



HB 246 - Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization
Finance Committee
March 26, 2024

FAVORABLE WITH AMENDMENTS

Chair Beidle, Vice-Chair Klausmeier, and members of the committee, thank you for the opportunity to submit testimony in support with amendments for House Bill 246. This bill will provide more consumer protections for workers who use earned wage access products.

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.**

EWA is a product that gives employees the ability to borrow a portion of their paycheck before payday. Most of these are through apps on the customers phones and they charge a fee to receive funds immediately and some allow for "tips." In 2024, CASH conducted a survey on how our clients use EWA services. **CASH found a significant percent of our clients use multiple apps every month and sometimes make use the products multiple times in the same pay period.** Customers who need an advance on their paychecks are experiencing a financial crisis and need immediate access to their money. The survey results support this by showing that most clients used the "expedited fee" option when available.

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:

- Establishing EWA products as loans,
- Ensuring that EWA products have the default tip set to \$0 and will disclose who the tip will be going to,
- Setting the fee cap per transaction to \$3.50, and
- Providing an annual report to the Office of Financial Regulation

Setting the fee cap to \$3.50 per transaction is a good start to protect consumers. There are still concerns about the consumers who use EWA products multiple times in a month or pay period. Those consumers will pay the transaction fees multiple times in a month. Having a monthly fee cap set will best protect Maryland consumers and ensure that consumers who frequently use EWA products will have access to affordable credit.

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% APR¹. These fees benefit employers and earned wage access providers, but disproportionality impact low-wage workers in Black and Brown communities.

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



Enacting HB 246 with amendments would provide more protections for low-wage workers in Maryland and more economic stability for individual households and the state.

For these reasons, we urge a favorable with amendments report for HB 246.

Creating Assets, Savings and Hope