims of lead paint poisoning, who are overwhelmingly black and poor. One person sold decades worth of payments that totaled nearly $574,000 — and had a present value of $338,000 — for less than $63,000. Another young woman, who court records say was diagnosed with “mild mental retardation,” sold all of her pay-
ments through 2030 over four deals and is now homeless.

Frosh said he was angered by these anecdotes. “My blood is still boiling,” he said. He added: “If they aren’t incompetent, they’re certainly impaired and deserve and need the protection of the courts. There are safeguards in Maryland’s law, but they’re obviously not working 100 percent of the time.”

Del. Samuel I. Rosenberg (D-Baltimore) said he is working on amendments that would place greater requirements on purchasing companies. The amendments, which he hopes to introduce in January, will address concerns over how companies do business with victims of lead paint poisoning.

“We will absolutely address this problem that you’ve raised,” said Rosenberg, adding that he was working on crafting amendments to strengthen the law before The Post published its report.

Depending on whom you talk to, the structured settlement purchasing industry is either one that gets money to people who need it now or a cluster of companies that profit off disability. Industry advocates highlight deals that have staved off homelessness or put children through school. But critics said vulnerable residents may unwittingly sign away fortunes for little in return.

That is why officials said it is important to make sure the system in which these companies operate functions well, striking a balance between settlement recipients’ vulnerability and firms’ desire for profit.

“There’s a group of legislators interested in working on this, and, hopefully, we’ll be able to address the issue,” Del. Ariana B. Kelly (D-Montgomery) said. “I know I have talked to more than a dozen legislators” about working on amendments.

Specifically, she said, the legislation should require companies to file their purchase petitions in the county where the settlement recipient lives. Without that prerequisite, critics said, something called “forum shopping” can proliferate, in which purchasing companies seek pliable judges for petitions. In Maryland, many filings cluster in Montgomery, Howard and Prince George’s counties. But few go through Baltimore City, where most victims of lead poisoning reside.

John R. Stierhoff, a government affairs attorney in Baltimore, is working on the legislation with Rosenberg. He said the initial act is only a “few pages. I think we’re going to triple the size. It’s a significant rewriting and updating of the act.” He said he wants Maryland’s act to “address all of the concerns that have been raised, because there certainly are a lot of them.”

He said he wants to get it passed in the 2016 legislative session.
Panda cub’s death ‘was devastating’

At the National Zoo, caretakers worked six hours to save the life of one of the 4-day-old giant panda cubs. The cub was lethargic, and even though the panda staff had given it oxygen, CPR and other lifesaving measures, it was second time in three weeks that a cub had died.

‘IT’S A NEW LEVEL OF DEPRAVITY’

Beefed-up police efforts to stop violence in the District have drawn mixed reactions. Chief Cathy L. Lanier also spoke with council members to discuss the increase in homicides and the mayor’s plans to address it.

Put McDonnell behind bars, U.S. official says

The Justice Department is pressing for a speedy trial in the case of a Virginia man accused of paying off his cousin’s fatal shooting insurance payoff. The case has pitted family against family and pitted the Department of Justice against prison. Robert F. McDonnell is due to stand trial in May.

Tighter rules sought for Md. settlement buyouts

Some B.C. charter schools raise millions; others, almost nothing

Tight rules sought for Md. settlement buyouts

Not-guilty verdict in deadly shooting

Md. lawmakers upset over settlement purchases

Chief: Petty disputes a ‘common theme’ in wave of killings

The case has pitted family against family and pitted the Department of Justice against prison. Robert F. McDonnell is due to stand trial in May.

It’s called “Districtland,” and it’s a whole new way for people to get their daily fix on D.C. city life. The initiative was launched by activists and city council members.

The pair often vacationed abroad. Rice, who worked as a manager at Classical Lane in Silver Spring, said she was about to buy a house in Baltimore City, where most victims of lead poisoning were discovered.
Crackdown on structured-settlement buyouts

PR. GEORGE’S COURT TIGHTENS RULES

Payment buyers accused of profiting from poor

BY TERRENCE MCCOY

The Prince George’s County Circuit Court has implemented significant reforms to how it handles companies’ petitions to purchase settlement payments amid mounting scrutiny of an industry that critics say profits from poverty and desperation.

All sellers must now appear at hearings where a judge decides whether the proposed deal is in their best interest. Independent professional advisers, who are required by Maryland law to advise settlement recipients, must also now appear at the hearings. All petitions must now be filed using the seller’s full name, rather than initials. And Judge Herman C. Dawson, who heard the petitions to purchase structured-settlement payments, no longer presides over the transactions.

The changes come as criticism of companies that purchase settlement payments is mounting following a report in The Washington Post last month that showed firms routinely buy payments belonging to victims of lead-paint poisoning for dimes on the dollar.

Members of Congress have since called for investigations. Maryland lawmakers have urged stronger legislation. And officials with the state Court of Appeals Standing Committee on Rules of Practice and Procedure this month said it is drafting rules to “ensure accountability and transparency during these proceedings.”

The latest critic is Prince George’s County Administrative Judge Sheila R. Tillerson Adams. She has reviewed numerous cases filed by a company called Access Funding. The Post last month reported that the Chevy Chase company petitioned
Prince George's County Circuit Court more than 170 times since 2013. The cases often involved victims of lead-paint poisoning, who were overwhelmingly black and poor. Dawson, who didn't respond to requests for comment, approved the petitions at a rate of roughly 90 percent.

Adams now says that the petitions require more scrutiny. She was troubled by what she called the “commonality” among the cases. The same independent adviser worked on a large number of the Access deals. State law specifies that the adviser cannot be affiliated with the purchasing company.

“When you look at the files and see the commonality of the quote-on-quote independent adviser, you see the cases require a different level of scrutiny,” she said.

Adams said the way in which Access Funding attorney Anuj Sud filed some of the cases also concerned her. Nearly 80 of Access Funding’s petitions were filed using the initials of the seller. Relevant information — ages, addresses, signatures, names — were redacted from some of those records.

“When I looked at these cases, and I saw the same attorney and the same adviser and the initials and no reason for them to be filed with initials and no reason that I dictated that these cases should be redacted, that was a cause of concern,” Adams said. “And there were many changes that were implemented.”

Sud, a College Park attorney who worked as a clerk for two Prince George’s judges between 2004 and 2006, didn’t return several requests for comment.

Access Funding chief executive Michael Borkowski also didn’t return requests for comment. But he said in a statement in May that using initials is standard practice across the industry. “Similar to much of our competition, and at the request of many of our annuitant clients to keep their personal and financial information private, during [2014] Access Funding began filing using annuitant initials and redacting personal and financial information from the public documents,” he said.

