

# **AFC\_MD HB 1294\_ March 25.pdf**

Uploaded by: Ashley Urisman

Position: FAV



## American Fintech Council Testimony

TO: Maryland Senate Finance Committee

FROM: Ashley Urisman, Director-State Government Affairs, American Fintech Council (AFC)

DATE: March 25, 2025

SUBJECT: House Bill 1294

### ***Position: Support***

### ***Testimony:***

Thank you Chair Beidle, Vice Chair Hayes, and members of the Finance committee. My name is Ashley Urisman, and I am the Director of State Government Affairs for the American Fintech Council (AFC). My testimony is in support of House Bill 1294 (HB 1294) as passed out of the House of Delegates.

AFC is the premier trade association representing the largest financial technology (Fintech) companies, including the biggest providers and largest number of Earned Wage Access (EWA) companies. Our mission is to promote a transparent, inclusive, and customer-centric financial system by supporting responsible innovation in financial services and encouraging sound public policy.

Before guidance from the Office of Financial Regulation pushed many responsible providers out of the state in 2023, more than 100,000 Marylanders benefitted from access to EWA services. We are grateful to House Economic Matters Committee Chair Wilson and Delegate Amprey for sponsoring this bill to establish a revised regulatory framework which empowers responsible EWA providers to return to serving users in Maryland.

To ensure that EWA providers safely and effectively serve consumers, AFC has established clear standards on what constitutes a responsible EWA product, and ensures users remain protected. Our standards require

- A voluntary no-cost option be made available for all users;
- Fees disclosed or represented in a clear and transparent manner;
- No underwriting or credit checks and;
- Ability for users to cancel the EWA service at any time, meaning it does not have to be repaid.

We believe the guardrails set forth in HB 1294 reflect our standards. The bill creates an opportunity for both Maryland workers and EWA providers to build a stronger economy in the state.

Thank you again for considering this issue in a timely manner and seeking a pragmatic solution to regulation. I am happy to address any questions you may have.

# **MD HB 1294 Testimony - Senate Finance - EarnIn.doc**

Uploaded by: Ben LaRocco

Position: FAV



**Ben LaRocco**  
**Senior Director, Government Relations**

Tuesday March 25, 2025  
Senate Finance Committee - Bill Hearing on HB 1294

Good afternoon Chairwoman Beidle, and members of the Senate Finance Committee. My Name is Ben LaRocco, and I'm the Senior Director of Government Relations for EarnIn, one of the largest providers of Earned Wage Access services, or EWA, in the country.

I'm speaking today in support of HB 1294, a Maryland specific regulatory framework for Earned Wage Access, or EWA, which you likely recall has been discussed here in Maryland for multiple sessions. While this Committee committed considerable time to this bill last year, we were unable to get a bill last session. We worked diligently post session to come to an agreement, and hope that this bill, which received the overwhelming support of the Democratic Caucus in the House, can receive positive consideration in the Senate.

In Maryland, more than 92,000 residents have used our earned wage access product, including more than 40,000 last year, an increase of nearly 9,000 since 2023. The top employers of our customers include Johns Hopkins Medical, Baltimore County Public Schools, Baltimore City Public Schools, and Prince George's County Public Schools.

EarnIn is direct to consumer, which means anyone can use our services, though we also have partnerships with large employers, and own a payroll company, which processes payroll for hundreds of thousands of workers.

Nationally, last year about 2 million Americans used EarnIn to access their earnings on their own schedules.

Once you have worked and earned money, those funds are legally yours, but your employer gets to hold onto an individual's wages until payday because running payroll is complicated and expensive. This is why most employers pay biweekly or even monthly.

EarnIn provides customers with access to their earnings as they are earned, without mandatory fees, interest, or recourse.

Traditional financial services often don't serve low income families very well, relying on high fees to penalize workers when they most need help. With EWA, EarnIn takes on all the risk, so it aligns incentives between the provider and the user. We only succeed when our customers do. If they don't pay us back, we lose that money, so it is in our interest to offer a product that is responsibly used.



This bill regulates EWA as a loan, which was a major point of disagreement last year, it contains other consumer protections like a first in the nation limit on expediting fees, and strict regulations to ensure that tips are truly voluntary.

Other consumer protections that we support in this legislation are strict disclosures and transparency of operations, robust privacy protections (EarnIn does not monetize nor sell any data), and a prohibition on any interest, late fees, or recourse such as sending someone to collections or reporting a non payment to a credit bureau.

EarnIn is working every day to find better solutions for our customers. HB 1294 places meaningful guardrails on an existing product to better serve Maryland consumers with free and low-cost options, and ensures we can meet their needs in the future.

I encourage the Committee to pass HB 1294 without amendment, and ensure your constituents have access to this safe and effective product. I'm happy to answer any questions you may have.

# **Chamber of Progress\_MD HB 1294\_Support.pdf**

Uploaded by: Brianna January

Position: FAV



March 25, 2025

The Honorable Pamela Beidle  
Chair, Senate Committee on Finance  
Room 3 East Wing  
Miller Senate Building  
11 Bladen Street  
Annapolis, MD 21401-1991

**Re: In support of MD HB 1294 - Earned Wage Access and Credit Modernization**

Dear Chair Beidle and members of the committee:

On behalf of Chamber of Progress – a tech industry coalition promoting technology's progressive future – I write to **express our strong support for HB 1294 as amended**, which would regulate earned wage access services.

We are strong supporters of providing consumers with better alternatives to predatory lending and junk fees at banks. Earned wage and early wage access services help workers bridge the gap from today to payday and free workers from dependency on the payroll cycle and a financial system that frequently disadvantages them.

Earned wage access operates on an agreement between the service provider and an employer, which allows the provider access to employee timesheets to determine earned wages.<sup>1</sup> On an employee's payday, the provider collects funds from the employer that were disbursed to the employee ahead of payday.

Early wage access is a similar concept, except the service provider does business directly with the consumer without direct involvement from the employer. In this instance, the consumer downloads an application, establishes an account with the service provider, and links their checking account information.

In both setups, the earned wage access provider allows users to access anywhere between 50-100% of their earned wages at any given time, with limits sometimes

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<sup>1</sup> *Ask the Fed: Exploring the Rise of Earned Wage Access Programs*, The Federal Reserve Bank of Kansas City (Jan. 2021). <https://www.kansascityfed.org/ten/2021-winter-ten-magazine/ask-the-fed-exploring-rise-of-earned-wage-access-programs/>



placed by the provider based on frequency and consecutive use.<sup>2</sup>

### **Earned Wage Access Promotes Consumer Choice**

Based on a survey conducted by three direct-to-consumer earned wage access service providers, an overwhelming number of earned wage access consumers said they understood how the service structure works and considered it the best option for managing their spending.<sup>3</sup> Earned wage access provides consumers the opportunity to stretch their dollar farther than the standard two-week pay cycle, enabling them to avoid predatory payday loans.

Consumers overwhelmingly use earned wage access services to pay bills on time, buy groceries, and avoid late fees.<sup>4</sup> Notably, 8 out of 10 earned wage access consumers felt these services were the best available options to manage their spending, and 80% of users said that their lives significantly improved after using these services.<sup>5</sup> Earned wage access gives consumers a safer alternative to paying bills late and getting charged bank overdraft fees that can cause a further decline into debt.

In this post-COVID, inflationary economy, the usage of earned wage access has increased across the board. From 2018 until now, these services tripled in usage in response to consumers adapting to a financial environment where they are empowered to spend without a lack of liquidity.<sup>6</sup> In fact:

- 82% of hourly workers whose employer offers earned wage access services say it is one of their favorite benefits.<sup>7</sup>
- 72% of earned wage access service users say the offering helps them feel more confident in managing their finances.<sup>8</sup>
- 95% of companies offering an earned wage access solution believe it has a positive impact on employee retention.<sup>9</sup>
- 77% of earned wage access users state that the services help them save money by avoiding other more expensive alternatives to handle expenses.<sup>10</sup>

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<sup>2</sup> *Id.*

<sup>3</sup> *Earned Wage Access: A Framework for Financial Inclusion*, Earnin (July 2021).  
<https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Earned Wage Access: Direct-to-Consumer Advances– Trends and Insights*, Center for Financial Services Innovation (April 2021).  
[https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA\\_D2C\\_Advance-age\\_Trends\\_FINAL.pdf](https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA_D2C_Advance-age_Trends_FINAL.pdf)

<sup>7</sup> The Harris Poll. [Nearly 3 in 4 Hourly Workers Love/Like Their Job](#). March 20, 2024.

