



**Testimony to the House Economic Matters Committee**  
**HB246: Commercial Law-Credit Regulation-Earned Wage Access & Credit**  
**Modernization**  
**Position: Favorable**

January 23, 2023

The Honorable C.T. Wilson, Chair  
House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401  
cc: Members, House Economic Matters

Honorable Chair Wilson and members of the committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in strong support of HB246. HB246 simply clarifies that Earned Wage Access and other fintech products are loans and should be subject to Maryland law and interest rates.

This is a simple bill designed to provide clarity at a time when new fintech products are flooding the market. HB246 builds on the history and long legislative intent of the Maryland General Assembly to provide commonsense guidance and interpretation-in this case defining a situation where an individual borrows money now and agrees to repay it at a later date as a loan.

Earned Wage Access products enable low-wage and cash-strapped workers to borrow against their future paychecks which are repaid on payday. With employer-based models, a third party typically advances money based on the amount of earned but not yet due, and is repaid through payroll deduction. Employers may cover the costs, but otherwise workers generally pay fees. Other models are repaid by debiting a consumer's bank account. They collect "tips," "donations" or instant access fees.

There are a number of concern with these products:

- **High cost**-when we talk about high cost, we mean cumulative costs -workers borrow 36 to 100 times a California study found so those fees add up;
- **Loan churning**-getting an advance one week means you are short the next payday, so it creates a cycle of repeated borrowing with fees and no relief. It does not solve a problem, it creates one.



- **Expediting fees & tips**-which some products use make it expensive. People paying tips to advance their own wages.

HB246 simply says these products are loans and should be treated as such under Maryland law. It provides for licensure and regulation of providers of EWA products. It provides consumers with clarity about these products, comports with Maryland legislative history regarding high cost loan products, and creates an even playing field with similar products under Maryland law.

For all these reasons, we support HB 246 and urge a favorable report.

Best,

Marceline White  
Executive Director