



Testimony to the Senate Finance Committee
HB246: Commercial Law-Credit Regulation-Earned Wage Access & Credit
Modernization
Position: FWA

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

March 26, 2024

Chair Beidle 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 regarding HB246. As amended, HB246 builds on Maryland's strong history of protecting consumers from high-cost, unaffordable loans with our rate-caps and regulatory oversight. And, make no mistake, despite what the industry suggests, these earned wage access (EWA) products are loans. A consumer borrows money before their payday and the money is repaid on or after payday. That is a loan. EWA products that are not employer-integrated are loans that are tied to a consumer's bank account to satisfy repayment and may trigger NSF or overdraft fees for consumers living paycheck to paycheck.

Employer-based EWA products also advance money to a consumer via a third party lender and are repaid via payroll deduction rather than a direct debit of a consumer's bank account.

HB246 rightly considers both types of EWA products to be loans and all repayment including fees, expedited fees, or tips as interest. HB246 reflects compromise language that sets out a maximum charge per transaction. Moreover, HB246 ensures that cash advance products that do not conform to these EWA terms would be subject to Maryland's lending laws to protect working families from high-cost, unsustainable loans.

Yet, there are areas where HB246 should be strengthened in order to protect vulnerable workers. We urge adoption of the following amendments to ensure the needs of low income families are protected.



Suggested Amendments

- **Include a cap on monthly fees.**

As written, the bill caps fees at \$3.50 per transaction but has no cap on the monthly cost and no limit on the number of transactions. Lenders have offered models where the consumer is allowed to take an advance of only one day's wages, requiring a new fee every day—a model that is especially common in “gig work” industries. A person who worked five days a week for four weeks could spend \$70 in fees. A monthly fee cap would help.

- **Protect workers from receiving less than minimum wage.**

The lowest-paid workers cannot afford to have fees deducted from their wages, and employers should not be allowed to contract with companies that result in people being paid less than minimum wage.

- **Limit special treatment. Special treatment** to employer-integrated models and not to direct-to-consumer loans, especially models that debit bank accounts.

For all these reasons, we recommend that HB246 is favorable with the aforementioned amendments.

Best,

Marceline White
Executive Director