



Testimony of Alain Xiong-Calmes
Director of State & Local Public Policy, Eastern Region
Chamber of Progress
Re: MD HB 1425

February 29, 2024

Dear Chair Wilson and Members of the Committee,

Thank you for the opportunity to submit testimony for the record regarding HB 1425. On behalf of the Chamber of Progress, a tech industry coalition promoting technology's progressive future, I urge you to **support HB 1425**, which will regulate earned wage access services.

What is Earned Wage Access (EWA)?

The earned wage access industry has several business models. One is employer-integrated, which generally allows employees to receive their paychecks earlier from their employer. Another model is direct-to-consumer, where a third-party service provider provides funds to the consumer, without direct involvement from the employer. In both models, an EWA provider allows users to access anywhere between 50-100% of their earned wages at any given time.¹

We are strong supporters of providing consumers with better alternatives to predatory lending and junk fees at banks. Earned wage access services help workers bridge the gap from today to payday and frees workers from depending on the payroll cycle and a financial system that frequently disadvantages them.

EWA Promotes Consumer Choice

Based on a survey conducted by three direct-to-consumer EWA service providers, an overwhelming number of EWA consumers said they understood how the service structure works and consider it the best option to manage their spending.² EWA provides

¹ Id.

² Brigit, Money Lion & Earnin Customer Research - Combined Customer Topline Report Research conducted online by FTI Consulting's Digital & Insights team from April 21st, 2021 – May 18th, 2021
<https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>

consumers the opportunity to stretch their dollar farther than the standard two-week pay cycle.

The cost of living in Maryland is 16% higher than the national average and when it comes to basic necessities such as food and clothing, groceries are around 6% higher than in the rest of the country.³ In this post-COVID inflationary economy, the usage of EWA has increased across the board. From 2018 until now, these services tripled in usage in response to consumers adapting to a financial environment where they are empowered to spend without a lack of liquidity.⁴

A majority of EWA users surveyed tended to use EWA every two weeks and access an average of \$100 - \$149 in a typical month. This funding is used to primarily pay bills on time, avoid overdraft fees at financial institutions, and buy groceries.⁵ EWA gives consumers a safer alternative to paying bills late and getting charged bank overdraft fees that can cause a further decline into debt.

Families working paycheck to paycheck are currently beholden to the 2-4 week pay cycle, trapped in a system that does not account for real life factors that cannot wait for payday. With the right regulatory framework outlined in this bill, EWA has an opportunity to make a greater impact by providing a service that meets the consumer where they are. Like many other innovations in fintech, consumer choice with EWA will allow workers to vote with their pocketbooks and choose the service that is best for them and their budget.

Thank you for your leadership in promoting responsible policymaking for earned wage access with HB 1425. This bill will help ensure that Maryland consumers, businesses, and the broader economy will thrive in the emerging fintech economy.

Thank you.

³<https://www.rentcafe.com/cost-of-living-calculator/us/md/~:text=Summary-,The%20cost%20of%20living%20in%20Maryland%20is%2016%%20higher%20than,while%20clothing%20costs%206%%20higher.>

⁴https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA_D2C_Advance-sage_Trends_FINAL.pdf

⁵ <https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>