



**HB 246 - Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization**  
**Economic Matters Committee**  
**January 23, 2024**  
**FAVORABLE**

Chairman Wilson and members of the committee, thank you for the opportunity to submit testimony in support of House Bill 246. This bill will provide more consumer protections for workers who use earned wage access products. It will subject earned wage access products to the Maryland Consumer Loan Law, which will provide necessary disclosures, APR limits, and other consumer protections.

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. **Half of CASH's tax preparation clients earn less than \$10,000 annually; more than half earn less than \$20,000.**

Earned wage access providers give workers an advance on their pay, charging a fee per transaction as well as fees if the employee wants the funds expedited or wants to "tip." While some companies offer a free option, a majority pay the fees to get their funds as fast as possible. These products are not just used sporadically to cover an emergency expense. Many customers take out multiple loans each month. The root need for these products is insufficient income and pay frequency that is out of line with expenses (bi-weekly or monthly vs daily or weekly).

The funds are paid through banks, not using the employer funds. The bill will clarify that these advances are technically a loan. Though this industry may be new, the Maryland legislature has a long history of affirming small dollar advances as loans and maintaining a usury rate of 33%.

HB 246 would institute multiple consumer protections, including:

- Ensuring that the earned wage access product does not include an automatic tip amount, and holds the lender accountable to still providing services without a tip from the employee;
- Codifying the requirement that any earned wage access provider needs to be licensed;
- Capping the amount in fees and interest that earned wage access providers may charge.

The federal Consumer Financial Protection Bureau and other states are recognizing the need for more consumer protections for earned wage and cash advance providers. Without regulations, it is possible for workers to accrue debt through fees by using these providers, which have shown to accrue to more than 300% APR<sup>1</sup>. These fees benefit employers and earned wage access providers, but disproportionality impact low-wage workers in Black and Brown communities.

Enacting HB 246 would provide more protections for low-wage workers in Maryland, and therefore provide more economic stability for both individual households and for the state as a whole.

---

<sup>1</sup> National Consumer Law Center: [Data on Earned Wage Advances and Fintech Payday Loan "Tips" Show High Costs for Low-Wage Workers - NCLC](#)

# CASH CAMPAIGN OF MARYLAND

**We urge a favorable report for HB 246.**

*Creating Assets, Savings and Hope*

---