



**Auto Consumer Alliance**  
13900 Laurel Lakes Avenue, Suite 100  
Laurel, MD 20707

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**Testimony to the Senate Finance Committee  
HB 1294 – Commercial Law – Credit Regulation –  
Earned Wage Access and Credit Modernization  
Position: Unfavorable**

The Honorable Pam Beidle  
Senate Finance Committee  
3 East, Miller Senate Building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

March 25, 2025

**Honorable Chair Beidle and Members of the Committee:**

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers.

We oppose **HB 1294** because it would, in effect, expose many low- and middle-income Marylanders who need paycheck advances to what amount to predatory short-term loans with effective interest rates well above 200%. While we appreciate that the bill does include some safeguards against predatory practices, the high fees and unlimited tipping and subscription fees it authorizes nevertheless are likely to be very costly for many vulnerable Maryland consumers.

As a market study by the Office of Financial Regulation shows, Earned Wage Access (EWA) users in Maryland are usually younger, lower-income working people (with incomes between \$25,000 and \$50,000/year) who need use relatively small (usually between \$25 and \$100) cash advances to help meet their basic needs. They often use EWA products repeatedly – sometimes several times per month. Research from the federal GAO and respected consumer groups like the Center for Responsible Lending confirms this analysis of how consumers use EWA services.

With lower-income consumers using these products again and again for relatively small cash advances, even fees and tips and subscription charges that sound modest can very quickly add up to triple-digit effective interest rates and quite burdensome out-of-pocket expenses.

In this case, the fees **HB 1294** authorizes (up to \$5 for advances of less than \$75 and up to \$7.50 for those greater than \$75) alone leave borrowers paying interest rates greater than 200% (with someone borrowing \$100 paying a \$274% APR). Those fees of course vastly exceed the 33% rate cap Maryland generally imposes on loans of less than \$1,000. And the bill also authorizes EWA providers to solicit unlimited tips and subscription fees, which will significantly to the cost for borrowers.

To be fair, the bill does require lenders to offer a no-tip option and set the default tip option to zero. But most EWA providers already provide a no-fee option. And experience shows that borrowers rarely choose that option – because that option tends to be slower or come with other limitations that make it unworkable for consumers who very strongly need short-term funds. In practice, such



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rather desperate borrowers almost always pay the “expedite” fees or tips EWA providers press them to accept.

Since these loans (which function very much like payday loans) are almost always repaid very quickly from the consumer’s next paycheck (they have repayment rates estimated between 97% and 99%), it’s very difficult to see why the lenders need to charge such high and burdensome effective rates to provide these relatively small loans.

While they may be presented as shiny, new Fintech services, these EWA loans really amount to old-fashioned debt traps with outrageous effective interest rates. They violate Maryland’s admirable tradition of protecting consumers against predatory small-dollar lending and, under the rules this bill offers, would not provide vulnerable Marylanders the kind of credit they need.

**We oppose HB 1294 and ask you to give it an UNFAVORABLE report.**

Sincerely,

Franz Schneiderman  
Consumer Auto