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Testimony of Philip Cronin
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Chime Financial, Inc.

Senate Bill 998 - Commercial Law - Earned Wage Access Services - SUPPORT

Honorable members of the Senate Finance Committee, thank you for holding this hearing and for extending the opportunity to provide testimony on behalf of Chime Financial, Inc.

Chime is a financial technology company founded in 2012 on the premise that basic banking services should be helpful, easy and free. **In Maryland, Chime serves more than 125k consumers through our partnership with two OCC-chartered, FDIC-insured banks.** We lead the market in providing free basic banking services, including free checking and savings accounts, faster access to direct deposits, free overdraft, and credit building.

As a company that prioritizes member obsession, we've heard from and seen with our own members how short-term liquidity and the time between pay periods is a constant challenge. Our members are not alone in their experience- **more than 65% of Americans have low cash balances, making it difficult or impossible for them to withstand any form of financial shock or accommodate their income volatility.** The traditional biweekly pay cycle is resulting in a system in which Americans living paycheck-to-paycheck have to borrow money during the paycheck – often at great cost – to meet their liquidity needs. In light of this, Chime is exploring ways to bring to market an accessible, low-cost Earned Wage Access (“EWA”) offering that can expand access to liquidity for its members.

Chime supports SB 998 because it will create a regulatory framework for EWA in Maryland that recognizes the unique nature and utility of EWA products while mandating important consumer protections. Notably, SB 998 codifies standards for EWA which clearly distinguish EWA from traditional credit/loan products:

- **No underwriting or assessment of an individual's credit worthiness** in order to qualify for EWA;

- **No recourse against the consumer**, including no penalty for failure to pay outstanding balances, no late fees, no interest, no reporting to credit bureaus and no referral to a debt collector; and
- **Offering of at least one no cost option to the consumer** with a clear explanation on how to elect that option.

In addition, Chime aspires to offer an earned wage access product that would:

(1) Provide access to actual earned wages in an accurate manner through the use of consumer-permissioned payroll and time and attendance data (without needing to integrate into an employer's systems and therefore expanding access to EWA to all employees);

(2) Settle from actual earned wages by deducting accessed wages from payroll deposits into Chime checking accounts before the funds can be accessed by the employee;

(3) Include a conspicuous, easily accessible, free 1-2 day transfer option in addition to an optional \$2/transaction instant transfer fee;

(4) Prudent caps to limit the amount of wages that can be accessed early in a given pay period;

(5) Provide no recourse against the consumer, including no late fees/interest, no credit reporting, no limitation on use of other Chime services and no contractual or legal right to recover.

Passage of SB 998 would establish an appropriately-tailored EWA law that creates a clear pathway for the creation of scalable, consumer-friendly EWA products for Marylanders. **We respectfully request a favorable report from the committee on SB 998.**

Respectfully submitted,

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