

Testimony in Support of HB 246
Earned Access Credit & Modernization
January 19, 2024

To: The Honorable C.T. Wilson, Chair, and members of the House Economic Matters Committee

From: Kayla Mock, Political & Legislative Director
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Chair Wilson and members of the Economic Matters Committee:

I appreciate the opportunity to share my testimony on behalf of our over 10,000 members in Maryland, who have worked the frontlines and have been essential employees in grocery, retail, food distribution, law enforcement, and health care. Through collective bargaining, our members have raised the workplace standards of wages, benefits, safety, and retirement for all workers.

We strongly support HB 246 and urge you to vote it favorably.

Earned Wage Access products are a way for workers to get money in advance of a next paycheck. These products can be offered by an employer, a third-party provider or a third-party provider working in connection with an employer. Funds advanced to workers through these products are repaid either through a payroll deduction or through authorized payment from a worker's bank account. The advanced pay often comes with a fee, and sometimes, the wage access providers ask workers to pay a voluntary "tip." These products are most often used by low-wage workers who get cash in increments of \$100 or less. These products are marketed as affordable, but while the actual fee may be low in nominal terms, the cost of only a few dollars assessed on these cash advances over a pay period can result in an annual percentage rate (APR) of 100% or more, far above the maximum interest rates allowed under Maryland's consumer lending laws.

We support House Bill 246, Earned Wage Access and Credit Modernization, which is currently before the House Economic Matters Committee and ask that all members of the Committee support this important legislation that provides necessary consumer protections for workers, particularly for low-income workers of Maryland, many of whom are workers of color.

This legislation will ensure that Maryland workers can keep their hard-earned wages and avoid being potentially exploited by financial entities charging high-interest fees for pay advances that exceed what's permitted under Maryland law. In our view, and in the view of both the Consumer Financial Protection Bureau and Maryland's Office of Financial Regulation, Earned Wage Access Products are a form of payday loan and should be regulated by the state of Maryland.

Research demonstrates that these products are most often used by low-wage workers who get cash in increments of \$100 or less. These small amounts add up quickly because workers resort to these products repeatedly—as often as every week or two—and product providers charge fees each time, often requesting a voluntary "tip" for service.

The fees charged on these cash advances, which are provided for a very short period before repayment is required, result in significant interest charges: According to [data from the California Department of Financial Protection and Innovation](#), “the average annual APR was 334% for tip companies and 331% for the non-tip companies” that offered these services to California workers. In comparison, Maryland’s Consumer Loan Law caps these fees at 33% APR.

As you know, many Maryland low-wage workers are people of color, and data shows that these workers are particularly vulnerable to using these products. These workers are living paycheck to paycheck, and they use these products often to buy basic goods and services. If companies are given special exceptions to charge interest well above what’s currently allowed under Maryland consumer loan law, workers will see their pay shrink and not be able to provide for their families.

We also encourage the committee to scrutinize the practice of suggesting or requesting voluntary “tips” or “gratuities.” Although these are characterized as voluntary, this practice is misleading to workers and consumers. Some workers might think that a “tip” is necessary to reward a company for processing their cash advance, but very plainly, these are simply another form of service charge, adding to the high costs of these products.

We encourage the Committee to pass HB 246 to ensure that Maryland constituents/ low-income workers/our members can keep more of their hard-earned wages. HB 246 makes our state more equitable by clarifying that Earned Wage Access Products are loans under Maryland law and regulated accordingly.