The practice of filing a petition using the seller’s initials is symptomatic of the lengths companies undertake to ensure competing firms don’t poach clients with structured settlements by trolling online records, experts said. These agreements, as opposed to traditional settlements, eke out payments across decades so as to protect vulnerable recipients from immediately spending their compensation.

“It’s a very competitive industry,” said Bethesda attorney Elyse Strickland, who has filed scores of petitions to purchase structured-settlement payments in counties across Maryland. “And so you want to protect your business and your file. That’s a way that companies protect themselves from other companies.”

Loopholes in Maryland law can also benefit the companies. Unlike New York and Oregon, for example, Maryland doesn’t make purchasing companies file their peti-
tions in the seller’s county of residence, which could make it easier for annuitants to appear in court. Critics say this omission also gives rise to a practice called “forum shopping,” in which purchasing companies seek out less-scrutinous judges. Those firms “find the squeaky wheels, where things aren’t as enforced as much … and the judge simply looks at the affidavit,” said John Darer, who operates a blog monitoring the industry.

Petitions involving Maryland’s lead victims cluster in Montgomery, Howard and Prince George’s counties — anywhere but Baltimore City, the jurisdiction where most of the lead victims live. Access Funding says it has overwhelmingly filed in Prince George’s County because that’s where its attorney’s office is located.

Companies working Baltimore’s streets try to get a leg up on the competition any way they can — with advertisements, referrals, and by searching for annuitants in court records.

In interviews, seven victims of lead-paint poisoning who had sold payments complained about how often purchasing companies call them. Some changed their telephone numbers. Others began ignoring calls from certain numbers. Others said they felt like targets.

In August 2009, Tamika Bridgers was awarded a $700,000 settlement as a result of a lead-paint lawsuit. In late 2012, she struck her first deal with purchasing company J.G. Wentworth, which logged her name in the public record. Since then, Bridgers said, companies have hounded her with phone calls. She ultimately had to change her phone number.

“They try to say they can give a better deal,” Bridgers recalled several months ago in an interview. “But it don’t matter who you go with, they’re all the same.” She added: “I was a fool. I don’t want to talk about it anymore, because the more I talk about it, the more I get mad.”

In all, Bridgers has done at least six structured-settlement deals. Four have been with Access Funding. But you wouldn’t know that by placing her name into the Maryland court search. That’s because two of the deals that Access Funding filed only used her initials. One called her “Tamika B” and another called her “T.B.”

The day Bridgers was called T.B. in Prince George’s County Circuit Court came last April. That morning, Dawson had 11 Access Funding petitions to purchase structured-settlement payments on his docket. Sud was present representing Access, but none of the sellers attended the hearing. Each deal was filed using the seller’s initials.

One was Lydell Todman. He wanted to sell $1.7 million worth of his settlement — which had a value of $1.3 million — for about $330,000, or about 25 cents on the dollar. His case was filed under “N.T.”

No one objected to the proposed deals. And within four minutes, according to an audio recording of the hearing, Dawson approved all 11 deals.
Crackdown on structured-settlement buyouts

Suspected bus shooter had prior gun offense

Alexandria streets with Rebel ties could change

Pr. George’s court reforms purchases

Jail informant could testify at trial in 3 slayings

In past shooting case, complex factors at play

Confederate street names might not go the distance
Md. panel backs shift in lawsuit payouts

With reforms, hundreds of structured-settlement cases may be affected

BY TERRENCE MCCOY

The committee that advises the Maryland Court of Appeals approved reforms on Friday that could drastically change how companies buy the rights to lawsuit payouts amid mounting criticism of an industry that critics say profits off disability and poverty.

The approval by the Standing Committee on Rules of Practice and Procedure has the potential to remake how the settlement purchasing industry operates in the state and alter — if not stall — the outcome of hundreds of petitions companies file annually to purchase years of payments locked inside what are known as structured settlements.

The suggested reforms come after a Washington Post investigation published in August revealed how some companies have paid dimes on the dollar to purchase structured settlements belonging to Baltimore victims of lead paint poisoning, many of whom are mentally impaired. The settlements, which dispense periodic payments across decades, are often used to protect vulnerable recipients from immediately spending their entire payouts.

State and federal lawmakers have since called for changes and investigations. And the Prince George’s County Circuit Court, where one company filed hundreds of petitions that predominantly funneled through one judge’s chambers, has implemented major reforms.

The Post’s article “exposed some very significant gaps in judicial procedure mandated by the General Assembly back in 2000, and that put a vulnerable segment of the population at risk,” said Alan M. Wilner, the committee’s chairman. “And because the problem that was exposed directly involved judicial proceedings, it can be fixed by rule.”

He said Mary Ellen Barbera, chief judge of the Maryland Court of Appeals, called upon the committee to “clean up the judicial piece of it by rule and do it quick.”

The proposed changes will be sent to the court for review and probably will be approved in November, Wilner said.

The rules would require all petitions to be filed in the residing jurisdiction of
the payees, who now must attend court hearings to help the judge decide whether the proposed deal is in their best interest. Companies must now say whether the underlying case involved any claim of lead paint poisoning or “mental or cognitive impairment.” And independent professional advisers — who counsel payees about the deals’ implications — must now appear at the hearings, divulge how frequently they’ve done business with the purchasing companies and detail their investigation into the seller’s mental capacity.

At the hearing, which representatives of the structured-settlement purchasing industry, some of whom attended the hearing, said the new measures would make it harder for desperate people to get the money they need in emergencies.

“We're not evil,” exclaimed Patricia LaBorde, president of the National Association of Settlement Purchasers, after a hearing that at times turned heated as committee members questioned industry advocates about their practices. She said the added requirements would inflate the cost of filing petitions and that cash-strapped customers would get less money.

“Some of the rules were drafted without an understanding of how we operate, because there seems to be no understanding of how we operate,” she said. “I know no one believes that we actually care about our customers, but we actually do. The needs are serious. People don’t come to us for light reasons.”

In Baltimore, thousands of children have suffered poisoning from lead and won settlements against landlords worth hundreds of thousands of dollars. The overwhelming majority of the victims are poor, African American and have few assets beyond their structured-settlement payments. Selling the payments can provide needed cash for emergencies, such as the threat of foreclosure or a medical issue, or help them buy a home or a car.

Companies compete for customers — calling them, sending them advertisements, sifting through court records for fresh names. The aggressiveness of that competition, coupled with clients’ vulnerability and desperation, can result in deals that critics call predatory, giving sellers dimes on the dollar, if not less.

So in 2000, to protect these people, Maryland’s General Assembly approved the Structured Settlement Protection Act. It vested the courts with the responsibility of deciding whether the deal was in the seller’s best interests. One of the requirements of that approval was for the seller to seek the counsel of an independent professional adviser. Critics say those rules have failed. The Post reviewed more than 60 deals, chosen at random, that one purchasing company has filed since 2013. For each, the independent adviser was the same person.