<sup>8</sup> Arizent Research. [Earned Wage Access: A Powerful, Cost-Effective Financial Wellness Tool](#). September 2023.

<sup>9</sup> Hanover Research Study. *Companies with EWA Solutions*. September 2023.

<sup>10</sup> Mercator Advisory Group. [Customer Perceived Cost Savings](#). August 2022.

Families working paycheck to paycheck are currently beholden to the 2-4 week pay cycle, trapped in a system that does not account for real-life factors that cannot wait for payday. With the right regulatory framework, earned wage access has an opportunity to make a greater impact by providing a service that meets the consumers where they are.

Like many other innovations in services, consumer choice with earned wage access will allow workers to choose the service that is best for them and their budget.

With this in mind, **we urge you to pass HB 1294 in its amended form.** Thank you for your leadership in promoting a responsible regulatory structure that protects consumers, increases transparency, and ensures that earned wage access providers can continue to deliver services that Marylanders rely on.

Sincerely,

A handwritten signature in black ink, appearing to read "Brianna January". The signature is fluid and cursive, with the first name "Brianna" written in a larger, more prominent script than the last name "January".

Brianna January  
Director of State & Local Government Relations, Northeast US

# **MD Written Testimony FTR Finance.pdf**

Uploaded by: Claudia Flores

Position: FAV



March 21, 2025

The Honorable Pamela Beidle  
Chair, Senate Finance Committee  
3 East Miller Senate Office Building  
Annapolis, MD 21401-1991

**RE: DailyPay, LLC (DailyPay) Support for HB 1294 – Earned Wage Access and Credit Modernization**

Chair Beidle, Vice Chair Hayes, and esteemed members of the Finance Committee:

I am writing to express DailyPay's strong support for HB 1294, concerning earned wage access (EWA) services. DailyPay is the nation's leading employer-integrated EWA provider.

EWA is a financial technology that allows employees to access wages they have already earned. DailyPay, LLC, offers this technology to over 60,000 workers in Maryland, partnering with over 500 employers throughout the state.

DailyPay partners with employers and integrates with their payroll systems, giving employees access to their already-earned, net wages before payday. This is a voluntary service where users can access verified earned wages.

EWA is *popular with Maryland employers* because it has been proven to reduce employee turnover and absenteeism and help attract employees to fill open jobs.

It's *popular with Maryland employees* because it provides access to the wages they have already worked for and earned but have yet to receive. When unexpected expenses arise, such as medical bills or a flat tire, EWA users have the financial freedom to access liquidity. EWA employees instantly access their own money and can avoid late fees, bank overdraft fees, and high-cost credit products.

Like DailyPay, where I work, almost all EWA companies share a few key characteristics:

- We are credit invisible
- We charge no origination, late fees, or interest
- We do not engage in debt collection practices
- We do not underwrite

**dailypay.**



Most EWA providers offer instant delivery of earned wages to a bank account for a flat, *one-time* fee of around \$3 or at “no cost” for a transfer taking 1-3 business days.

While EWA does not completely eliminate income insufficiency, it effectively addresses the challenges posed by infrequent pay schedules, such as biweekly or monthly payments. Employees are gravitating toward this solution because it saves them money and provides greater financial flexibility.

Specifically, EWA offers Marylanders a practical alternative to costly financial products, empowering them to manage late bill payments or navigate financial emergencies with ease.

Currently, six states regulate EWA as a unique financial product, and DailyPay firmly advocates for thoughtful and balanced regulation of the EWA industry to ensure broad access to these vital services.

HB 1294 establishes a licensing framework for EWA providers that prioritizes consumer protection, transparency, and choice. This licensing will not only deter bad actors and ensure fairness but also enable state oversight while preserving consumer access and codifying important protections, including:

- A mandatory free option for all transactions
- Maintaining the product non-recourse
- An unprecedented cap on transaction fees (*\$5 on transactions of less than \$75 and \$7.50 on transactions of more than \$75*)
- The right for users to cancel services without penalty or fees
- Strong disclosure requirements

We’ve gathered numerous testimonials from users who share how our platform has empowered them to manage short-term cash crunches and overcome challenging financial situations. DailyPay is making a tangible difference in the lives of everyday workers, helping them break free from the cycle of debt.

HB 1294 will provide certainty for our users and businesses, maintain consumer access, and support employers. **We urge a favorable reading of HB 1294.**

Sincerely,

DailyPay, LLC

By: *Claudia Flores*

Name: Claudia Flores

Title: Director of Public Policy

**dailypay.**

# **Payactiv Testimony in Support of HB 1294 March 25.**

Uploaded by: Mark Salters

Position: FAV



March 21, 2025

Senate Finance Committee  
3 East Miller Senate Office Building  
Annapolis, Maryland 21401

**Re: Payactiv Support for HB 1294**

Chair Beidle and honorable members of the Senate Finance Committee:

Thank you Chair Beidle, and members of the committee for your dedicated work on this issue over the last two years.

I am writing to express Payactiv's strong support for HB 1294, which creates a licensing system for earned wage access (EWA) providers in Maryland that enacts the strongest consumer protections in the country. We are proud to be a Public Benefit Corporation and Certified B Corp. Payactiv currently partners with over 800 Maryland employers and 10,000 employees.

For the record, I am Mark Salters, a public policy manager with Payactiv, a leading employer-integrated EWA provider that allows employees to access their own, already-earned wages prior to payday. Employers choose to offer Payactiv's service as an employee benefit to their employees. Payactiv integrates into an employer's time and attendance system and verifies wages from payroll data. Unlike traditional lending products, there is no recourse in an EWA transaction; no late fees, penalties, or interest; no credit impacts or checks to participate; and we offer five free options with one, voluntary paid option less than an average out-of-network ATM fee.

As we have discussed with this committee, EWA enables Maryland workers to access their own, earned wages to handle unexpected expenses between paychecks. This empowers workers to make sound financial decisions and avoid late fees and high-cost debt products like payday loans and credit cards.

HB 1294 is the result of over two years of collaboration between legislators, industry, regulators, and other stakeholders. HB 1294 has the strongest consumer protections proposed in the country, including:

- Implementing a first-in-the-nation fee cap on voluntary fees of \$5 on transactions of less than \$75 and \$7.50 on transactions of more than \$75;
- Requiring a mandatory free option, so any expedited fee is fully voluntary;
- Ensuring all transactions are non-recourse and the user can cancel at any time;
- Prohibiting the use of credit scores or credit reporting, so even workers with low or poor credit have access to the service; and
- Banning late fees, interest, and other penalties.



Payactiv is proud to support HB 1294 and is deeply grateful for your continued and dedicated leadership on this important issue. We kindly ask for a favorable report.

Sincerely,  
Mark Salters  
Public Policy Manager  
Payactiv



# **Brigit Maryland Testimony Senate Finance Final.pdf**

Uploaded by: Tara Rider

Position: FAV

March 25, 2025

TO: House Economic Matters Committee

FROM: Tara Rider  
Brigit  
36 W 20th Street  
New York, New York 10011

RE: House Bill 1294: Favorable

Chairwoman Beidle, Vice Chair Hayes and members of the committee,

My name is Tara Rider and I am the Vice President of Policy and Government Relations, a financial wellness company that offers direct to consumer, earned wage access ("EWA") to over 130,000 consumers in Maryland at an average of \$75.00 per transaction. Earned wage access is a financial lifeline that so many Maryland residents rely on with over 83% of Brigit customers reporting that they feel less financially stressed while 72% of our customers report that they are able to perform better at work when utilizing our platform.

