



DailyPay, Inc. Testimony

TO: House Economic Matters Committee
RE: HB 246
DATE: January 23, 2024
SUBJECT: Testimony from DailyPay, Inc.

Position: Oppose

Testimony:

Good afternoon

Chair Wilson, Vice Chair Crosby, and members of the Economic Matters Committee thank you for the opportunity to provide opponent testimony on House Bill 246.

My name is Ryan Naples, and I serve as the Director of Public Policy at DailyPay, Inc. We are the leading provider of employer-integrated on-demand pay nationwide, partnering with nearly 500 in-state businesses in Maryland. Today, more than 62,000 Marylanders have used DailyPay's EWA service.

As an industry, I am joined today by several other providers of earned wage access. Together, we are testifying in opposition to House Bill 246.

As this committee knows, two-thirds of Americans live paycheck to paycheck. But bills and emergencies do not wait every two weeks or once a month for an employer to run payroll.¹

¹ SecureSave, January 25, 2023, Survey: Americans personal savings are plummeting as 74% are now living paycheck to paycheck (<https://www.prweb.com/releases/2023/01/prweb19128966.htm>).



Earned wage access is popular with Maryland workers today because it facilitates access to the wages they have earned but have yet to receive. This allows EWA users to manage their finances and access liquidity when unexpected expenses arise, such as medical bills. It gives employees an alternative to late fees, bank overdraft fees, and high-cost credit products.

EWA is popular with businesses because it reduces employee turnover, absenteeism, and filling open jobs. My company's own in-house surveys have found, that specifically, EWA is popular with employers because it reduces turnover by 45%, employee absenteeism by 38%, helps businesses and recruiters fill roles 52% faster, and employees are 3x more motivated to pick up extra shifts.

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

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

2 - No EWA provider charges interest or late fees because our product is not a loan.

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

4 - While there are usually some small costs associated with EWA, at least one "no-cost" option is offered by most EWA providers, such as through a debit card, or a next business day ACH bank transfer. A nominal fee of about \$3 for instant delivery to any bank account is also common.

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



In 2021, DailyPay commissioned [independent research](#) that found the majority of our platform users previously relied upon costly financial strategies that harmed their financial health before gaining access to DailyPay. Specifically, 57% of our users had previously paid bills late, 49% had borrowed money from friends and family, 39% regularly overdrew their bank accounts and incurred a fee, 21% took out pay day loans, and 21% made a loan payment late or not at all.

For the 40% of our users who were frequent overdrafters, 97% of these individuals no longer did so after gaining access to EWA. This resulted in savings of approximately \$660 per year, per user, and the results were equally positive for the 21% of our platform users making loan payments late and the 57% of our users previously paying other bills late.

Independent research commissioned in 2022 [corroborated these findings](#) as well.

From February to May 2023, we tracked our high frequency users to better understand how EWA helps break cycles of debt. The data showed a 50% decline in high frequency usage after 4 weeks, an 80% decline by week 8, and within 12 weeks or 3 months, there was a 97% decline in high frequency usage.

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

In December 2023, the Financial Health Network recently released a user study sponsored by DailyPay that spoke to users of any EWA product available. The study found people used EWA to pay bills due ahead of their paycheck or cover some other financial shortfall. Nearly all participants in the study did not view EWA as a loan. Instead, participants asserted that



EWA provided wages they had already earned, fundamentally different from borrowing against future earnings.

The participants also preferred EWA to alternatives and other short-term liquidity options, with one user adding that EWA allowed them “to access the liquidity they needed, while preserving their dignity.”

This is welcome feedback to the industry and we believe it is because our companies do the opposite of how lenders treat consumers. For example, since EWA is not credit, our industry conducts no underwriting and does not base its low transaction fees or access to wages on creditworthiness. We also do not charge these low fees in installments.

For these reasons as well, an APR rate, which would be misleadingly high even with our low fees, are incongruous to how EWA is structured. These rates therefore do not represent the actual cost and potential savings available to EWA users.

EWA is best regulated as a separate and distinct financial product because a credit designation is not the answer. HB 246 would in effect limit access to earned wage access, removing an important lifeline for Marylanders, and impacting the employers in the state who have come to use this product as an important tool to retain and grow their workforce.

Instead of passing HB 246 as written which we oppose, we respectfully request the opportunity to collaborate on a compromise that creates new regulatory oversight and licensing for the EWA industry. Our request is that the compromise allows EWA to continue to be utilized by those presently accessing this service.

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