Members of the state rules committee on Friday questioned whether such advisers were truly independent if companies provide customers with a list of people to call, which LaBorde acknowled-
edged was industry practice. “This process is supposed to provide a backstop for folks who are vulnerable,” said Douglas Nazarian, a judge on the state’s Court of Special Appeals. “And the idea of getting a list of ‘independent’ people that your company works with regularly doesn’t make me” feel comfortable, he said.

He added: “This sounds like a dumpster fire. I’m struggling with this. I’m sure there are times when [this] is a good idea, but it sounds like there aren’t many.”

Committee members said that companies file petitions that don’t equip judges with enough information to decide whether deals are in the seller’s best interests. So firms must now submit — or make clear that they couldn’t find — a copy of the structured settlement, the seller’s contact information and all of the seller’s transactions.

Michael Croxson, president of Bethesda-based Seneca One, one of the nation’s largest purchasing companies, said that both the breadth and scope of the proposed new rules were staggering.

“Last Thursday, when I saw these rules, I was taken aback by what this will do to the process,” he said. “These are really proposed rules that as a practitioner are deeply concerning.” He added: “It will create undue expense, and I don’t know if some of this stuff can actually be done.”

Wilner, however, said the companies had to try to ensure that “the hearings are real and not just rubber-stamped.”

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In the futures market

Audit finds Md. health site faults

Settlement purchasers may face reforms in Md.

Safety-challenged Metro is placed under federal supervision

Audit finds Md. health site faults

Doubling down on the future of print

Md. panel hacks shift in lawsuit payouts

In the futures market

Audit finds Md. health site faults

Doubling down on the future of print
2 Md. lawyers under inquiry

STATE INVESTIGATES
SETTLEMENT SALES

Most cases involve poor people exposed to lead

by Terrence McCoy

Two lawyers who facilitated the sale of millions of dollars in settlements belonging to victims of lead paint poisoning are under investigation by the Maryland Office of the Attorney General for possible violations of the state Consumer Protection Act.

In a pair of pleadings filed this week in Montgomery County Circuit Court, authorities asked College Park lawyer Anuj Sud and Derwood lawyer Charles Smith to divulge records that relate to their participation in the structured-settlement purchasing industry. In particular, authorities said they are trying to determine whether Smith — who advised dozens of vulnerable people on questionable transactions — had an improper relationship with a purchasing company or its attorney, Sud.

“Mr. Sud and Mr. Smith have violated the Consumer Protection Act if, among other potential violations, they made false statements or conspired to mislead consumers in connection with either the solicitation of advisory services business for Mr. Smith or the inducement of injured Marylanders to transfer structured settlement payment rights to Access Funding entities.”

The petitions cast fresh scrutiny on an industry that has come under increasing pressure since a story published in The Washington Post in August revealed that companies have purchased millions of dollars in settlement payments from lead paint victims for dimes on the dollar.

The report focused on one Chevy Chase company, Access Funding, which did deals with dozens of Baltimore residents who were overwhelmingly poor and African American, and often cognitively impaired as a result of lead poisoning.

In all, according to the agency’s investigation, the company purchased payment streams that totaled $28,723,988 — and had a present-day value of $21,426,399 —
in exchange for $6,817,213. “In this manner, Access Funding entities extracted, at a minimum, a total of nearly $15 million from poor and vulnerable Marylanders from June 2013 to August 2015,” the pleading said. At least half — “and perhaps substantially more than half” — of the company’s deals involved Baltimore victims of lead-paint poisoning.

Sud and Smith have played a central role in facilitating these deals since 2013. The men now contend in court papers that they don’t have to share all of the requested records with authorities because they say the Consumer Protection Act excludes attorney services.

“That’s just wrong for a number of reasons,” Maryland Attorney General Brian Frosh said. “But it’s just wrong.”

Attorneys for Smith and Sud didn’t return requests for comment Wednesday.

In e-mails sent months ago, Smith said: “I have no business partnerships with any company in the structured settlement purchasing industry. … In all instances, I am directly contacted by the [settlement recipient.] … I’m not exactly sure how [they] come to me. … My independence is in no way compromised or at risk.”

Structured settlements — as opposed to traditional agreements that pay out in one lump sum — dispense regular payments across decades to protect vulnerable people from immediately spending their entire compensation. As a protective measure, Maryland passed a law in 2000 that said the courts must approve the deals before they go through.

In Maryland, companies often use two lawyers to complete this process. The first files the petitions and represents the purchasing company at hearings in which a judge determines whether the deal is in the settlement recipient’s best interest. The second lawyer offers what’s called “independent professional advice” to the customer as to the deal’s implications. The statute specifies that this counselor cannot be affiliated with the purchasing company.

The Post reviewed more than 60 Access Funding petitions, chosen at random, and Smith was the independent professional adviser on every one. Authorities now say Smith acted in this capacity in all of Access Funding’s petitions in Maryland between June 2013 and June 2015.

“Smith had an arrangement with the Access Funding entities under which he exclusively provided advisory services to Maryland tort victims who had been induced to transfer structured settlement payments to Access Funding,” the petitions said. One recipient, who is functionally illiterate and sold payments that had a present value of $337,855 for $62,636, sued Smith in June, alleging he never met with her and didn’t provide advice on the deal’s “financial, legal and tax implications.” Smith has argued she signed paperwork stating she understood the deal. The suit is pending.

Authorities are now focused on answering several questions: Did Access Funding pay Smith? What affiliations, if any, did he have with either Access Funding or Sud?
“The victim of lead-paint poisoning or some other tort is supposed to have independent advice,” Frosh said. “But if it’s the same person giving the same advice, and it’s always the same entity on the other side of the transaction, it calls into question their independence.”

terrence.mccoy@washpost.com
Sidwell alumni seek to help residents uprooted by land deal

The dresses were among 2,400 items seized and the U.S. General Services Administration, before being arrested for embezzling $5.1 million from a D.C. school plans to buy a $600,000 to $800,000, which will be the only thing going to a fraction of their retail value. If it all sells, it will bring in $5.1 million to a D.C. Washington College will remain closed. Armed, still missing, vigilantly exercised their fiduciary role on every one. Authorities now say none of them have been concluded. The sale, held at the Embassy Suites Baltimore Hotel at BWI airport, including a $56,000-a-year administrative director, is as seamless and stress-free as the only thing going to a fraction of their retail value. If it all sells, it will bring in $5.1 million to a D.C.

Funding, which did deals with $600,000 to $800,000, which will be the only thing going to a fraction of their retail value. If it all sells, it will bring in $5.1 million to a D.C.

Those who opt to stay at home.

The lone dissenting voice was the home serves were surveyed. As for assisting with residents' care in a city where that can be

The College Park campus's dedication of Frederick Douglass's accomplishments as a champion of justice and education nonprofit executive director, is as seamless and stress-free as the only thing going to a fraction of their retail value. If it all sells, it will bring in $5.1 million to a D.C.

Reports amid World War II's Battle of the Atlantic.

They had been eligible for the medals, officials said.

In all, according to the agency's funding entities.

Smith — who advised dozens of authorities now say none of them have been concluded. The sale, held at the Embassy Suites Baltimore Hotel at BWI airport, including a $56,000-a-year administrative director, is as seamless and stress-free as the only thing going to a fraction of their retail value. If it all sells, it will bring in $5.1 million to a D.C.

In particular, authorities said they are trying to determine whether paint poisoning are under investigation.

Arrest — by white police officers for Johnson's injuries. Johnson Day and therefore are not liable against them.

According to Elizabeth Mayhew's court papers that its officers had "immunity" to their son was despondent about his "physical injuries and severe mental anguish due to the egregious treatment he received.

According to the 9:30 Club website, White Ford Bronco is influenced by what two '90s TV shows?

According to the 9:30 Club website, White Ford Bronco is influenced by what two '90s TV shows?

Maryland Attorney General Brian E. Frosh said. She is also worried about the city's response, which is all of her and her husband's.
Court affirms payout changes

SETTLEMENT BUYOUTS AFFECTED

Decision alters how firms purchase victims’ rights

by Terrence McCoy

Maryland’s highest court has approved sweeping changes that will drastically change how companies purchase the rights to legal settlement payouts, effectively remaking how a controversial industry does business with some of the state’s poorest and most vulnerable residents.

In particular, companies interested in buying payments belonging to recipients of so-called structured settlements will now need to file significantly more information so that judges can better decide whether a proposed deal is in a recipient’s best interests. The changes, approved Thursday, will slow down the court-approval process and discourage what judicial officials called the “rubber-stamping” of some petitions.

“There were no guidelines before,” said Judge Alan M. Wilner, who chairs an advisory committee that last month proposed the additional rules. “The judges were left with whatever the [company] was telling them, which was next to nothing. Often, the [settlement recipient] wasn’t there in court, so I don’t know … whether the judges who were having these things before them even knew what kinds of findings they had to make.”

That disconnect, abetted by what Wilner called procedural “gaps,” allowed firms to “take improper advantage of vulnerable recipients of structured settlement payments.”

Wilner cited as the impetus behind the changes a report published by The Washington Post in August that exposed how structured settlement companies have made millions by targeting Baltimore victims of lead-paint poisoning. Some of those victims, many of whom were African American, poor and cognitively impaired, sold rights to their lucrative structured-settlement payments for dimes on the dollar.

Many personal injury lawyers, including Baltimore lawyers who represent victims of lead-paint poisoning, recommend these agreements. Rather than traditional settlements, they dispense payments in
regular intervals across decades, so vulnerable clients don’t immediately spend compensation meant to last a lifetime.

But these agreements unwittingly gave rise to dozens of companies that seek recipients willing to sell those payments for a fraction of their face value. To protect these people, Maryland, like dozens of other states, passed legislation that called on state courts to decide whether the deals were in recipients’ best interests. It also mandated that the seller receive independent professional counsel.

Judicial officials are expressing significant concern over that advice, offered by what Wilner derided as “supposed independent professional advisers.” One counselor, The Post found, almost exclusively advised one company’s customers. These professionals must now attend hearings in the cases, as well as divulge how often they have worked on that firm’s petitions.

“Companies, or at least some of them, supply lists of individuals they have worked with in the past from which the payee can choose,” Wilner wrote in a letter to the Court of Appeals, recommending the changes. “At least some of the [purchasing] companies, we were told, ‘advance’ the fees to the advisor, which they recover as a credit against what is paid for the transfer.”

To help judges ascertain the seller’s cognitive capacity, the changes require all recipients to appear in court at the hearings. Their counselor must also submit biographical information about them, specifying whether the seller had sold payments in the past — and at what rate — as well as whether he or she was a victim of lead-paint poisoning or alleged to be cognitively impaired.

Patricia LaBorde, president of the National Association of Settlement Purchasers, has in the past expressed concern that such changes would unduly burden people who needed to get money quickly. On Monday, she said the judiciary wasn’t the best avenue to change judicial procedures earlier established by legislation.

“In general, the best solution is a legislative one,” she said. “Changes need to be made in Maryland, and I think it’s most appropriate that it’s handled by the legislature.”

State lawmakers have said they are planning to file proposed legislation in January.

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Open-door policy for ancillary hate speech

In D.C., support for statehood climbs

Crash victim’s family seeks answers

D.C. police chief: Fight a gunman if you must

Court ruling will change procedure for payouts

Attorney general’s office makes new push on street crime

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Perils of early payoffs in Virginia

Firms make millions off the injured in purchases of structured settlements

by Terrence McCoy

Rex Muller has had lots of tenants over the years, but none quite like Terrence Taylor. He moved into a house miles outside of town but couldn’t drive. He was 30 years old but played with toy cars. His face was badly disfigured by burns, but attractive women often accompanied him. Muller nonetheless trusted Taylor more than most. He had lots of money.

When Taylor moved from Fairfax County to Muller’s Martinsburg, W.Va., townhouse in 2012, agreeing to pay $870 in monthly rent, he flashed an insurance document bearing impressive numbers. It said New York Life Insurance was paying him $10,000 every month as a result of a lawsuit settled in 1989. Muller learned that a malfunctioning electric heater had burst into flames when Taylor was a boy, leaving him disfigured — and rich. His settlement would pay him many millions of dollars over the course of his life.

Two years later, in June 2014, Muller watched as a local deputy knocked at Taylor’s door. Muller had just taken his tenant, who had not paid rent in three months, to court and evicted him. He stepped into the darkened home as Taylor, an amputee, descended the stairs and, without a word, limped past him on a prosthetic leg.

Taylor had left behind a mess of toys, dirty dishes and cards written by “go-go girls,” Muller recalled. Strange documents were strewn across the kitchen table. “It was a lot of legal mumbo-jumbo,” Muller said. “A lot of lawyer talk.”

The landlord, however, understood enough to know the tenant had been doing a lot of business deals. “He was selling off his loan,” Muller reasoned.

Not quite. What Taylor had been selling, chunk by chunk, for pennies on the dollar, was a settlement that had a lifetime expected payout of $31.5 million. In numerous deals approved in Virginia courts over

$11 million
The aggregate value of structured-settlement payments that Terrence Taylor of Manassas, Va., sold.