HB-1294 establishes consumer protections, a licensing requirement for providers as well as a first in the nation fee cap for delivery fees. Unlike traditional credit, earned wage access does not charge interest or late fees, nor does it require credit checks or report to credit bureaus. Earned wage access is non-recourse, meaning that the product does not have to be repaid. Brigit also allows for a flexible repayment date should a customer need more time, with no penalty, and no questions asked.

Brigit not only offers a standalone no cost earned wage access product but also offers an optional, \$1.99 expedited transfer fee allowing customers to access their funds within minutes; as well as subscription based suite of services that include identity theft protection, credit monitoring, a 0% APR credit builder loan, as well as budgeting tools to assist our customers on their path to financial independence. This subscription is completely optional and can be canceled at any time. There is also no requirement to subscribe to utilize our earned wage access service.

We appreciate the time and efforts that both the Senate Finance Committee and House Economic Matters Committee have spent working with stakeholders on this important issue over the last two years.

Thank you again for your efforts on HB-1294.

Sincerely,

Tara Rider  
Vice President, Policy and Government Relations

# **HB1294 CDIA Senate Testimony - FWA.pdf**

Uploaded by: Zachary Taylor

Position: FWA



Consumer Data Industry Association  
1090 Vermont Ave., NW, Suite 200  
Washington, D.C. 20005-4905

March 25, 2025

P 202 371 0910

[CDIAONLINE.ORG](http://CDIAONLINE.ORG)

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

Chair Beidle, Vice Chair Hayes, and Members of the Committee:

On behalf of the Consumer Data Industry Association (CDIA), I am writing to express our concerns regarding provisions in HB 1294 that conflict with and are preempted by federal law, specifically the Fair Credit Reporting Act (FCRA). For the reasons outlined below, we respectfully request an amendment to the bill that would strike lines 22-23 of page 17 to remove 12-1504 (4), which would restrict the reporting of certain information to consumer reporting agencies.

CDIA represents the consumer reporting industry, including nationwide credit bureaus, regional and specialized credit bureaus, background check companies, and more. Since our founding in 1906, we have promoted the responsible use of consumer data to empower financial opportunities, reduce fraud, and manage risk. Through data analytics, our members facilitate fair and secure transactions, foster competition, and expand consumers' access to tailored financial products.

The FCRA establishes a comprehensive framework for the collection, dissemination, and use of consumer information, including credit reporting. The FCRA imposes obligations on companies ("furnishers") that provide ("furnish") information to consumer reporting agencies ("CRAs"). These obligations are in 15 U.S. Code § 1681s-2, responsibilities of furnishers of information to consumer reporting agencies. The FCRA has extensive preemption provisions that prohibit state regulation in many areas of law relating to consumer reporting, including provisions that impact furnishing requirements.

A safe and sound credit economy needs a reliable credit reporting system. Suppression of credit reporting leads to increased inaccurate credit files, reduces the reliability of credit scores, and adds greater risk and uncertainty into the lending process. This is why Congress included language in the federal FCRA 15 U.S.C. § 1681t(b)(1)(F) which preempts "any subject matter regulated under... 15 U.S.C. § 1681s-2, relating to the responsibilities of persons who furnish information to consumer reporting agencies..."

While CDIA takes no position on the policy goal of HB 1294, we are concerned by unnecessary inclusion of 12-1504 (4) and its restriction on reporting of information to consumer reporting agencies. As discussed above, Congress preempted the states from establishing prohibitions on the furnishing of information to consumer reporting agencies. As this limitation on furnishing information is inconsistent with the FCRA, it is preempted at 15 U.S.C. § 1681t(b)(1)(F).

With this in mind, we respectfully request that 12-1504 (4), lines 22-23 on page 17 be removed from the bill. This would eliminate any unintentional conflict with the FCRA, fully resolve our concerns, and avoid unnecessary legal uncertainties for consumer reporting agencies in relation to Maryland law. Thank you for your consideration of our comments and please reach out with any additional questions for CDIA.

Sincerely,

A handwritten signature in black ink, appearing to read "Zachary W. Taylor", is written over a horizontal line.

Zachary W. Taylor  
Director, Government Relations  
Consumer Data Industry Association

# **HB 1294 Written Testimony.pdf**

Uploaded by: Courtland Merkel

Position: UNF



**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

Susan Francis  
EXECUTIVE DIRECTOR

**BOARD OF DIRECTORS**

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Nicole M. Lacoste Folks  
Lydia E. Lawless  
Robin Leone  
Anthony May  
Michelle McGeogh  
Chelsea Ortega  
Lelia F. Parker  
Angela Russell  
Rebecca Sheppard  
Syma Ahmad Siddiqui  
Sheila J. Stewart  
D'Sean Williams-Brown  
Emily J. Wilson

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

201 N. Charles St., Ste. 1400 Baltimore, MD 21201 | [www.mvlslaw.org](http://www.mvlslaw.org) | [info@mvlslaw.org](mailto:info@mvlslaw.org) | 410-539-6800

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.

**testimony2025hb1294cross.pdf**

Uploaded by: Franz Schneiderman

Position: UNF





**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



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

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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

# **MD HB 1294-- Oppose -- National Consumer Law Cente**

Uploaded by: Lauren Saunders

Position: UNF



**Testimony to the Senate Finance Committee**  
**HB1294 Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization**  
**Position: Unfavorable**

March 21, 2025

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

Honorable Chair Beidle and members of the committee:

I am a Maryland resident and the Associate Director of the National Consumer Law Center (NCLC). NCLC submits this testimony in strong opposition to HB 1294. Founded in 1969, NCLC uses the tools of advocacy, education, and litigation to fight for economic justice for low-income and other vulnerable people abused, deceived, discriminated against, or left behind in our economy.

HB 1294 recognizes that payday advances purportedly based on “earned wages” are loans, yet effectively exempts fintech payday loans from Maryland’s strong interest rate limits that prevent predatory lending. Instead of strong protections, the bill substitutes permission to charge high fees and disguised interest on balloon-payment loans that put people in a debt trap and make liquidity problems worse, not better.

Maryland should not exempt new forms of payday loans from the 33% interest rate cap that other lenders follow. **HB 1294 could allow cash advance apps to collect up to \$100 or more a month in fees and costs, 12 months a year, on debt trap loans with annual percentage rates (APRs) in the range of 300% that make financial problems worse.** Data from the Center for Responsible Lending showed that [73% of Maryland users](#) of cash advance apps experienced increased overdrafts.

HB 1294 bill has several serious problems. It:

- Authorizes interest disguised as expedite fees of \$5.00 to \$7.50 even though the cost of sending money instantly is only a few pennies, with no cap on subscription or membership fees and authorization for “tips”.

- Imposes no limits on the number of loans per day, week, month or year. Some lenders artificially limit loan size so consumers must take out five \$100 loans with five sets of fees and tips to get a \$500 loan.
- Imposes no overall cap on the amount a consumer could pay in a month or year.
- Authorizes interest disguised as “tips” and “donations,” implying but not expressly stating that those tips and donations are subject to Maryland’s interest rate limits, giving lenders wiggle room to argue that those costs are not capped at all. It is not clear if this is intentional. We urge the bill’s sponsors to clarify whether tips and donations are or are not considered interest limited by Commercial Code § 12-306, which limits loans up to \$500 to 33% annual interest.
- Has no database or other mechanism to prevent loan stacking from multiple apps. In Maryland, [one in four people used three or more apps](#) in the same month.
- Purports to adopt safeguards to make tips and donations voluntary, but fails to stop the myriad of dark patterns that lenders have used to coerce people into paying those costs, including:
  - Wasting the time and patience of borrowers by making them navigate through extra screens if they want a loan without a tip;
  - Design tricks and fine print that make it easy to accidentally proceed with a loan with a high tip;
  - Playing on the fear of access being cut off or limited, or loan limits not being raised, by subjecting people to multiple messages about the importance of tipping or their failure to tip the last time;
  - Punishing those who do not tip enough, such as cutting off alerts or access to services other than the loan itself;
  - Psychological manipulation and guilt through repeat messages about the importance of supporting the company and the community and relying on our understanding that tips are generally expected;
  - Misleading claims about charitable contributions;
  - Proclaiming “No interest” or “0% APR” on loans that have interest and have high APRs.

