



Testimony to the Economic Matters Committee

HB1294 - Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization

Position: Unfavorable

3/4/2025

The Honorable Delegate Wilson, Chair
Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

Chair Wilson and Honorable Members of the Committee:

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland Fund provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing today in opposition of HB1294. While we appreciate the intention of the sponsor and share the desire that working families have access to credit, we want to make sure that the credit provided is affordable and sustainable for individuals and low income families.

We also appreciate that this year's iteration of the bill categorizes Earned Wage Advance products as loans. However, defining these products as loans does little to protect consumers if there are loopholes that allow them to charge fees on each transaction that exceed our state's interest rate caps. Unlike other consumer loans in Maryland, which have clear interest rate caps, transparent pricing, and repayment safeguards, EWA products would not be held to the same standards. These protections should apply to EWA to ensure fair and responsible lending.

To frame this issue better, [according to the Center for Responsible Lending](#), the most common amount consumers will withdraw from these apps is \$100 or less. And, [according to the Consumer Financial Protection Bureau](#), over 90% of EWA users paid a fee to access their money sooner. Under the current fee caps outlined in the bill, paying a \$7.50 expedite fee on a \$100 loan is 90% APR, which is nearly triple the 33% Maryland state APR cap for personal loans under \$1,000.

Although these are very short term loans, using APR as a tool to regulate fees allows for consistency in the regulatory process. As an analogy, consider regulations around speeding. Radar speed guns do not need to follow a car for an entire hour to know that the car is going 50 MPH in a 25 MPH zone. Similarly, a loan does not need to have a year long repayment window to calculate APR.

Payday loans have been banned in Maryland for over 20 years for a simple reason: when low-income people must pay incredibly high fees to access their income early, they are trapped into a cycle of debt that they cannot repay. Let us not mistake repackaging for innovation, EWA products can act as modern payday loans if they are not properly regulated. A majority of users take out several of these loans per month, with over [30% of surveyed users](#) of the most common EWA apps taking out an earned wage advance 3-5 times per week. Under the current rate caps established in this bill, a consumer taking out \$100 five times a week could face over \$37 in fees per week, or \$150 in fees per month.



Another concern we have related to Earned Wage Advance products is the practice of tipping, and encouraging consumers to provide a “tip” on top of other fees for the service of receiving their hard-earned wages. Although we appreciate the bill’s intent to reduce the amount consumers tip through disclosures and a preset tip of \$0, it is our preference that tipping be entirely prohibited within these products. Philosophically, we do not believe that low-income people should be tipping these companies for money that they desperately need, especially considering that most of the time these products are not used for frivolous purchases; an overwhelming majority of users report taking out these loans to pay for [necessary bills, housing, and groceries](#). These companies are already profiting from expedite and other user fees, asking consumers for tips on top of those fees is excessive and predatory.

At a time when new fintech products are flooding the market, Maryland must establish clear regulations to ensure that these products are not just digitized predatory loans. Maryland has had a long history and legislative record of maintaining reasonable rate caps for small dollar consumer loans, HB1294 would be a departure from these long-held and hard-won protections for working families

For these reasons, we ask for an unfavorable report on HB1294.

Thank you,

Zoe Gallagher
Policy Associate