$1.4 million
The amount that Taylor received from companies that purchase structured-settlement payments.
two years, Taylor sold everything owed to him through 2044 and was now broke and homeless.

How did this happen, Muller said he wondered as he picked through the detritus.

**The hub of sales approvals**

The answer to that question lay 250 miles south, along the southern maw of the Chesapeake Bay, inside the Portsmouth Circuit Courthouse. For more than a decade, this Virginia institution has operated much like an assembly line for the secretive industry of structured-settlement purchasing. Over the past 15 years, one lawyer has filed thousands of cases — far more than anywhere else in the state — at the courthouse, where almost all of them have been approved.

When four companies struck 10 deals with Terrence Taylor in two years, they hired Portsmouth lawyer Stephen E. Heretick. Nine of those deals were then assigned to now-retired Portsmouth judge...
Dean W. Sword, the authority tasked with deciding such cases. And Sword approved every one, putting five of the deals under seal.

In all, according to Taylor’s bank records and court documents, the burn survivor sold $11 million of his structured settlement — which had a present value of about $8.5 million — for roughly $1.4 million, or 16 cents on the present dollar. He has sued the companies, focusing on a South Florida firm named Structured Asset Funding, which did six deals with him.

That Taylor, who had received diagnoses of learning and emotional disabilities, could so quickly hemorrhage 30 years’ worth of income in deals approved in a courthouse he never visited is the result of Virginia’s failure to properly regulate and monitor an industry that makes tens of millions off some of the state’s most vulnerable residents, a Washington Post investigation has found.

Unlike traditional settlements, which are paid out in one sum, structured settlements dispense the payout in portions over
a lifetime to protect vulnerable people from immediately spending it all. Since 1975, insurance firms have committed an estimated $350 billion to these agreements, spawning a secondary market in which companies compete to buy payments for a smaller amount of upfront cash.

Such deals, industry advocates say, get desperate people the money they need for emergencies and big expenses, such as home purchases. But they also expose sellers to the risk that they will exchange lifetimes’ worth of income for pittances.

Virginia is among 49 states that have passed legislation to protect sellers of structured settlements by requiring county courts to discern whether a deal is in the seller’s best interest. But some laws contain loopholes, and the strongest protections have generally been implemented in states that have seen complaints of abuse.

After a Post report this summer that found judges in Maryland routinely approved deals in which firms bought payments belonging to victims of lead poisoning for dimes on the dollar, that state’s highest court reformed judicial procedures to require that businesses that buy settlements file their cases where sellers live and disclose how often sellers had sold in the past.

To ensure that companies do not file exclusively to amenable judges, deals in New York and Oregon must be submitted where the seller lives. In Illinois, sellers must attend court hearings so that judges can assess whether they understand the deals’ terms. To prevent predatory deals, North Carolina’s 1999 law capped how much companies can profit per deal. And in California, sellers’ attorneys must be notified if they try to sell their payout within five years of getting it. Experts familiar with scrupulous jurisdictions estimate that courts there approve deals at a rate of about 75 percent.

In the District, there is no law addressing the sale of structured settlements, so judges follow laws established in the insurance company’s home state — and sometimes go beyond them. Most judges “make an inquiry to ensure that the person understands, and they’re not

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**Terrence Taylor’s structured settlement**

- **1990**: Terrence Taylor began receiving payments from a structured settlement that had a lifetime expected payout of $31.5 million.
- **Between 2012 and 2014**: Through a number of deals, Taylor sells everything owed to him through 2044 for pennies on the dollar. In all, he received $1.4 million — or about 16 cents on the present dollar — in exchange for payments with an aggregate value of $11 million and a present value of $8.5 million.*
- **2044**: Taylor, who would be in his 60s, will once again begin receiving payments.

*Present value is the amount the structured-settlement payments are worth at the time of sale. Aggregate value is the amount sellers would have received, including interest, had they waited to collect everything.

Source: Staff reports

TERRENCE MCCOY/THE WASHINGTON POST
getting abused, ” said Thomas Papson, a D.C. Legal Aid Society lawyer whom judges appoint to represent sellers at hearings.

But industry experts say weaknesses in Virginia’s law have made the state particularly appealing to purchasing companies looking for quick and easy profits that could shortchange sellers. Structured-settlement recipients in Virginia who want to sell their payments are not obligated to attend hearings. They’re allowed to waive their right to independent counsel and almost always do. Companies can file their deals anywhere in the state.

The de facto clearinghouse for these transactions has become Portsmouth Circuit Court, where most deals are approved and few sellers attend hearings, according to an examination of thousands of public records and interviews with industry insiders.

Over the past 15 years, Heretick has submitted the overwhelming majority of the state’s cases in Portsmouth, where he has a near monopoly on the legal work. Heretick, who was a Portsmouth City Council member between 2004 and 2012, won a seat in the House of Delegates in November. Since 2000, he has also worked as an attorney for more than a dozen purchasing firms and filed about 6,100 cases in Portsmouth. The Post found fewer than 350 cases that Heretick and other lawyers filed in other Virginia jurisdictions during those years.

Until 2014, when the judge retired from the bench, Heretick’s petitions were almost exclusively assigned to Sword, who once noted in a ruling how little attention the Virginia Supreme Court has paid to structured-settlement cases. “Essentially,” he said, “the circuit courts have been and remain on their own to resolve these matters.”

The Post examined every case Heretick filed in 2013 that was assigned to Sword, when he approved seven of Taylor’s deals. That year, Heretick petitioned Sword at least 594 times and frequently filed deals in bulk. Weeks later, the judge would rule on dozens — and once, 52 — in an hour-long hearing. Overall, Sword approved 95 percent of the deals.

Sword didn’t respond to multiple requests for comment, including one letter that asked whether he reviewed the deals before the hearings, as well as other detailed questions.

A survey of the 300 or so cases Heretick filed this year shows that Judge William S. Moore Jr., who now acts as the primary Portsmouth judge handling the settlement sales, approved deals at a rate of nearly 85 percent. Moore did not respond to three requests for comment.

“The feeling within the industry in Virginia is that that particular court would pretty much rubber-stamp anything without much investigation,” said Bobby Waters, a Roanoke consultant who has spent decades working with injured people on structured settlements.

His comments were echoed by eight experts familiar with the deals in Ports-
Following the money from injury victim to investor
Structured settlements belonging to an injured person are paid out over time. If a settlement recipient sells their payments to a purchasing company in exchange for upfront cash, those payments can then be transferred to an investor. Here’s how money awarded to an injured person can end up with an investor.

1. The recipient of a lawsuit settlement agrees to a structured settlement, in which money dispenses in smaller payments across decades.

2. A finance company can purchase a recipient’s rights to these payments for a lump-sum amount. A county judge must approve the deal.