Overall, this bill will allow loans *with no limit whatsoever on the total cost or multiplying fees*. The \$7.50 fee limit alone can be 274% APR for a \$100 10-day loan and 684% APR for a \$40 one, and there is no limit on tips, donations or subscription fees. Lenders could force borrowers to pay multiple fees by artificially limiting loan size – as some already do – requiring borrowers to take out five \$100 loans to get \$500.

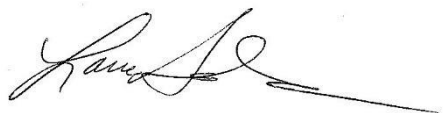
The California Department of Financial Innovation [found](#) that the average tip amount on income-based advances was \$4.09 and that workers take out an average of 9 loans a quarter (36 a year). With \$7.50 expedite fees added on top of tips, the costs could translate into \$417.24 per year from the average EWA borrower, **or over two-thirds of a week's wages for someone making minimum wage in Maryland**. Even worse, a consumer who took out five \$100 loans to get \$500, paying a \$7.50 expedite fee and a \$4 tip on each \$100, and borrowed that \$500 twice a month, would pay a **total monthly cost of \$115**.

**Even traditional payday lenders could exploit the bill's broad scope.** To be a direct to consumer provider, a lender simply has to be licensed; base the loan on income data from the consumer; collect interest through expedite fees, tips, donations, membership fees or subscription fees; and rely on the repayment through bank account debits. Any payday lender that adjusts their model to these very loose requirements would be free to offer triple-digit APR loans in Maryland. In exchange, the so-called protections offered in the bill are meaningless and merely codify existing business models:

- Providers would have to offer a no-cost option, but they do so today, and those options are slow (delaying the advance) or inconvenient (not into the consumer's own bank account) and are hardly used by consumers. The nature of small dollar loans is based on urgency. That's why the vast majority of consumers pay for expedited funds.
- Declaring that tips are voluntary does not stop their high cost, the use of dark patterns and psychological tricks to push people into tipping or making it hard to undo a tip, or every possible repercussion of not tipping enough. Setting the default tip to zero does not overcome the pressure to tip.
- The requirement that the lender repay overdraft and nonsufficient funds fees within 5 business days is insufficient. Pledges to repay those fees do not work today as people cannot get through to customer service or are often rebuffed when they do.
- The prohibition of credit reporting is meaningless, as payday lenders already do not use or report to traditional credit bureaus.
- The ban on using debt collectors, lawsuits or debt buyers does not help as lenders have recourse to the paycheck or bank account, collect 97% to 99% of the time

Debt trap loans of 300% APR or higher are not the kind of loans Marylanders deserve. Maryland should be proud of having some of the strongest anti-predatory lending laws in the country and a record of standing up for evasions of those laws. I strongly urge you to oppose HB 1294.

Thank you.



Lauren Saunders  
Associate Director  
National Consumer Law Center

# **HB 1294Credit RegulationEWA.Crossover.UNF.AARPMD.p**

Uploaded by: Tammy Bresnahan

Position: UNF



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**HB 1294 Commercial Law – Credit Regulation – Earned Wage Access and Credit  
Modernization  
Senate Finance  
March 25, 2025  
UNFAVORABLE**

Good afternoon, Chair Beidle and members of the Senate Finance Committee. I am Tammy Bresnahan; I am the Senior Director of Advocacy for AARP Maryland. On behalf of AARP Maryland and our more than 850,000 members statewide, we respectfully submit this testimony in strong opposition to HB 1294, which would authorize and regulate employer-integrated earned wage access (EWA) products in the state of Maryland. While these products are often marketed as innovations to help workers access their pay in real time, the provisions of this bill introduce serious risks—particularly to older Marylanders and those living on fixed incomes.

AARP has long advocated for financial protections and safeguards for older Americans. Our policies are guided by the principles of transparency, fair lending, affordability, and the prevention of abusive financial practices. Unfortunately, this bill fails to meet those standards.

While we recognize that employers can play a role in helping workers manage their finances and that cash management tools can be beneficial, we are deeply concerned about high-cost loans and financial products that impose fees on workers, effectively making them pay to access their own wages. Such products undermine the financial stability of older workers and those on fixed incomes.

**Key Concerns:**

**1. Exemption from Lending Laws = Legalized Payday Lending**

This bill carves out a sweeping exemption for licensed earned wage access providers from the Maryland Consumer Loan Law (MCLL), including provisions related to interest, credit, and lending. By shielding EWA providers from the very consumer protections designed to prevent exploitative financial products, the bill effectively legalizes payday lending under a new name—a practice that has historically targeted vulnerable populations, including older adults struggling with medical expenses, caregiving costs, or limited income.

**2. “Tips” and “Fees” Are Hidden Finance Charges**

The bill permits providers to solicit “voluntary tips” and impose subscription or expedited delivery fees. While described as optional, these costs mirror finance charges in form and



function. Experience from other states shows that consumers often feel pressured to tip or pay fees to maintain access or avoid delays. These charges can accumulate quickly, turning EWA into an expensive and opaque form of short-term credit—one that disproportionately affects lower-income workers and retirees returning to the workforce.

### **3. Harmful Precedent for Workers of All Ages, Especially Older Adults**

Older Marylanders increasingly rely on part-time employment to supplement Social Security and other income. They are more likely to face income volatility due to limited working hours, health challenges, or caregiving responsibilities. These are the very individuals most likely to use EWA products—and most at risk of falling into a cycle of financial dependency when the product lacks effective guardrails. This bill would leave them with few protections and little recourse if things go wrong.

### **4. Lack of Clear Consumer Education or Data Protections**

While the bill requires providers to inform consumers of their rights and any material changes, it does not provide for independent oversight, enforcement mechanisms, or public reporting. Nor does it fully address concerns about data privacy and the use of payroll information by third-party financial service providers. These are essential elements of any responsible financial product—especially those used by older and vulnerable adults.

## **Conclusion**

AARP Maryland respectfully urges lawmakers to reject this legislation. Rather than creating a safe, affordable pathway for workers to access their wages, this bill exposes Marylanders to the very dangers our consumer protection laws were designed to prevent. Any policy involving earned wage access must be rooted in transparency, affordability, and full regulatory oversight—not carved-out exemptions and payday-like practices. We thank you for your consideration and stand ready to work with you on better, safer solutions for Maryland workers of all ages.

For further questions or follow-up, please contact me at [tbresnahan@aarp.org](mailto:tbresnahan@aarp.org) or by calling 410-302-8451. Thank you for your time and consideration.

## **(Crossover) 3.21 HB 1294 - Commercial Law - Credit**

Uploaded by: Tonaeya Moore

Position: UNF



**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 members of the committee thank you for the opportunity 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 CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

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 loophole that weakens consumer protections and leaves borrowers at risk. 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.

**In 2024, CASH conducted a survey on how our clients use EWA services and found that a significant percentage rely on multiple apps each month—sometimes within the same pay period.** This frequent use results in high fees, trapping consumers in a cycle of debt. While HB 1294 recognizes EWA as a lending product, it still permits providers to charge fees and collect "tips," leading to excessive cumulative costs that hide the true price of borrowing. By allowing these fees, EWA products operate much like payday loans, offering early access to wages at a cost that can quickly become unaffordable.

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.

