



House Economic Matters Committee
Public Hearing Regarding House Bill 246
January 19, 2024

Chairman Wilson and Members of the Committee:

We are writing to express our support of House Bill 246.

My name is Monica Burks, and I am Policy Counsel with the Center for Responsible Lending (CRL), a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. CRL is affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

For twenty years, the Center for Responsible Lending has been involved in research and policy regarding payday lending and other high-cost lending products. In the past few years, we have seen more “fintech” products entering the market, offering similar products but in a different form. We join the Consumer Financial Protection Bureau in its recognition of fee-based, direct-to-consumer earned wage advances (“EWA”) as the latest iteration of payday lending.¹

While fintech cash advance lenders advertise their loans as safer alternatives to payday loans or as “innovative” products that increase access to credit, in reality these advances pose the same issues as other small dollar balloon payment loans. These harms include repeat usage that can lead to a debt trap, high cost of credit, costly overdraft fees, the potential for users to take out multiple loans at one time, and data privacy concerns for companies that require users to share their banking history to receive advances.

Despite proponents framing these advances as a service to access wages that consumers have earned, EWA and other cash advances are credit products that must be regulated as such. Fintech cash advances are simply an agreement to receive money now and pay it back in the future, either without—or much more frequently with—an additional fee paid to the lender. In every other context, we call such an agreement a loan, and fintech cash advances are no different.

¹ November 2023 Comment on Proposed Rule Addressing “Income-Based Advances” and Related Charges, [CFPB Letterhead \(consumerfinance.gov\)](https://www.consumerfinance.gov/letterhead)

Our position is that, consistent with the guidance from the Department of Labor, fintech cash advance lenders are subject to existing Maryland consumer lending laws, including required annual percentage rate (APR) disclosures and usury caps. We understand the Legislature's desire to act in this area, given the need to protect consumers and efforts by the country's largest fintech cash advance lenders to codify carve-outs from state law for their loan products. Accordingly, we write in support of HB 0246 and urge you to pass this bill with the most vital provisions in-tact, namely:

- Including EWA in the definition of a loan
- Including all fees and tips in the definition of interest
- Clarifying the applicability of Maryland's interest rate cap to EWA transactions

Please refer to the attached resources as you consider the best path forward for Maryland consumers in this matter. Thank you for your consideration.

Sincerely,

Monica Burks
Policy Counsel
Center for Responsible Lending
www.responsiblelending.org