3. When the deal is approved, the payments may be simultaneously sold to an outside investor, with the purchasing company taking a cut.

4. The investor can keep the payments or resell them to an individual consumer or another investor. Some companies bundle hundreds of payments and sell them as a highly rated bond.

Source: Staff research

CRISTINA RIVERO AND TERRENCE MCCOY/ THE WASHINGTON POST

mouth. “It’s hard for me to see that a judge could … understand what are in the [sellers’] best interests and turn through them this quickly,” said Brennan Neville, an attorney with Berkshire Hathaway Life Insurance Co.

The Post reviewed 160 deals, randomly selected, of the 566 that Sword approved in 2013. The filings generally include affidavits signed by sellers explaining why they wanted the money. They spell out how much sellers would have received, including interest, had they waited to collect everything — called aggregate value. They show how much the payments were worth at the time of sale — called present value. And they also show how much the company agreed to pay the seller upfront.

But the public record in Portsmouth is remarkably skeletal. Ninety-one of the 160 cases The Post reviewed were sealed—a rate that five experts, in interviews, called highly unusual. Portsmouth Chief Judge Johnny E. Morrison declined to comment on why these deals were sealed.

In the remaining 69 deals, the court filings show, com-
panies purchased payments that had an aggregate value of $10 million — and a present value of $7.5 million — for $2.2 million, or about 29 cents on the present dollar.

Andrew Larsen, one of the nation’s foremost experts on structured settlements, called those profit margins “egregious.” “If you look at what is considered a fair profit margin in other industries, I don’t think anyone is making these terms,” said Larsen, former president of the National Structured Settlements Trade Association.

Some of the deals were even more questionable, experts say. For example, Heretick filed one deal in which a Virginia man sold payments that had an aggregate value of $164,760 — and a present value of $106,936 — for $3,000. And another deal the attorney filed sold payments that had an aggregate value of $250,000 — and a present value of $168,531 — for $3,658. Both of these deals paid people less than 3 cents on the dollar.

In an interview, Heretick said the discrepancy between purchase price and present value comes down to risk. For instance, life-contingent payments, which stop if a
recipient dies, aren’t guaranteed to purchasers. Payments scheduled decades in the future, he said, have less value because of uncertain economic forecasts.

Sellers who strike these deals, he said, do so out of necessity, securing money through the transactions that they could not get otherwise. “If they didn’t have that ability, there could be lots of people out there who could be getting hundreds of thousands of dollars … years from now who might be homeless today.”

Heretick ascribes his high approval rate — “easily” over 90 percent, he said — to his years of experience filing these deals and his understanding of what will and will not be approved in Portsmouth. When he first started in the industry, he said, he drove three hours to Lynchburg, but judges declined to hear multiple cases in one session.

So, he said, he met with then-Portsmouth Chief Judge Judge James A. Cales Jr., who gave him two hour-long slots per month to file as many as he wanted and assigned Sword to the task. Now retired, Cales said he does not recall the meeting with Heretick or making that decision.

“We don’t peddle these to the easiest court we can find,” Heretick said. Portsmouth “happens to be where my office is located. … I’m certainly not going to drive six hours for a case in Patrick County.” Instead, sellers need to drive hours to Portsmouth — but few do. Heretick estimated that about 1 in 20 appears in court.

He said he’s never had concerns that people don’t know what they’re getting into.

“I don’t take cases” he said, “that I have doubts about.”

But Heretick later clarified that statement. Had he known what he knows now, he said, there is a case he might have declined to take: “The Terrence Taylor case.”

**Fast, easy money**

On a Wednesday evening in April of 1988, Taylor wandered into the master bedroom at his parents’ Herndon home to watch “Wheel of Fortune” and closed the door. Warmed by a space heater at his side, the 6-year-old fell asleep. Soon after, black smoke wafted from underneath the door. Taylor’s father kicked it open and found his son collapsed on the floor. A helicopter was dispatched to transport Taylor to the District, where doctors at Children’s National Medical Center worried that they could not save him.

Numerous surgeries and several amputations later, Terrence Taylor looked at himself in the mirror. “The 6-year-old who stares back … is missing a face, a right leg, the fingers on his right hand, confidence and the innocence of youth,” reads a Post article published in January of 1989.

Months later, Taylor visited a vocational rehabilitation counselor, who described the boy as having a cognitive “deficiency,” which likely predated the burns but could “accelerate” in their aftermath. Taylor was also diagnosed with post-
traumatic stress disorder and dysthymic disorder, which related to “feelings of inadequacy, loss of self-esteem [and] decreased attention and concentration.”

That year, in 1989, Taylor settled a lawsuit against the space-heater manufacturer and entered into a structured settlement with a lifetime expected payout of $31.5 million. “Because of the severe physical and psychological injuries to Terrence, all parties . . . were concerned about Terrence’s ability to care for himself,” Taylor’s attorney, Robert Muse, wrote in an affidavit in August of this year.

The concerns about Taylor would prove true. He squeaked through high school with the help of special-education classes and weekly psychotherapy. He later earned an associate’s degree at a non-accredited, for-profit school that is now defunct but never landed a job beyond a few months of unskilled work at retail stores. He failed the driver’s license test four times. “The driving test is hard,” said Taylor, 33, who speaks haltingly and without intonation. “Getting your license is hard — the test isn’t easy. The computerized test on the screen.”

His payments protected him financially. By the time he was in his late 20s, his structured settlement was paying him nearly $10,000 monthly in untaxed income. But that money didn’t help him with women. “I can go to the mall and try to start a conversation, and it’s like, ‘I have a boyfriend,’” he said. “I’ve heard every excuse there is.”

Taylor did, however, date one woman, getting her pregnant and moving in with her, before the relationship dissolved. To distance himself from her, he planned a move to Martinsburg, W.Va., in the spring of 2012, where he would be closer to a cousin — and, for the first time, live by himself.

One day around this time, Taylor said he was leafing through the mail when he came across an advertisement. It was from a South Florida company named Structured Asset Funding, he said, and it promised fast, easy money.

All he had to do was call.

**People ‘in bad situations’**

That phone call ushered Taylor into a world where companies compete ferociously to find and poach customers from competitors. They comb through court documents, pay people hundreds of dollars for referrals and even solicit sellers long after they’ve sold everything.

One company that scours records for people like Taylor is Seneca One. Based in Bethesda, it files the majority of its Virginia cases in Portsmouth and has been a client of Stephen Heretick since at least 2006.

