Discount Justice

J.G. Wentworth is the largest player in the market of firms that buy structured settlement annuities from their recipients. It may be best known for its ubiquitous jingle, sung in faux-opera style, "I have a structured settlement and I need cash now / Call J.G. Wentworth, 877-CASH-NOW!"

Yale's dollars have played critical roles in the financial history of J.G. Wentworth for more than a decade, and continue to be invested in it.

What is a structured settlement?

Structured settlements are payouts disbursed over a number of years as part of a legal settlement. For example, a patient who wins a settlement in a medical malpractice suit might receive the payment in "structured" form—that is, monthly payments—rather than in a lump sum. Courts may prefer structured settlements in particular for victims who have been disabled, since they provide a steady source of income for a number of years. Structured settlements are also, however, often the less expensive option for a defendant who has been found liable.[1]

What does it mean to buy and sell them?

Companies that buy structured settlements offer a large lump sum up front in return for some tranche of monthly payments later. While there is no systematic data available on these deals, an award-winning *Washington Post* investigation found that one settlement-buyer in the D.C. suburbs typically paid 33 cents on the present value of the dollar in these transactions.[2]

This industry came to some prominence through this investigation, which discovered that Freddie Gray, the man whose death in police custody led to rioting in Baltimore, had sold off prospective income from a lead-poisoning settlement. Gray, overwhelmed by short-term debt, sold $146,000 of his settlement (with present value of $94,000) for $18,300.[3]

Settlement buyers in general are known for aggressive selling tactics. Reported the *Post*,

> *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.*
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> *"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."*[4]

Once J.G. Wentworth has purchased some tranche of future monthly payments from a recipient, it securitizes and resells these payments on a secondary financial market.[5]

In June 2016, the Consumer Finance Protection Bureau opened an inquiry into J.G. Wentworth, which responded that it is not a consumer finance company and so not under the Bureau's jurisdiction. "J.G. Wentworth's business of purchasing structured settlement and annuity payments is not a consumer financial product or service within the CFPB's Unfair Deceptive and Abusive Acts and Practices ("UDAAP") jurisdiction and could not possibly give rise to a violation of the Truth in Lending Act," argued the company. The CFPB rejected their response.[6]

Yale, JLL, and J.G. Wentworth

In 2005, Yale invested $108 million in the closed private equity fund JLL Partners Fund V, LP, through two entities still listed on its most recent tax filing: Osceola, LP and JPF V Holdings, LP.[7] JLL Partners Fund V, LP accepted a total of $1.5 billion while open for investment, meaning that Yale is the beneficial owner of 7.2 percent of the fund.[8]

JLL, through the Yale-invested Fund V, has played a key role in the financial history of J.G. Wentworth.[9] Bloomberg reported, "In 2005, [JLL] paid $125 million for a majority stake and awarded itself about $290 million in debt-financed dividends." J.G. Wentworth filed for Chapter 11 bankruptcy in 2009, after which JLL repurchased it. JLL extracted another $255 million in dividends in 2013, then took J.G. Wentworth public that year.[10] JLL now owns 5 percent of the company.[11]

JLL and Paul Levy

Paul Levy, one of the founders of JLL, has been outspoken on the virtues of private equity in response to arguments that when private equity firms take companies over they extract wealth, fire workers, cut benefits, or saddle firms with debt. During the 2012 presidential campaign, the *New York Times* reported:

> *Yet Mr. Levy has been dismayed that the [private equity] industry's heavyweights have not sought to publicly defend their industry in recent days. Private equity came under attack when Mitt Romney's political rivals put his career at Bain Capital in the spotlight as part of the Republican primary.*
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> *"There's a tinge of McCarthyism here," Mr. Levy said in an interview. "I think it's a pretty honorable industry." [...] "Not everybody is perfect; we've had our mistakes as well, but I don't think there's a predatory attitude in doing [private equity] deals."*[12]

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