**Thus, we encourage you to return an unfavorable report for HB 1294.**

*Creating Assets, Savings and Hope*

## **(Crossover) 3.21 HB 1294 - Commercial Law - Credit**

Uploaded by: Tonaeya Moore

Position: UNF

**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 option<sup>1</sup>. 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 loan<sup>2</sup>.

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.**

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

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

# **House Bill 1294 SENATE.pdf**

Uploaded by: Whitney Barkley- Denney

Position: UNF



**House Bill 1294**  
**Earned Wage Access and Credit Modernization**  
**OPPOSE**

The Honorable Pam Beidle, Chair, and Members of this Honorable Committee:

My name is Whitney Barkley Denney, and I am Deputy Director of State Policy and Senior Policy Counsel with the Center for Responsible Lending. The Center for Responsible Lending (CRL) works to ensure a fair, inclusive financial marketplace that creates opportunities for all families and individuals, regardless of their income, because too many hard-working people are deceived by dishonest and harmful practices.<sup>1</sup> I appreciate this opportunity to discuss our concerns about HB 1294, Earned Wage Access and Credit Modernization.

While this bill acknowledges that Earned Wage Advance products are loans, it nevertheless fails to adequately rein in the cost of a product that ensnares thousands of Maryland borrowers in a debt trap. By exempting the charges paid to expedite these loans from Maryland's interest rate caps, HB1294 would subject many borrowers who use Earned Wage Advance products to high costs that are unrestrained Maryland's 33% loan cap.

When discussing the costs of Earned Wage Advance products, it is important to remember three things that contribute to their high cost to borrowers.

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<sup>1</sup> Center for Responsible Lending: About CRL | [Center for Responsible Lending](https://www.centerforresponsiblelending.org/)

**First**, the withdrawal amounts allowed by earned wage advance companies per transaction are often low, resulting in borrowers making numerous withdrawals before they are able to meet their need. Earnin, for example, limits borrowers to withdrawing \$150 per transaction, and up to \$750 per pay period. A borrower needing \$750 would have to make five withdrawals – up to \$150 plus a tip – in order to meet that need.

**Second**, the average borrower of Earned Wage Advance borrows dozens of times a year. This makes sense. Once a hole in a borrower's paycheck is created by loan product, it becomes necessary to borrow over and over again to fill it. After all, without a material change in circumstances, a worker who takes \$750 to make it to payday is unlikely to suddenly have \$750 to pay off that debt without reborrowing. This is exactly how the cycle of debt is created.

Data from CRL's collaboration with Saverlife,<sup>2</sup> a money management app, shows this to be the case in Maryland. About one-in-four borrower's take out at least 25 of these loans per year.<sup>3</sup> And, just as with traditional payday lending, the heaviest borrower's drive the business. Maryland borrower's with at least six advances in one month account for about 80% of all advances.<sup>4</sup>

Earned Wage Advance is a product borrower's use over and over again, paying the fees over and over again. It is therefore vital that Marylanders understand their fees as annualized interest. **Policy should be made according to how a product is used, not by how industry characterizes it.**

**Third**, borrower's take money from more than one Earned Wage Provider at a time. In the Saverlife data, CRL found that a quarter of Maryland workers who use this product use three or more apps at a time, and nearly 50% use at least two apps at a time.<sup>5</sup> Nothing in HB 1294 would limit this stacking of loans,

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<sup>2</sup> Saverlife: [About Saverlife](#)

<sup>3</sup> Maryland Fact Sheet, updated Oct. 2024: [ewa-states-md-oct2024.pdf](#)

<sup>4</sup> Id.

<sup>5</sup> Id.



nor would it require that these lenders check to see if the money being pledged to them is also being pledged to someone else.

Unsurprisingly, this stacking often leads to overdraft fees. CRL's research found that, of EWA borrowers who have a history of overdraft, 73% experienced an increase in overdrafts after their first advance.<sup>6</sup>

By acknowledging that Earned Wage Advances are loans, HB 1294 is a step in the right direction. However, by exempting this products fees from Maryland's 33% rate cap, allowing high-per-transaction fees, and failing to rein in stacking, **HB 1294 is ultimately little more than a codification of the practices of Earned Wage Advance providers.**

Thank you for your time and attention to this important matter.

Whitney Barkley-Denney  
Center for Responsible Lending  
Deputy Director of State Policy

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<sup>6</sup> Id.

# **HB 1294 - CPD - Senate - Testimony in Opposition.p**

Uploaded by: Wilson Meeks

Position: UNF

**CAROLYN A. QUATTROCKI**  
*Chief Deputy Attorney General*

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*Deputy Attorney General*

**ZENITA WICKHAM HURLEY**  
*Chief, Equity, Policy, and Engagement*



**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**  
**LENDING AND FINANCE**

**ANTHONY G. BROWN**  
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**PETER V. BERNIS**  
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**WILSON M. MEEKS III**  
*Assistant Attorney General*

March 25, 2025

To: The Honorable Pamela Beidle  
Chair, Senate Finance Committee

From: Wilson M. Meeks – Consumer Protection Division

Re: House Bill 1294 – Commercial Law – Credit Regulation – Earned Wage Access and  
Credit Modernization (OPPOSE)

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The Consumer Protection Division of the Office of the Attorney General opposes House Bill 1294, sponsored by Delegates C.T. Wilson and Marlon Amprey, because it exempts so-called earned wage access (“EWA”) lenders from Maryland consumer lending laws. Without reasonable justification, the bill would reverse longstanding Maryland law banning usurious payday lending, harming low-to-moderate income Marylanders by (a) subjecting them to exorbitant and unwarranted interest rates of over 250% for small, short-term, low-risk loans, which research shows trap consumers in debt spirals and increase bank overdrafts, (b) preventing them from shopping for better terms for credit by obfuscating the true, high cost of EWA lending, and (c) explicitly authorizing all consumer lenders in Maryland to solicit supposed “tips” from consumers, an inherently deceptive practice. While the justification for House Bill 1294 seems to be that EWA companies cannot operate profitably in Maryland under the current laws, there is no credible evidence of which the Division is aware that this is true, let alone that the excessive interest rates of over 250% authorized under the bill are in any way defensible. Maryland law allows for a generous 33% interest rate on consumer loans. Some EWA lenders already charge rates close to that mark. EWA companies can and should operate under Maryland law as it currently exists.

Attached is Attorney General Brown’s November 14, 2024, Baltimore Sun op-ed, *Highlighting an alarming threat to Maryland’s workers*, which addresses EWA loans and encourages Maryland to “maintain its steadfast commitment to preventing payday lenders from gouging consumers.” As referenced in that article, in studies by federal agencies, state governments, research organizations, and in the Maryland Department of Labor, Office of Financial Regulation’s recent *Earned Wage Access Market Analysis*, EWA loans have the following impact on and harms to consumers:

- EWA lenders target consumers who are low to moderate income and desperate for small amounts of cash in the short period, often two weeks or less, between when they earn their wages and when they are paid. Thus, (i) many consumers using EWA loans earn less than \$25,000 a year, with the vast majority earning \$50,000 or less a year, (ii) the average length of the loan is short, about ten days, and (iii) the typical loan is small, with the OFR Analysis and other studies showing that most are between \$40 and \$100.<sup>1</sup>
- EWA loans are extremely expensive, with each Maryland provider who participated in the OFR Market Analysis charging well over Maryland's 33% usury rate. OFR's analysis shows that (i) Maryland EWA providers that charge only fees have average fees equating to interest of 101% APR, with some charging fees equating to interest of over 225% APR, while (ii) one Maryland EWA provider that charges so-called "tips" and fees appears to charge consumers charges equating to interest of 1,660% APR, on average. As discussed below, House Bill 1294 allows charges equating to interest of over 250% APR.
- Black and African American majority zip codes, zip codes without access to banks, and zip codes having fewer people with a bachelor's degree are more likely to use EWA loans.
- EWA loans often trap consumers in "debt cycles," *i.e.*, where part of each new loan is used to pay back the fees and charges on the prior loan.<sup>2</sup>
- The average EWA consumer uses the products frequently, taking advances nine times per quarter, with use ranging from one to twenty-five advances per quarter per consumer.<sup>3</sup> The OFR Market Analysis shows the number of customers making over 21 transactions a month is growing significantly more quickly than those with fewer repeat transactions, reflecting the debt trap that EWA users find themselves in.
- EWA loans often lead to increased overdrafts on bank accounts.<sup>4</sup>
- The loan process can also be deceptive. EWA providers advertise the potential for consumers to take out large loans but then set a "daily max" on the loans that requires consumers to take out numerous loans during a pay period to obtain the advertised amount, forcing the consumers to incur additional fees and costs for each loan. Many consumers

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<sup>1</sup> *Financial Technology Products Have Benefits and Risks to Underserved Consumers*, and Regulatory Clarity Is Needed, UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE (March 2023), at pg. 24. *See also*, 2021 Earned Wage Access Data Findings, CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION (Analysis completed Q1 2023) ("California Earned Wage Access Analysis"), at pg. 10.

