



DailyPay, Inc. Testimony

TO: House Economic Matters Committee
RE: House Bill 1425 (SB 998)
DATE: March 5, 2024
SUBJECT: Testimony from DailyPay, Inc. *(as submitted for the record)*

Position: Support

Testimony:

Good afternoon,

Chairman Wilson, Vice Chair Crosby, and Economic Matters Committee members. Thank you for the opportunity to testify in support of House Bill 1425 concerning earned wage access, also called “EWA.”

Thank you, Delegate Fraser Hidalgo, for your leadership on this important legislation to improve the financial security of Maryland workers.

My name is Claudia Flores, and I am the Senior Manager of Public Policy at DailyPay, Inc. DailyPay is the leading provider of employer-integrated EWA, with more than 1.5 million users nationwide. Since 2015, we have partnered with 527 Maryland businesses, serving 67,363 Maryland residents.

As an industry, I am joined today by several other EWA providers. Together, we support House Bill 1425 concerning earned wage access. The framework included in the proposal before you would give our users and businesses much-needed certainty—ensuring that consumers continue to have access to this beneficial product, which is an essential alternative to high-cost options that are otherwise available. It would also help employers continue to grow and retain their workforce.

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As this committee knows, two-thirds of Americans live paycheck to paycheck. But bills and emergencies do not wait every two weeks or once a month for an employer to run payroll.¹

Earned wage access is popular with Maryland workers today because it provides access to the wages they have already worked for and earned but have yet to receive. When unexpected expenses arise, such as medical bills or a flat tire, EWA users have the financial freedom to access liquidity. EWA employees instantly access their own money and can avoid late fees, bank overdraft fees, and high-cost credit products like payday loans or high-APR credit cards.

EWA is also popular with employers because it reduces employee turnover, absenteeism, and helps fill open jobs.

While each EWA company differs slightly, we share a few key characteristics.

1 - First, all EWA is based on wages that have already been earned. Workers can access only their own money that they have already worked for and earned. We are not providing credit.

2 - No EWA provider charges interest or late fees because our product is not a loan.

3 - All EWA products are also non-recourse to the employee. If an employer fails to make payroll, the EWA provider assumes that risk, not the worker. There is also no requirement to repay, no collection activity, and no credit bureau reporting for non-payment.

¹ SecureSave, January 25, 2023, Survey: Americans personal savings are plummeting as 74% are now living paycheck to paycheck (<https://www.prweb.com/releases/2023/01/prweb19128966.htm>).



4 - While there are usually some small costs associated with EWA, most EWA providers offer at least one “no-cost” option, such as through a debit card or a next-business-day ACH bank transfer. A nominal fee of about \$3 for instant delivery to any bank account is also common, similar to an out-of-network ATM fee or an instant deposit fee from other providers.

Without EWA, available options to access funds quickly can be very costly, especially without good credit.

In 2021, DailyPay commissioned independent research that found that most of our platform users previously relied upon costly financial strategies that harmed their financial health before accessing DailyPay. Specifically, 57% of our users had previously paid bills late, 49% had borrowed money from friends and family, 39% regularly overdrew their bank accounts and incurred a fee, 21% took out payday loans, and 21% made a loan payment late or not at all.

For 40% of our users who frequently overdrafted their bank accounts before accessing EWA, after realizing DailyPay could help them access their own funds sooner, 97% no longer fell victim to overdraft fees again. EWA directly resulted in approximately \$660 in yearly savings per user. The results were equally positive for the 21% of our platform users making loan payments late and the 57% of our users previously paying other bills late.

I want to address how we help people get out of debt. From February to May of last year, we closely tracked our high-frequency users. Our data showed a 50% decline in high-frequency usage of our platform after 4 weeks, an 80% decline by week 8, and within 12 weeks or 3 months, a 97% decline in high-frequency usage. Less than 1% of people on our platform are high-frequency users for 3 months.

We have heard countless user stories on how our platform has allowed employees to bridge short-term cash crunches and get through challenging times. Our service is helping everyday workers break the cycle of debt.

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The Financial Health Network recently released a user study sponsored by DailyPay that spoke to users of any EWA product available. The study found people used EWA to pay bills due ahead of their paycheck or cover some other financial shortfall. Nearly all participants in the study did not view EWA as a loan. Instead, participants asserted that EWA provided wages they had already earned, fundamentally different from borrowing against future earnings.

The participants also preferred EWA to alternatives and other short-term liquidity options, with one user adding that EWA allowed them “to access the liquidity they needed while preserving their dignity.”

This is welcome feedback to the industry, and it is because our companies do the opposite of how lenders treat consumers. For example, since EWA is not credit, our industry conducts no underwriting and does not base its low transaction fees or access to wages on creditworthiness. We also do not charge these low fees in installments.

EWA is an important financial security tool for the thousands of Maryland workers who need cash for unexpected expenses and emergencies between paychecks, and it is a responsible, safe alternative to costly payday loans, credit card debt, and bank account overdrafts. DailyPay, Inc. strongly supports efforts to create a regulatory framework for EWA providers in Maryland and codify important consumer protections to prevent bad actors in the space.

As mentioned, House Bill 1425 includes several effective consumer protections, including ensuring EWA is non-recourse, has no credit impact, access is only based on earned wages, disclosed fees, and many more. We are proud to support this proposal.

Thank you for your attention to this important matter. I am happy to answer any questions.