



**Auto Consumer Alliance**  
13900 Laurel Lakes Avenue, Suite 100  
Laurel, MD 20707

---

**Testimony to the Senate Finance Committee  
HB 246– Commercial Law – Credit Regulation –  
Earned Wage Access and Credit Modernization  
Position: UNFAVORABLE**

The Honorable Pam Beidle  
Senate Finance Committee  
3 East, Miller Senate Building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

March 26, 2024

**Honorable Chair Beidle and Members of the Committee:**

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

We oppose **HB 246**, as now amended by the House, because we do not believe it provides adequate safeguards for the many working Marylanders who use digital cash advance and Earned Wage Access programs to get more timely access to their wages.

Since those programs often 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.

Research has found that those who use EWA loans are mostly lower-income people who often use 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%.

While **HB 246**, as originally submitted, would have provided important protection to these borrowers by requiring EWA products NOT to charge interest rates or fees (that contribute to effective interest rates) that violate the interest rate caps Maryland law sets for other consumer lenders, that language was stripped from the amended bill. The amended bill also allows EWA lenders to charge fees of up to \$3.50 per transaction. While that may sound like a modest charge, with so many borrowers using the services dozens of times/year, those fees can add up to a real burden (and help create onerous effective interest rates) for lower-income borrowers.

While the bill does still offer some consumer protections, including clarifying that tipping for such services must be truly voluntary and requiring many EWA lenders to be licensed by the state, the fees and interest rates it allows would be burdensome for many vulnerable Marylanders.

**We oppose HB 246 and ask you to give it an UNFAVORABLE report.**

Sincerely,  
Franz Schneiderman  
Consumer Auto