



# DailyPay, Inc. Testimony

TO: Senate Finance Committee  
RE: SB 998  
DATE: March 6, 2024  
SUBJECT: Testimony from DailyPay, Inc. *(as submitted for the record)*

## **Position: Support**

Good afternoon,

Chair Beidle, Vice Chair Klausmeier, and members of the Senate Finance Committee. Thank you for the opportunity to provide testimony on Senate Bill 998.

My name is Elyse Hicks, and I serve as the Government Relations Manager for the East Coast at DailyPay, Inc. We are the leading provider of employer-integrated on-demand pay nationwide, partnering with 527 in-state businesses in Maryland. Today, more than 67,363 Marylanders have used DailyPay's EWA service.

As an industry, I am joined today by several other providers of earned wage access. Together, we are testifying in support of SB 998 and the consumer protections it provides for EWA users.

As this committee knows, two-thirds of Americans live paycheck to paycheck, which can result in missed or late payments, causing consumer credit scores to drop and leading to penalty fees, higher financing costs and difficulty qualifying for future credit.<sup>1</sup> Most Americans lack the necessary savings to cover emergency expenses between paychecks. Even those making \$100,000 per year prior to taxes are experiencing financial fragility.<sup>2</sup> According to Bankrate, the average American needs to earn \$233,300 to feel financially secure.<sup>3</sup> And with the average annual salary nationwide falling just shy of \$60,000<sup>4</sup>, consumers are turning to safe and affordable alternative resources to help close the gap when bills and emergencies do not wait every two weeks or once a month for an employer to run payroll.<sup>5</sup>

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<sup>1</sup> Steele, Jason. "Living Paycheck to Paycheck Statistics." *Bankrate*, [www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/](https://www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/). Accessed 29 Feb. 2024.

<sup>2</sup> Morabito, Charlotte. "Here's Why Even Americans Making More than \$100,000 Live Paycheck to Paycheck." *CNBC*, CNBC, 11 Dec. 2023, [www.cnbc.com/2023/12/11/why-even-americans-making-more-than-100000-live-paycheck-to-paycheck.html](https://www.cnbc.com/2023/12/11/why-even-americans-making-more-than-100000-live-paycheck-to-paycheck.html)

<sup>3</sup> Steele, Jason. "Living Paycheck to Paycheck Statistics." *Bankrate*, [www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/](https://www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/). Accessed 29 Feb. 2024.

<sup>4</sup> *The average annual salary nationwide is \$59,428.* Belle Wong, J.D. "Average Salary by State in 2024." *Forbes*, Forbes Magazine, 8 Nov. 2023, [www.forbes.com/advisor/business/average-salary-by-state/](https://www.forbes.com/advisor/business/average-salary-by-state/).

<sup>5</sup> 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>).



Earned wage access provides a short term liquidity solution to the infrequency of payment issue brought about by the traditional biweekly pay schedule. It is popular amongst Maryland workers today because it facilitates access to the wages they have earned but have yet to receive. This allows EWA users to manage their finances and access liquidity when unexpected expenses arise, such as medical bills. It also gives employees an alternative to a \$35 bank overdraft fee<sup>6</sup>, an initial \$30 credit card late fee<sup>7</sup>, and other high-cost credit products.

According to a survey sponsored by DailyPay, EWA is attractive to businesses because it reduces employee turnover, employee absenteeism, helps businesses and recruiters fill roles in less time, and employees are more motivated to pick up extra shifts.

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

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

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

3 - While there are usually some small costs associated with EWA, at least one “no-cost” option is offered by most EWA providers, such as through a debit card, or a next business day ACH bank transfer. EWA providers do not assess origination fees or tack on interest. However, a nominal fee of about \$3 for instant delivery to any bank account is common and similar to an out-of-network ATM fee.

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

To further illustrate the need for this product, I’d like to point to DailyPay’s [independent research](#) that was conducted in 2021 that found the majority of our platform users previously relied upon costly financial strategies that harmed their financial health before gaining access to 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.

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<sup>6</sup> *Consumer Financial Protection Bureau*, [www.consumerfinance.gov/](http://www.consumerfinance.gov/). Accessed 29 Feb. 2024.

<sup>7</sup> “CFPB Proposes Rule to Rein in Excessive Credit Card Late Fees.” *Consumer Financial Protection Bureau*, 1 Feb. 2023, [www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-rule-to-rein-in-excessive-credit-card-late-fees/](http://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-rule-to-rein-in-excessive-credit-card-late-fees/).



For the 40% of our users who were frequent overdrafters, 97% of these individuals no longer did so after gaining access to EWA. This resulted in savings of approximately \$660 per year, per user, and 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. Independent research commissioned in 2022 [corroborated these findings](#) as well.

We help people get out of debt. From February to May 2023, we closely monitored our high frequency users. Our data revealed a 50% decline in high frequency usage of our platform after 4 weeks, an 80% decline by week 8, and within 12 weeks, a 97% decline in high frequency usage. This meant that less than 1% of people on our platform are high frequency users for 3 months.

We take claims that our product could be radically abused or mis-used, seriously. However, in partnering with hundreds of employers across the country, this is simply not the experience that our thousands of employee-users have. It is quite the opposite. We have heard countless stories about how our platform has allowed employees to bridge short-term cash crunches and get through challenging times. For the people that are frequent users, we help them break cycles of debt that have been brought on and perpetuated by traditional lending products.

A small percentage of people use our platform frequently when they have an emergency, because it is a low cost or no-cost alternative to all other options available. This accurately depicts how EWA helps people break the debt cycle.

In December 2023, the Financial Health Network 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.”

We appreciate the Committee's thoughtfulness in acknowledging EWA as a separate and distinct financial product deserving its own regulatory oversight and licensing program. It is an important lifeline for Marylanders, and impacts the employers in the state who have come to use this product as an important tool to retain and grow their workforce.

Thank you for your time and I would be happy to answer any questions.