<sup>2</sup> *A Loan Shark in Your Pocket: The Perils of Earned Wage Advance*, CENTER FOR RESPONSIBLE LENDING (October 2024), at pg. 4 (Many EWA borrowers are trapped in a debt cycle and the heaviest users drive the business model. Repeat use of advances is common. High-frequency users accounted for 38% of users and 86% of advances).

<sup>3</sup> *California Earned Wage Access Analysis*, at pg. 10.

<sup>4</sup> *Id.* at 8, ("Our previous report found that the number of overdrafts increased 56% on average after use of an advance product. In the updated larger sample, we found that out of EWA users who experienced overdrafts, 67% saw their overdrafts increase after initial advance use. In the most extreme case, one user incurred no overdrafts in the three months leading up to their initial EWA advance, and experienced 58 overdrafts in the three months following their initial EWA use. These overdrafts cost the borrower \$1,740 in total fees.")

use multiple EWA lenders in a single pay period, meaning that the process of consumers taking out multiple loans can occur across multiple platforms.

- Because EWA lenders are large, well-funded, national technology companies that offer their loans over the internet and through apps, their products are especially pernicious because EWA lenders can offer their payday loans to a wide group of low-income individuals, thus expanding the scope of and harms from traditional payday lending to new heights.

HB 1294 would expressly change Maryland law to roll back existing consumer protections and allow EWA lenders to prey on Marylanders working paycheck to paycheck to provide for their families.

**First**, under current Maryland law, earned wage access (“EWA”) providers are lenders,<sup>5</sup> the advances they provide to consumers are loans,<sup>6</sup> and EWA lenders’ fees and charges, including supposed “expedite fees,” “tips,” or “donations,” are interest.<sup>7</sup> House Bill 1294 would exempt these payday lenders from the consumer protections in Maryland’s consumer lending laws, including the usury cap banning lenders from charging interest at an APR over 33%, and the requirement that lenders provide their charges as an APR, which allows consumers to understand the true cost of lending and to shop for a better deal.

The bill would expressly allow EWA lenders to charge supposed “delivery” or “expedited delivery” fees and tips that far exceed even the usurious average 101% APR lenders are currently charging in Maryland. House Bill 1294 allows lenders to seek tips up to the limit of the usury rate or 33% on an annual basis. House Bill 1294 then allows lenders to charge a \$5.00 fee on each consumer transaction under \$75, and a \$7.50 fee for loans over \$75. Thus, under the bill, a user taking a ten-day loan incurs at least a 243% APR for loans under \$75, and a \$273% APR for a \$100 loan, not inclusive of other tips or fees. The APR would be higher for shorter loans. To provide an example of the negative impact on a low-income consumer, a user of EWA products who earns \$25,000 in a year and obtained 25 advances in a quarter would pay 2-3% of their entire gross take-home pay in fees to EWA lenders, simply to get their money a few days early.

Nor is there any reasonable justification for the high charges authorized under House Bill 1294. The loans are not risky because they are backed by wages consumers have already earned but have

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<sup>5</sup>See Md. Code. Ann., Com. Law 12-303(a)(2)(iv) and (iv) (applying consumer lending laws to advances of money “Whether the transaction is or purports to be nonrecourse or contingent; and ... Whether the transaction purports to be the purchase of wages.”).

<sup>6</sup>See Md. Code Ann., Com. Law § 12-301(e)(1) (“‘Loan’ means any loan or advance of money or credit subject to this subtitle, regardless of whether the loan or advance of money or credit is or purports to be made under this subtitle.”); *Matter of Cash-N-Go, Inc.*, 256 Md. App. 182, 202–03 (2023) (“‘[L]oan’ or ‘consumer loan’ means any loan or advance of money or credit made, provided, advertised, offered, or made available to any Maryland consumer regardless of what the loan is called or how it is characterized....”).

<sup>7</sup>See Md. Code Ann., Com. Law § 12-101 (“‘Interest’ means ... any compensation directly or indirectly imposed by a lender for the extension of credit for the use or forbearance of money....”); *Nationstar Mortg. LLC v. Kemp*, 476 Md. 149, 159 (2021) (“since money is fungible and people are creative, efforts to circumvent the restrictions of the Usury Law have sometimes taken the form of fees or other charges that were assessed to the borrower.”).

not yet received. Lenders obtain direct withdrawal access to bank accounts where the wages are deposited, and if for some reason wages from one pay period are insufficient to cover an EWA loan, the provider withdraws funds from the next deposit. Nor is there any material cost to EWA lenders to “deliver” or to “expedite delivery” of funds; these fees are made up. Moreover, despite the primary justification for House Bill 1294 being that EWA lenders cannot operate profitably in Maryland under the current laws, there is no evidence of which the Division is aware that this is true. Indeed, OFR’s Analysis indicates certain EWA lenders operate near Maryland’s 33% usury rate, with one charging an average APR of 42%. At the least, this shows the exorbitant 250%-plus interest rates allowed under House Bill 1294 are wholly unwarranted.

Further, and importantly, House Bill 1294’s exemption for EWA loans from Maryland’s requirement that finance charges associated with consumer lending be provided to consumers as an APR would make it nearly impossible for consumers to comparison-shop for loans with a lower cost of lending or to otherwise understand the true cost of EWA borrowing. This is especially important here where, given the extremely high charges House Bill 1294 allows for EWA loans, it would, for example, be far less expensive for consumers to get even the most expensive credit card to finance whatever purchases they have in mind, rather than turn to EWA lenders. Under House Bill 1294, consumers will be unable to appreciate that they could get a better deal elsewhere.

**Second**, House Bill 1294 allows all Maryland consumer lenders—not just EWA lenders—to solicit and charge so called “tips,” up to the limit of the Maryland usury rate, an inherently deceptive practice that should not be permitted in Maryland. Calling these charges “tips” or “donations” itself is misleading because it implies the charges go to individuals for providing a service, or are somehow generous or altruistic, when the money from the “tip” is simply a finance charge. It is a charge for the use of money, not a tip for service. Moreover, allowing lenders to solicit tips opens the door to further deception. EWA lenders historically have used tactics such as disabling services if borrowers do not tip, making it hard to avoid tipping in user interfaces, making it unclear whether the tip is optional, and misleadingly claiming or implying that tips or “donations” are used to help other consumers.<sup>8</sup>

**Third**, the purported consumer protections in House Bill 1294 are largely illusory. While House Bill 1294 requires EWA lenders to offer “at least one reasonable option to obtain proceeds at no cost,” the statute does not define what a “reasonable option” is, or what “no cost” means. In reality, when EWA providers currently purport to provide “no cost” options, consumers rarely elect that supposed option because those products are less useful than the “cost” versions. For example, services offered at “no cost” can be structured to provide funding more slowly than the “cost” version, and/or have low caps on the amounts lent. Thus, in practice, because the target consumers are seeking quick cash, they almost always pay the “cost” version, regardless of the cost. Similarly, while House Bill 1294 requires a disclosure to consumers that “tips” are not required and do not

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<sup>8</sup> See *Initial Statement of Reasons for the Proposed Adoption of Regulations*, STATE OF CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, at pgs. 61-62, available at <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/PRO-01-21-ISOR.pdf>.

impact lending determinations, in practice consumers feel required to “tip” even when such disclosures are made.<sup>9</sup>

The General Assembly long ago passed laws that protect consumers by restricting the charges that payday lenders like EWA lenders can charge consumers and has consistently reaffirmed those restrictions. It should not now change those laws to allow EWA loans that harm consumers. It is especially important to stand against House Bill 1294 and other proposed legislation seeking to significantly weaken Maryland’s lending protections given the Trump Administration’s evisceration of federal consumer protections and the Consumer Financial Protection Bureau. Accordingly, for the reasons set forth, the Consumer Protection Division requests that the Senate Finance Committee give House Bill 1294 an unfavorable report.

cc. Delegates C.T. Wilson and Marlon Amprey.

