



JUSTICE FOR ALL

SENATE FINANCE COMMITTEE
TESTIMONY OF MARYLAND VOLUNTEER LAWYERS SERVICE
IN OPPOSITION TO HB 1294: COMMERCIAL LAW - CREDIT
REGULATION - EARNED WAGE ACCESS AND CREDIT MODERNIZATION
TUESDAY, MARCH 25, 2025

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Chair Beidle and distinguished members of the Committee, thank you for the opportunity to testify in opposition of House Bill 1294.

My name is Courtland Merkel and I am a Consumer and Housing Staff Attorney at Maryland Volunteer Lawyers Service (MVLS). MVLS is the oldest and largest provider of pro bono civil legal services to low-income Marylanders. Since MVLS' founding in 1981, our statewide panel of over 1,700 volunteers has provided free legal services to over 100,000 Marylanders in a wide range of civil legal matters.

MVLS assists Marylanders facing debt in several ways, including a weekly courthouse clinic in Baltimore City as well as representing Marylanders statewide with bankruptcy and other debt collection relief. Since 1999, we have assisted over 12,872 Marylanders to get consumer assistance and in an average year we assist more than 400 people facing debt collection at our courthouse clinic in Baltimore City. From the data collected, the average consumer seen at these clinics is an African American woman earning less than half the Maryland median income. She is in her early 40s, does not have a college degree, and she cares for at least one child or parent at home. For the reasons explained below, we respectfully request an unfavorable report on House Bill 1294.

This bill will directly impact low-income Marylanders by allowing earned wage access (EWA) loans to keep people trapped in a cycle of poverty. EWA is harmful to many low-income consumers because they end up repeatedly taking out new loans, with part of each new loan going toward paying off the fees and charges of the previous one. People stuck in this cycle often struggle to cover basic expenses like rent, leading to eviction and homelessness. Typical EWA users in Maryland are individuals earning between \$25,000 and \$50,000 annually, aged 25 to 33, and with a high school education. Many of these users have additional debt and turn to

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Maryland Volunteer Lawyers Service (MVLS) removes barriers to justice through free civil legal help, community engagement, and advocacy for equitable laws. Our vision is for a fair legal system that is free of injustice and equitably serves underrepresented Marylanders.

EWA products for immediate needs, especially groceries. The most common advance amount ranges between \$25 and \$100, and there is prevalent use of multiple EWA products in a single month.

MVLS opposes HB 1294 because it weakens Maryland's strong consumer protection laws and interest rate limits. HB 1294 inserts specific EWA language into Maryland's Consumer Loan Law but does not go far enough in ensuring these products do not function as disguised payday loans. Although EWA providers claim to offer a fee-free alternative to payday loans, in practice, they often charge fees, encourage tipping, and provide advances that closely resemble short-term loans without the robust consumer protections required by law.

HB 1294 also fails to set limits on fees or tipping practices for EWA companies. Currently, tipping creates an opaque and deceptive fee structure, where consumers may feel pressured to pay additional costs without fully understanding the true cost of borrowing. Unlike traditional lenders, these companies avoid disclosing an annual percentage rate (APR), leaving consumers in the dark about the effective interest rates they are paying. This practice undermines Maryland's consumer credit laws and places borrowers—particularly people of color—at risk of financial exploitation. The proposed bill allows lenders to seek tips up to the limit of the usury rate, 33% on an annual basis. In addition, the bill's proposed revisions would directly harm Marylanders like Ms. K., a client from MLVS' weekly court clinics, who like many Marylanders is trying to manage multiple debts. Ms. K came to our clinic because she was being sued by two different debt buyers. She is currently in a cycle of debt where most of her income is used to pay debt collectors. For people like Ms. K this cycle is never ending. One of her only options to escape the cycle is bankruptcy. HB 1294 will directly harm Marylanders like Ms. K by making it more likely that earned wage lenders will extort low and moderate income consumers with unreasonable fees and interest.

MVLS has been fighting to level the playing field for low-income Marylanders for decades, and we know that poor Marylanders are the most vulnerable to predatory lending practices. We oppose House Bill 1294 because it allows EWA lenders to capitalize on financial instability. To protect consumers, EWA products should be fully regulated under Maryland's consumer protection laws.

Chair and members of the Committee, thank you again for the opportunity to testify.