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**HB 1294 Commercial Law – Credit Regulation – Earned Wage Access and Credit
Modernization
House Economic Matters
March 4, 2025
UNFAVORABLE**

Good afternoon, Chair Wilson and Members of the House Economic Matters Committee, on behalf of AARP and our nearly 850,000 members in Maryland, we respectfully submit this testimony in strong opposition to HB 1294, which seeks to regulate earned wage access (EWA) products under the Maryland Consumer Loan Law and establish provisions affecting consumer credit. AARP is committed to helping all Marylanders achieve financial and health security.

While we recognize that employers can play a role in helping workers manage their finances and that cash management tools can be beneficial, we are deeply concerned about high-cost loans and financial products that impose excessive fees on workers, effectively making them pay to access their own wages. Such products undermine the financial stability of older workers and those on fixed incomes.

AARP opposes HB 1294 because it weakens Maryland’s strong consumer protection laws and interest rate limits by allowing earned wage access (EWA) and other fintech payday loan companies to operate under the claim that their product is not a loan. Additionally, HB 1294 fails to set limits on fees or tipping practices for EWA companies and removes existing consumer protections, leaving low-wage workers—predominantly people of color—vulnerable to ongoing fees just to access their own wages.

Consumer Protections and the Risk of Hidden Fees

HB 1294 inserts specific EWA language into Maryland’s Consumer Loan Law but does not go far enough in ensuring these products do not function as disguised payday loans. By doing this, this legislation effectively weakens protections currently available under the Maryland law. Although EWA providers claim to offer a fee-free alternative to payday loans, in practice, they often charge fees, encourage tipping, and provide advances that closely resemble short-term loans without the robust consumer protections required now. Without stronger safeguards, these products may expose financially vulnerable individuals to unregulated, high-cost debt.

Tipping and Cost Transparency Concerns

AARP opposes any provision that allows or fails to explicitly disclose that providers accept “tips.” Currently tipping creates an opaque and deceptive fee structure, where consumers may feel pressured to pay additional costs without fully understanding the true cost of borrowing. Unlike traditional lenders, these companies avoid disclosing an annual percentage rate (APR), leaving consumers in the dark about the effective interest rates they are paying. This practice

undermines Maryland's consumer credit laws and places borrowers—particularly older adults—at risk of financial exploitation.

Predatory Lending Practices and Long-Term Financial Harm

The unchecked growth of EWA products, if not strictly regulated, could replicate the harmful effects of payday lending, which Maryland wisely banned in 2002. Consumers who rely on these products to bridge financial gaps may find themselves trapped in a cycle of borrowing, leading to greater financial instability. Older adults, especially those on fixed incomes or Social Security, are particularly vulnerable to financial hardship if they become reliant on wage advances with excessive fees.

Need for Stronger Regulatory Framework

AARP supports responsible financial products that provide consumers with fair access to their wages. However, HB 1294 lacks the necessary safeguards to prevent these products from functioning as predatory loans under a different name. If EWA providers wish to operate in Maryland, they should be subject to the same regulations as traditional lenders, including licensing requirements, interest rate caps, and clear fee disclosures.

Conclusion

AARP believes this legislation fails to adequately protect consumers, particularly older Marylanders and those on fixed incomes, from financial products that could increase debt burdens and create cycles of high-cost borrowing.

For these reasons, AARP urges the committee to oppose HB 1294 in its current form. We encourage legislators to strengthen consumer protections, promote fair lending practices, and prevent predatory financial products from harming Maryland's most vulnerable residents. We welcome the opportunity to collaborate with policymakers to develop legislation that truly serves the best interests of Maryland consumers.

For further questions or follow-up, please contact me at tbresnahan@aarp.org or by calling 410-302-8451. Thank you for your time and consideration.