CHAMBER
OF PROGRESS

Testimony of Alain Xiong-Calmes
Director of State & Local Public Policy, Eastern Region
Chamber of Progress
Re: MD HB 246
"An Act Concerning Earned Wage Access and Credit Modernization"

January 23, 2024

Thank you for the opportunity to submit testimony for the record regarding HB 246. On behalf of the Chamber of Progress, a tech industry coalition promoting technology's progressive future, I write to urge your committee to oppose HB 246 because this bill could possibly stop many earned wage access products from being offered in the state of Maryland.

Marylanders have experienced a higher cost of living compared to the national average,[1] and current market conditions are making it even harder to stretch bills from today to payday. Earned wage access is an emerging financial innovation where workers can access the money they've earned but haven't been paid yet. It's super helpful during money emergencies or when bills are due, so that consumers don't have to turn to expensive options like payday loans or overdraft fees at the bank. This frees workers from dependency on the payroll cycle and alternative options like predatory lending practices.

Preferential Treatment of Business Models Hinders Innovative Growth

The earned wage access industry has different business models. One is employer-integrated, which generally allows employees to receive their paychecks earlier from their employer. Another model is direct-to-consumer, where a third-party service provider provides funds to the consumer, without direct involvement from the employer. In this instance, the consumer downloads an application, establishes an account with the service provider and links their checking account information.

HB 246 has a preferential treatment of the employer-based model, which if passed, would effectively leave the consumer with limited options to make the best decisions for themselves and their families. Additionally, the continued development of financial

[1] https://meric.mo.gov/data/cost-living-data-series

technology will lead to new business models to emerge. If strict regulation is crafted around a preferred model, this may hinder innovation in this space and again, leave consumers with limited options.

Because earned wage access is an emerging fintech service, we recommend the committee take reasonable steps to fully understand the scope of this service – like looking at the characteristics of each business model and what draws consumers to them. The committee should solicit the input of stakeholders like consumers, service providers, and non-profit organizations to accurately capture earned wage access' impact on the state.

Earned Wage Access Differs from Traditional Lending

Additionally, we suggest revising the interpretation of tips and fees as interest charges, since earned wage access is not a loan – it operates on the principle of allowing workers to access their own wages before the traditional payday. It is not a credit-based service either, and the funds accessed are derived from wages already earned by the individual. This clear distinction is important to the nature of earned wage access and sets it apart from traditional lending.

Service providers do not engage in lending-related activities such as pulling credit reports, underwriting, assessing fees based on creditworthiness, charging interest, or imposing origination fees. There is also no credit reporting or any form of collection activity associated with delinquent earned wage access accounts. In essence, earned wage access is the opposite of a loan provider, providing a straightforward way for individuals to access their own income as an alternative to traditional, high-cost financial products. Misrepresenting earned wage access as a loan product will mislead consumers and impact the ability for service providers to continue providing low-or-no-fee services for Marylanders.

Families working paycheck to paycheck are currently beholden to the 2-4 week pay cycle, trapped in a system that does not account for real life factors that cannot wait for payday. Marylanders deserve flexible financial options, which is why I urge you to oppose HB 246. With the right regulatory approach framework, EWA has an opportunity to make a greater impact by providing a service that meets the consumer where they are. Like many other innovations in fintech, consumer choice with EWA will allow workers to vote with their pocketbooks and choose the service that is best for them and their budget.

Thank you.