

Support Earned Wage Access in Maryland

Earned wage access (EWA) is a financial technology innovation that allows an employee the option to access wages they have already earned, without having to wait for payday. This technology uses verified payroll information to make an accessible balance available to employees who need it. By enabling workers access to their own, already earned wages, they are able to avoid high-cost debt products when expenses arise ahead of their next paycheck.

Creation of a new EWA license in Maryland promotes consumer protection

- **Free option:** A free, “no cost” option must be offered to all EWA users.
- **Data reporting and transparency:** Annual reporting of transaction data plus a public anonymized report.
- **Strong fee disclosures:** Strong tip disclosures, including that: (1) a tip may be zero, (2) a tip is voluntary, (3) that there is no special treatment for users who tip compared to those who do not, (4) that access to EWA, or frequency of access is not contingent on a tip or its size, (5) there is an explicit ban against misleading or deceiving users about the voluntary nature of tips and (6) there is a requirement to explicitly state that tips do not benefit any specific, individual person.
- **Reimbursement of overdraft:** EWA providers must reimburse any overdraft fees they cause by attempting to debit on the wrong date or incorrect amount.

How EWA works

- **Wage verification:** Typically, an EWA provider integrates with an employer’s payroll system to verify an employee is working and earning wages or otherwise verify employment status and earnings.
- **Track earned pay:** The EWA provider tracks net income the employee has earned and makes a percentage (usually up to 80 percent) available to access during a pay period.
- **Optional for workers:** If they choose to use it, workers can access their own, already earned pay and transfer it to a bank account or another destination.
- **Low fee:** Many providers offer multiple free options, and the average fee is \$3.50 for instant delivery to any checking account. *No cost* for an ACH bank transfer arriving the next business day in a checking or savings account, and some providers offer an instant free transfer to a debit card.
- **Paycheck adjustment:** In the employer integrated model, the paycheck is adjusted to account for any EWA transactions.

Benefits of EWA to workers:

- In today’s modern economy, workers seek their pay on demand as they compete with the gig economy.
- EWA is a responsible alternative to high-cost debt products, like online payday loans, credit card debt, and overdraft fees.
- EWA creates real savings for workers. [Independent research](#) shows **97% of payday loan users replaced these with EWA when given access to an EWA platform**. This saved these individuals between **\$630 and \$930 a year**. The results were similarly positive for frequent bank account overdrafters.

Benefits of EWA to businesses

- EWA reduces [turnover by 45%](#) and [absenteeism by 38%](#).
- As a table stakes employee benefit, EWA helps employers fill roles [52% faster](#).
- Employees are [3x more motivated](#) to pick up extra shifts as they are more competitive with the gig economy.

EWA is not a loan

All EWA is based on wages earned. Workers can only access their own money they have already worked for.

- There is no impact on credit or credit worthiness checks to participate.
- There is no underwriting.
- There are no interest, late fees, or penalties.
- EWA is non-recourse and there is no right or obligation to repay.
- There is no “collections” activity.
- There is no debt created.

APR is incongruent with EWA

Some groups have tried to apply APR to EWA. Doing so misrepresents EWA’s low and *voluntary* fees, as well as cost savings. APR is incongruent with EWA since EWA is not a loan and there are no installment payments or installment fees.

EWA as a Responsible Alternative to Payday Loans

Characteristic	Payday Loan	Earned Wage Access
Regulated by the Truth in Lending Act (TILA) and deemed a loan	X	
Recourse against the consumer	X	
Requires credit check	X	
Impacts credit score	X	
Late fees and penalties	X	
Ballooning interest rates	X	
Origination fees	X	
Based on unearned wages	X	
Non-recourse		X
Based on actual earned, but unpaid wages		X
Free options		X
Optional instant delivery options (nominal fee may apply)		X
Simple, safe, and convenient		X