

HB 1294 - Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization
House Economic Matters Committee
March 25, 2025
OPPOSE

Chair Beidle, Vice-Chair, and committee members thank you for the chance to submit testimony in respectful opposition of House Bill 1294. This bill creates a registration system for Earned Wage Access (EWA) lenders and allows them to charge tips on every transaction.

The Consumer Protection Commission is a standing entity appointed by the Governor that advises the Consumer Protection Division of the Attorney General's Office. It undertakes studies and reports, and fosters cooperation among federal, state, and local agencies, and private groups. The council includes representatives of consumer interests, business interests, and the public.

EWA allows employees to borrow a portion of their paycheck before payday, typically through mobile apps that charge fees for instant access to funds, with some also soliciting “tips.” HB 1294 seeks to regulate EWA under Maryland’s Consumer Loan Law but also exempts EWA providers from the state’s stronger lending regulations. This exemption creates a regulatory loophole, weakening consumer protections and increasing risks for borrowers. Unlike other consumer loans in Maryland, which have clear interest rate caps, transparent pricing, and repayment safeguards, EWA products would not be held to the same standards. These protections should apply to EWA to ensure fair and responsible lending.

Maryland law clearly limits the fees that small-dollar loan providers can charge customers. This is to protect customers from high-cost products like payday loans which trap them in a cycle of borrowing. Maryland law is also clear that a loan is an advance of credit – EWAs are funded by banks, not through the employer or employee’s actual paycheck. The federal Consumer Financial Protection Bureau (CFPB) released its own research in July 2024, finding that most workers paid a fee despite an alleged free option¹. The CFPB also issued an interpretative rule that clarifies how and when EWAs must follow federal lending laws and that expedited fees and tips need to be included in the cost of the loan².

Consumers need stronger protection to prevent them from incurring hidden costs when accessing their own wages. The core issue driving demand for these products is inadequate income and pay frequency, where expenses arise daily or weekly while most paychecks are bi-weekly or monthly. EWA products primarily serve individuals facing financial hardship who require immediate access to their earnings. However, rather than acting as a true safety net, these providers capitalize on ongoing financial instability. To protect consumers, EWA products should be fully regulated under Maryland’s consumer protection laws.

We request an unfavorable report for HB 1294.

¹ <https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-developments-in-the-paycheck-advance-market/>

² <https://www.consumerfinance.gov/rules-policy/rules-under-development/consumer-credit-offered-to-borrowers-in-advance-of-expected-receipt-of-compensation-for-work/>