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<sup>9</sup> The California Department of Financial Protection found that data from 5.8 million transactions shows that consumers paid tips 73% of the time. *California Earned Wage Access Analysis*, at pg. 1. Why would anyone “tip” a lender unless they felt obligated to do so?



# THE SUN

## Commentary

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OPINION > COMMENTARY

### AG Anthony Brown: Highlighting an alarming threat to Maryland workers | GUEST COMMENTARY



By ANTHONY G. BROWN

PUBLISHED: November 4, 2024 at 6:00 AM EST

“Earned wage access” is marketed as a means of making it easier for workers to get their paychecks before payday. In reality, these so-called EWA advances are exorbitant loans that harm workers by putting them in a worse financial position than before they borrowed money in the first place. With “fees” and “tips” that the lenders require or solicit, EWA advances are loans with interest rates that regularly exceed 100%, and often exceed 300%, far above interest rates allowed by Maryland law. Because of their high cost, EWA advances trap borrowers in repayment cycles that erode their hard-earned wages.

That is why my office opposed a bill in the General Assembly that would have legalized these predatory loans and exempted EWA advances from Maryland’s interest rate caps. Together with 13 other states, my office also recently supported a proposed rule from the Consumer Financial Protection Bureau (CFPB) confirming that EWA services are loans and requiring lenders to inform consumers whether their “fees” and “tips” exceed the allowable annual percentage rate (APR) charged to borrowers.

Maryland must maintain its steadfast commitment to preventing payday lenders from gouging consumers. EWA providers’ claims that their advances are somehow not “loans” is contrary to the evidence. It is money advanced to an employee who is then required to repay on payday. EWAs, whether or not they are employer-based, are advances of money offered by a third party not an early payment of wages by the employer. They are loans, repaid later by the employee either directly or through a payroll deduction or another method of payment, for which the employee must pay fees.

EWA providers claim that they offer an important service. But Maryland workers, many of whom live paycheck-to-paycheck, cannot afford exorbitant interest on these loans which diminish their hard-earned wages. Although my office understands the inconvenience caused by employers who don’t pay workers frequently enough, or bills that come due between paychecks, the answer is not payday and other predatory loans that charge more than permitted by law. According to a 2023 U.S. Government Accountability Office [report](#) on financial product technology, the vast majority of consumers using EWA loans earned less than \$50,000 a year, with many earning less than \$25,000 a year. Those who took out EWA loans did



# THE BALTIMORE SUN

## Commentary

Columnists Editorials Readers Respond Op-Ed

Although the fees charged by EWA providers appear to be small compared with the total loan amount, those fees, which include “subscription” costs and charges for “expediting” delivery of the advance, add up to excessive APRs. The CFPB found employer-sponsored advances carried an average interest rate of 110%, while a separate study found that paycheck advances from non-employer-sponsored lenders cost workers an average interest rate of 367%.

Companies providing EWA advances often tout their product as a way for consumers to avoid penalties from overdrawing their checking accounts. However, a Center for Responsible Lending [study](#) found that, for consumers who took out these advances, checking account overdrafts increased by 56%. Clearly, these loans do not save consumers from overdraft fees; instead, they often cause consumers to be subjected to more overdraft fees as they are caught in a cycle of debt.

EWA lenders misleadingly call some of their charges “tips” or “donations.” While consumers are told that “tips” are not required to get a loan, in practice consumers feel obligated to “tip.” Moreover, the CFPB has reported that EWA lenders have used deceptive and manipulative practices to induce consumers to pay “tips,” such as disabling services for those who refuse and falsely implying that so-called tips or donations are used to help other consumers.

For EWA loans, even a modest “tip” can drastically increase the cost of a transaction and make it more likely lenders will unfairly profit from consumers’ confusion. When a lender charges for a loan, the charge should be clear, in the form of an annualized interest rate, and based on factors related to the lending transaction, not smoke, mirrors and susceptibility.

EWA lenders have not made the case for exemption from the interest-rate caps that all Maryland lenders must follow. The pitch that EWA advances are a new and innovative way to help workers living paycheck-to-paycheck should not fool the General Assembly the same way that EWA lenders seek to fool and prey on unsuspecting consumers. I commend the General Assembly for enacting strong protections against predatory loans, and I urge legislators to stand with hardworking Marylanders and resist efforts to exempt usurious EWA advances from our state’s interest rate caps.

*Anthony G. Brown (oag@oag.state.md.us) is Maryland’s attorney general.*

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# **XO\_HB1294\_LOI\_MDLabor\_OFR.pdf**

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Position: INFO

**MARYLAND DEPARTMENT OF LABOR TESTIMONY ON HOUSE BILL 1294**

TO: Senate Finance Committee  
FROM: Tony Salazar, Commissioner Financial Regulation  
DATE: 03/25/2025  
BILL: House Bill 1294

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**MDL POSITION: INFORMATIONAL**

**BACKGROUND**

The Maryland Department of Labor (MD Labor) and its Office of Financial Regulation (OFR) are responsible for providing consumer financial protections, licensing consumer lenders, and enforcing state laws regarding pay and wages. Earned Wage Access (EWA) products are being used with increasing frequency by hundreds of thousands of workers across Maryland. The Department believes it is critical that any financial products allowed in the State, including earned EWA products, maintain the protective consumer framework established by Maryland law.

Employers have long offered their employees, mostly low-wage and hourly workers, the opportunity to access some of their accrued wages before the end of their payroll cycle. Recently, this service has become known as “earned wage access.” Originally, employers offered wage access directly, but, starting in the 1990s, payroll services and other third parties that contracted with employers developed products that could offer employees advance wage access on behalf of the employer.

These types of services have been growing in popularity because they allow consumers faster access to their earned, but not yet paid, wages. However, these products, particularly when offered by third-party providers unaffiliated with the employer, **often come with high fees and other hidden costs**. For example, the company providing these advances may charge a flat fee or even request a “tip” to provide the loan. Other companies advance funds using a debit card and charge transaction fees to access the wage advance. While these products are marketed as affordable, costing only a few dollars over a two-week period, the fees can carry an annual percentage rate (“APR”) of between 100% and 400%, far above the maximum interest rate of 33% APR permitted under Maryland loan law.

## MARKET INQUIRY FINDINGS

OFR conducted a Market Inquiry on EWA products on July 22, 2024. **A data sheet with the results of OFR's Market Study in 2024 is below.** The Market Inquiry found that 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 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. Most providers now offer employer-integrated solutions, with a growing trend toward the use of bank partnerships and requirements for direct deposits to branded accounts. Additionally, branded debit and credit cards are provided by EWA companies. Expedite fees vary widely, and while users often pay tips and fees if asked as part of the cash advance application process, the data provided shows that **these fees do not significantly contribute to company revenues.** Instead, interchange fees represent a major source of revenue.