Curtis Montgomery, who worked for a few months this year as an account manager at Seneca One, said the firm maintains a database with “thousands of [potential sellers] from all over the country, their names, their phone numbers, their addresses, information we’ve received from court documents and notes — detailed notes.”
A former senior official with Seneca One, who spoke on the condition of anonymity, claiming he feared for his physical safety, said the database is used to “prey on who’s likely to sell their payments the most.” Most people, once they start doing deals, he said, will sell everything within two years — a period referred to as the “perishable period.”

New associates, Montgomery said, go “fishing” by cold-calling people in the database. “They look for the clients that are in bad situations,” he said, adding that he has seen sales agents pay people $50 to stay on the line for five minutes.

“Any way to get in and get them to talk,” he said. An associate might tell a potential client “You’re owed money. . . . They might not pay you the rest of your money if you don’t do this,” Montgomery said. The goal, he said, is to ultimately build up a “pipeline” of “remarkets” — people who do continuous deals.

Monty Hagler, a spokesman for Seneca One, did not dispute Montgomery’s recollection but questioned his credibility in discussing the company’s work. During his tenure, Montgomery never completed a deal and was terminated because of poor performance, Hagler said, adding that the firing was “ugly. . . . He said, ‘I’m going to expose you.’ ”

Industry depictions do not reflect the practices of Structured Asset Funding, said president Andrew Savysky. “We care about our customers and hope they use the proceeds we give them to better their lives,” he said.

Montgomery’s assertions were echoed by the former Seneca One senior official and a current account executive, who spoke on the condition of anonymity out of fear of losing his job. The three said the most important part of the process is securing court approval.

“Lawyers in each company have [a list of] reasonable explanations that companies will look at,” said the former senior official, such as buying a house or paying off debt. “Then the in-house counsel writes the [seller’s] affidavit knowing what . . . the judge who is likely assigned will like.”

He said Virginia is one of the most popular states in which to file these petitions because it is a “rubber-stamp state where the [seller] doesn’t need to appear.”

And at the Portsmouth courthouse, their names may not appear on the court docket, as well. Many firms, which file using subsidiaries or shell companies, sometimes only refer to sellers by their initials, which Portsmouth Clerk of Circuit Court Cynthia P. Morrison said “should not be.”

Heretick, she said, was “one of the first” attorneys in the area to start using the court’s e-filing system. Sometimes, she said, “The only thing coming when he files is the last name and the first initial, and we are in error. . . . We should never accept a case with a last name and a first initial.”

Heretick said in an interview that he files with initials because that is what judges have requested. He said Sword decided to seal the cases to protect sellers’
personal financial information, calling the practice “commendable.”

People familiar with the industry offered a different interpretation. “The main reason they do it is to wall off [sellers] from competitors,” said John Darer, who runs a blog that monitors the industry.

And in the beginning, when he still had tens of millions available for purchase, there were probably few sellers in Virginia more sought-after than Terrence Taylor.

‘LIFE IS GREAT’

Taylor never dreamed it could be so easy. He had to sign only a few papers. Then whenever he was running short on money, according to a lawsuit later file in federal court, he called Rhett Wadsworth, a salesman for Structured Asset Funding, and Wadsworth would get him whatever he needed.

The first infusion of cash reached his account on April 27, 2012 in the amount of $5,000, his bank records show. Another one, for $7,000, arrived on May 2. “In cases where the individual directly requests an advance, we are within our legal means to provide it,” said Savysky, the company president.

Two $3,000 advances then materialized in Taylor’s account, the second landing days before Sword approved Taylor’s first deal in Portsmouth. The burn survivor sold payments that had an aggregate value of $814,999 — and a present value of about $724,000 — for about $300,000, his bank records show.

“LIFE IS GREAT,” he posted on Facebook days after Sword approved the deal. “CANT STOP SMILING AND WONT!!!!!!!!!!!!!!”

It would be the best deal Taylor would strike. Over the next two years, Taylor would do 10 more approved deals with Structured Asset Funding and other companies. One deal, court records show, traded payments that had an aggregate value of $5.3 million — and a present value of $4 million — for $389,000, or less than 10 cents on the present dollar. Another deal, according to filings, exchanged payments that had an aggregate value of $1.6 million — and a present value of $844,000 — for $40,000, or less than 5 cents on the present dollar.

In interviews and court documents, Taylor said the purchasing companies “coached” him in coming up with “false” reasons to explain why he needed the money. In one affidavit that Taylor signed, it said he needed money to pay down credit-card debt. Another said he wanted money to start a nonprofit organization. All of these explanations, he now says, were not true. They “were Rhett Wadsworth ideas. Rhett said it had to look good on paper for the judge to approve it.”

Savysky contested that assertion. “The only reason why Terrence Taylor continues to say this is because he stands to gain by making these and other unfounded allegations,” he said.

Judge Sword sealed five of Taylor’s first six deals, all of which were with Structured Asset Funding. The Post determined
the aggregate value of what Taylor received versus the value of what he sold in those sealed transactions by examining his bank records and asking an outside actuary to calculate the present worth of the sold payments at the time the deals were filed.

But one deal, later withdrawn after Taylor’s family realized what had happened, wasn’t sealed. Records show it sold life-contingent payments that had an aggregate value of $9,485,320 and a present value of $4,082,825.

In return, Taylor would have received $12,536.

Casinos and strip clubs

Analyzing Taylor’s bank records is not unlike plotting an earthquake on a seismograph. There’s a influx of money. The balance skyrockets. Then a series of large cash withdrawals — primarily at casinos — sucks it away, before more funds again send the balance soaring.

Cousin Derrik Twyman took Taylor shopping for furniture after he moved to Martinsburg and witnessed the results. The burn survivor bought more items than could fit in his house, Twyman said, and wound up piling armchairs next to his refrigerator.

Another cousin, Willie Stovall, said he watched Taylor head to the Hollywood Casino at Charles Town Races, take out as much as $10,000, then go to local strip clubs where he’d fish out fistfuls of cash for performers who flocked to him.

Strippers “would say, ‘I’m waiting to talk to Terrence.’ They would call and say, ‘Are you coming tonight? Come see me.’ And it fed his ego,” Stovall recalled. He said strip clubs dispatched taxis to bring Taylor to their bars. “I’m not going to say that didn’t happen,” said a manager at Vixens in Bunker Hill, who spoke on the condition of anonymity because he didn’t have permission from the owner to comment.

Taylor doesn’t dispute this portrayal, but he called it incomplete. He said friends and relatives often pressured him into spending money, and he wanted to help people. He said he bought a new car for Stovall and wired thousands of dollars to a needy Las Vegas woman whom he met on Facebook.

By late August of 2012, the $300,000 Taylor had received from his first deal had nearly evaporated. But Taylor still had plenty left to sell — New York Life was pumping $6,700 into his bank account every month — and on Aug. 22, following a two-month absence, Structured Asset Funding again appeared on Taylor’s bank records with a cash infusion of $1,000.

