



**Testimony to the House Economic Matters Committee
HB 246– Commercial Law – Credit Regulation –
Earned Wage Access and Credit Modernization
Position: Favorable**

Jan. 23, 2024

The Honorable C.T. Wilson
House Economic Matters Committee
251 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Economic Matters Committee

Honorable Chair Wilson and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works to safeguard Maryland consumers and for safety, transparency and fair treatment for Maryland drivers and car buyers.

We support **HB 246** because we believe it provides important safeguards for the many working Marylanders who often use digital cash advance and Earned Wage Access programs to get more timely access to the wages they have earned but haven't yet been paid. Since those programs function much like often-predatory payday loans and high-interest cash advances, those Marylanders need – but currently do not have – the same sort of protections our laws establish for older forms of cash advances. This bill would help extend to them such protections.

Research has found that those who use EWA loans are mostly lower-income people who often end up using those services again and again. Borrowers tend to make less than \$50,000/year. And because many of those loans are repaid automatically from future pay (leaving many borrowers with ongoing shortfalls of resources) they often create a kind of debt trap, with a California study finding that the average borrower taking 36 loans per year and some taking as many as 100 advances/year. And with all the tips and fees charged taken into account, the effective average interest rates for some of these products has been found to be a shocking 330%.

This bill would establish some much-needed consumer protections for those who take such advances. It would, among other protections, require:

- The “tips” many of these products to be truly voluntary – clarifying that future access to the services is not contingent on a user “tipping the provider – and set the default tip rate at zero to prevent borrowers from inadvertently paying expensive gratuities.
- Those who engage in direct-to-consumer EWA lending to be properly licensed by the state.
- That those lenders respect the same interest rate caps that apply to other consumer lenders.



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It would also prevent those lenders from using a third-party debt collector to pursue outstanding fees or from selling those debts to predatory debt buyers or reporting that information to a credit reporting agency in ways that would damage a borrower's credit rating.

Those provisions of the bill would provide important additional protections for the many thousands of vulnerable Marylanders who rely on EWA products to help make ends meet.

Consumer Auto supports HB 246 and urges a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto