



Testimony to the Senate Finance Committee
SB998: Commercial Law-Earned Wage Access Services
Position: Unfavorable

March 5, 2024

The Honorable Pamela Beidle, Chair
Senate Finance Committee
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

cc: Members, Senate Finance Committee

Honorable Chair Beidle and members of the committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in opposition to SB998. While we appreciate the intention of the sponsor and share the desire that working families have access to credit, we want to make sure that the credit provided is affordable and sustainable for individuals and low income families.

Since 2023, Economic Action Maryland has been in conversations with consumer advocates, the Office of Financial Regulation, and industry representatives. We believe these conversations should continue in the interim to create a bill that will achieve our shared goals of protecting consumers while providing access to credit.

Maryland law must provide clarity and consistency at a time when new fintech products are flooding the market. Maryland has had a long history and legislative record of maintaining reasonable rate caps for small dollar consumer loans.

SB998 would be a complete departure from these long-held and hard-won protections for working families. At the most fundamental level, SB998 does not recognize that Earned Wage Advance companies are lenders -that they give money to borrowers with the expectation that it will be paid back-which



means that if SB998 passes there will be no rate caps at all for these loans. Studies have shown that these loans can carry APRs of up to 300%.

It is premature. The Consumer Financial Protection Bureau (CFPB) has signaled their intent to regulate these products as loans. It's expected that guidance from the CFPB should be forthcoming in the next few months. It would be better to wait for federal guidance on how the CFPB intends to address these products and use that information as a baseline for Maryland regulations.

We need more information. These are complex products and we need more time to sufficiently reach out to clients to understand their usage of EWA products, the frequency, benefits, costs, and context related to usage and uptake. Economic Action Maryland serves thousands of older adults, tenants, and individuals facing housing discrimination each year. We want to better understand their experiences with these products which will help to inform our policy recommendations.

We urge an unfavorable report to give all stakeholders more time to discuss these issues over the interim and develop the best approach for Maryland consumers.

Best,

Zoe Gallagher, Policy Associate