The company flew him to South Florida and took him to two strip clubs, Taylor has alleged in court filings. His bank statements show several purchases in the area that same week in August, including a few expenditures at a Hollywood, Fla., massage parlor that state authorities later investigated for prostitution. Then on Aug. 29, Wadsworth wired Taylor $7,000 from his own account, according to Taylor’s bank records. And days after that, Heretick filed
another petition in Portsmouth court.

Reached for comment, Wadsworth, who in all wired Taylor $12,000 from his personal account in four transfers between August of 2012 and October of 2013, said he “would have to consult with our legal counsel to make sure I can make a comment.” Afterward, Wadsworth, now the company’s director of sales, didn’t respond to three requests for comments and one letter asking detailed questions.

“This is not a common practice,” said company president Savysky, commenting on the wiring of money to Taylor by Wadsworth from his personal account. Savysky said Structured Asset Funding sent Taylor money at least 39 times over two years because Taylor asked for it. “Mr. Taylor solicited our business and requested periodic advances,” said Savysky, who did not respond to questions about whether his company took Taylor to strip clubs.

Quick doses of cash are one of the most effective methods of attracting or retaining clients, said four people who have worked in the business. Rhonda Bentzen, president of the purchasing firm Bentzen Financial, said she has seen many companies operate this way. “They love to do that with people who are mentally incompetent,” she said, comparing the easy money to narcotics. “They do it for the sole purpose of getting their hooks into them … [and] keep them coming back for more.”

Taylor said he soon came to view Wadsworth as a friend. Even after he’d been evicted from his house and spent weeks bouncing between friends’ places, the pair continued to chat on Facebook. One day early this year, Taylor asked about his payments past 2044. Could Wadsworth do another deal?

This time, however, Wadsworth demurred.

“I won’t be able to make you an offer,” he said in the chat, adding: “What you have remaining is too far out.”

‘Things are going to work out’

It’s 6 p.m. inside Taylor’s parents’ house. Taylor sits in darkness in the living room, as his mother shears mustard greens under the kitchen’s fluorescent bulb, fretting aloud about paying his daughter’s tuition bill.

Taylor’s daughter, who lives with her mother close by, was bullied in public school. So the family enrolled her at private school. It’s not cheap, she tells her son. “I think the way things are going,” Taylor replies, “things are going to work out.”

The mother puts down the greens. “You said the way things are going, you think it’s going to work out?” she asks slowly.

“We’ll put it on my Social Security,” says Taylor, who lives again with his parents. “The back money will take care of it.”

“Do you know how much it would take [to pay the tuition] for one year?” she asks him.

Taylor looks at the floor. He doesn’t respond. He doesn’t know that the tuition costs $7,800 every year or how much he’ll get in Social Security if he is approved. He
can’t say how much money he sold between 2012 and 2014 or what he received in return.

But he does think something was wrong with what happened. In February, he sued Structured Asset Funding in U.S. District Court in Alexandria, claiming it had “addicted [him] to easy money, induced him to spend lavishly on gambling and women and encouraged him to sell more in future payments than reasonably appropriate so they could extract as much profit as possible.” Taylor later withdrew the suit with plans to refile in Portsmouth.

But before he could, Structured Asset Funding sued him in Portsmouth Circuit Court in August. In filings submitted by Stephen Heretick, the firm said Taylor’s lawsuit breached his contract with the business. His allegations “directly contradict the … sworn statements Mr. Taylor made to [Structured Asset Funding] and to the Portsmouth Circuit Court during multiple proceedings.”

Taylor, represented by Connecticut attorney Edward Stone, has since filed a series of counterclaims, asserting Structured Asset Funding “called him 10 times per day … sent him [money] cards … purchased an ‘X-Box’ and games for Mr. Taylor … purchased a cell phone for Mr. Taylor and … paid him approximately $250,000 in advances.”

If Taylor wins the case, experts say, it could bolster calls for industry reform while also encouraging other sellers to sue the purchasing companies, which industry blogger Darer and other experts say has been relatively rare.

Even now, said analyst Mark Wahlstrom, who runs a trade website called the Settlement Channel, the case is fomenting “mounting angst” over whether structured settlements achieve their stated goal of protecting vulnerable people. If they do not have the mental acuity to sell their payments, he said, who is to say they had the sophistication necessary to agree to the payout in the first place?

Most of the time, Taylor doesn’t like to dwell on the lawsuit or his money problems. He instead focuses on pleasures that don’t cost anything. He tends to his daughter, sings in a church choir, plays video games. But in between, he said, memories of Martinsburg flash — the strip-club friends who don’t call, the women he now realizes never loved him.

The only people who haven’t forgotten him are the purchasing companies. Even now, he said, they solicit him, asking if he’s interested in making some easy money.

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High cost of selling settlement payments

BY ANNA TEPPER

WASHINGTON — Enticed to sell payments from personal injury settlements by a Virginia company, Terrence Taylor signed contracts that he says defrauded him of tens of thousands of dollars. Taylor is one of hundreds of injured accident victims who have come forward to allege that they were sold payments from settlements through at least three companies — Structured Asset Funding, Settlement Source and Settlement Engineers Group — with the promise of an immediate cash infusion that never came.

The companies, along with other settlement brokers, have been the subject of consumer complaints in 49 states, leading to a wave of lawsuits, according to a Post review of court documents and filings. The companies have settled a number of suits but have not admitted wrongdoing.

The companies and some of their lawyers say that they are helping accident victims secure the cash they need in emergencies.

The allegations highlight the complexity of the settlement industry, which has been the subject of scrutiny by regulators and lawmakers in recent years.

Taylor said in a recent interview that the companies convinced him to sell his settlement payments in 2012, when he was 24, and again in 2014, when he was 26.

The Post reviewed 160 deals, including 104 that were settled in Virginia between 2009 and 2014.

The companies, which have settled multiple lawsuits in Virginia, have denied the allegations, the Post found.

The first infusion of cash Taylor received was a check for $11 million, which he immediately cashed. According to Taylor, he was told the money was his, but it was his present value, which has already been recouped by the companies and is the amount sellers would have received for future payments at the time of sale.

The Post found that the companies often sold payments that had an aggregate value of what Taylor received from court documents and filings, which was $300,000.

Aggregate value is the amount sellers would have received, according to counts from at least 10 people who sold payments.

The Post also found that the companies sometimes sold payments from settlements that had an aggregate value of more than $11 million,

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The concerns about Taylor began to point toward China. He moved into the darkened home as Taylor, Brennan Neville, an attorney with PricewaterhouseCoopers, said, were not true. They “were made the state particularly ap-}

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FROM CRISTINA RIVERO AND TERRENCE MCCOY/THE WASHINGTON POST

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