The Market Inquiry data showed that Black and Hispanic communities use EWA services at higher rates, with transaction volume correlating to the percentage of minority populations in a given area. Additionally, consumers in zip codes with greater financial constraints and higher rent burdens tend to rely more on EWA products. Maps provided at the bottom of this document show the concentration of users in these areas. Separately, the data also indicated individuals with lower financial literacy are more likely to rely on these products, and that defaults are disproportionately higher for individuals over age sixty-five. Workers in zip codes having fewer people with a bachelor's degree are more likely to use EWA services.

### *REPEAT TRANSACTIONS*

The data in the Market Inquiry showed that there are significant consumer impacts associated with EWA products. **Most users across all companies have 51 or more repeat transactions.** High repeat usage rates suggest users' financial dependency. Additionally, consumers have faced negative experiences such as declined transactions, unpaid advances, and salary reconciliations. Importantly, nearly **2,700 complaints** were raised by Maryland residents over a five-year span, underscoring the need for comprehensive legislative action to regulate EWA products.

The proposed tiered rate cap may present challenges for borrowers. An EWA lender could insist the borrower take two loans for \$50 at a total fee of \$10 rather than a \$100

loan at a fee of \$7.50 to increase their profits. Fees or tips associated with these advances should not be viewed as one-time charges, but must be viewed cumulatively.

### *TIPPING*

OFR currently has the authority and substantial justification to regulate tipping as an illegal practice. Under FI § 2-113.1, the Commissioner may define specific acts or practices that are "anticompetitive, unfair, deceptive, abusive, or injurious to the public interest." The practice of tipping during a loan transaction flunks all of these prongs. OFR has already enforced the tipping practice against companies which created peer-to-peer lending platforms that solicited illegal tips. As part of the Department of Labor, OFR knows that the concept of tipping an EWA provider is a legal misnomer that benefits lending companies, not individual workers who deliver a service.

From the Market Inquiry, we know that only 2 of the 17 respondents we surveyed ask consumers for tips. Those that do receive disproportionate revenue from consumers. The company that gained the most revenue from tipping received approximately \$3.5 million in 2024 from Marylanders just in tips. This is a striking display of an anticompetitive practice, especially compared to what the majority of other EWA providers receive from tips (zero). The Department does not support passing a law that favors one business model over another, especially when the majority of product providers in Maryland have shown they can operate without relying on tips.

### **EWA ACROSS THE COUNTRY**

SB 1252, which has passed the legislature and is awaiting signature by the Governor in Virginia, would subject financial technology companies that work with banks and other financial institutions to the Commonwealth's 12% usury law. A258, in New York, would subject the fees charged by EWA providers in the State to a limit to be set by the State's Department of Financial Services instead of the general usury cap.

Additionally, twelve states require payday lenders, including EWA providers, to use a software to confirm how many outstanding loans a borrower has across multiple lenders. This requirement prevents borrowers from taking out too many loans with different companies and overly burdening their next paycheck.

## CONCLUSION

OFR has found a high rate of repeat EWA users and evidence that **many companies earned more from interchange fees than from the fees and tips they received from users**. Setting high fee caps and allowing for the solicitation of tips would negatively impact the repeat employee borrowers, and would not result in material revenue increases for the vast majority of EWA providers operating in Maryland.

Given these products similarities to payday lending, the Department believes that EWA can and should be regulated within the existing structure of the consumer loan law. Working within the existing loan law would ensure that the robust consumer protections currently enjoyed by Maryland consumers are maintained and that we are not creating a one-off framework for new products every time one enters the state. The results of the market inquiry affirm that these products can and are operating within Maryland's existing regulatory framework for other similar loans to serve the needs of some Maryland workers.

The Department appreciates the work that has gone into the development of this bill and appreciates the committee's consideration in ensuring the passage of the most effective version of this legislation.

**For questions, please contact Caroline Bauk at [Caroline.Bauk@maryland.gov](mailto:Caroline.Bauk@maryland.gov).**

## **Market Inquiry Data on Earned Wage Access (EWA) Products**

### **Impact on Low-Income and Minority Workers**

- EWA usage is highest among those earning **\$25,000 - \$50,000** annually.
- Black and Hispanic communities show disproportionately high usage rates.
- Workers in zip codes with higher financial constraints and rent burdens are more reliant on EWA services.

### **High Cost of EWA Products to Workers**

- The average transaction value is **\$108.18**, with an average APR of **66.28%**.
- At least 3 providers have APR equivalents exceeding **100%**, with one company charging an APR of **227.17%**.
- Fees range from **\$1.99 to \$5.00** per transaction.
- **50%** of users pay expedited fees, totaling approximately **\$3.8 million** in Maryland.
- Despite claims that EWA is an alternative to payday loans, the data suggests EWA products carry high APR and similar repeat-use cycles.

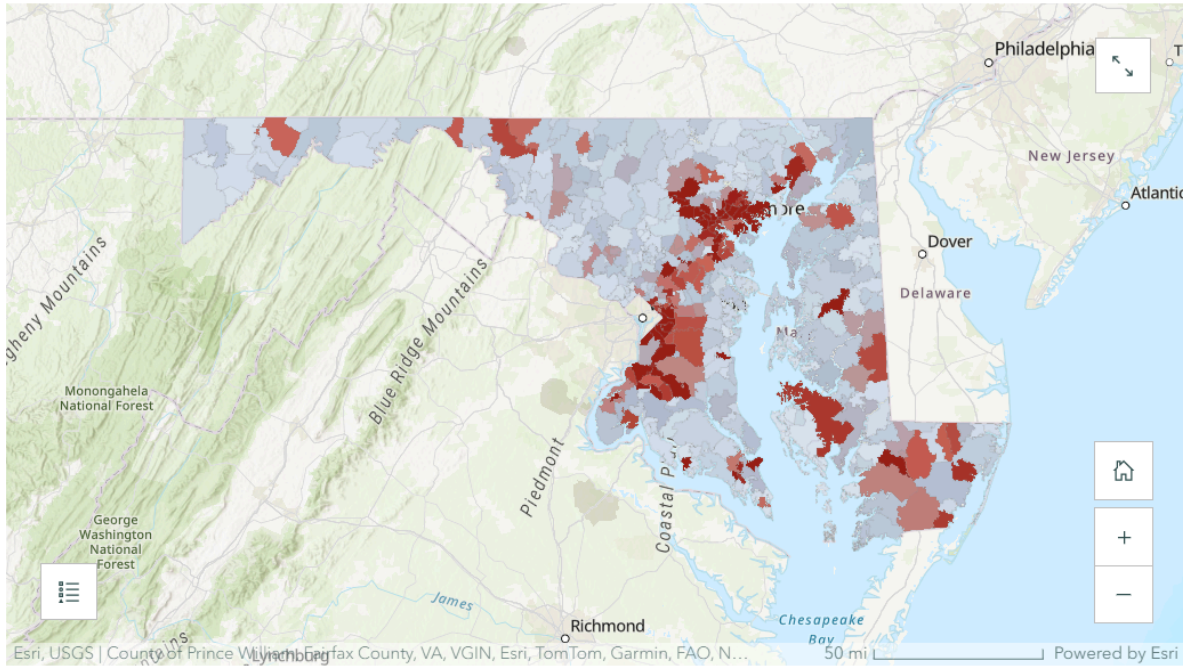
### **Repeat Use and Cycles of Reliance**

- From January 1, 2019, to September 26, 2024, there were 11,141,090 EWA transactions in Maryland totaling \$108,082,684, with 345,437 unique customers.
- Most users have **51 or more** repeat transactions, with cash-out amounts exceeding **\$500** per transaction.
- **23%** use the service at least once every two weeks, suggesting habitual use.

### **Negative Impacts**

- **9,820** transactions failed or were declined due to a lack of funds.
- Debt collection and disputes over payment terms are top consumer complaints.
- EWA defaults are disproportionately higher in older age groups (**65+**) and by lower income groups (**<\$50,000**).





EWA Transactions\_2024 Transactions Rate Per 1,000 Pop