
MARYLAND DEPARTMENT OF LABOR TESTIMONY ON SENATE BILL 94

TO: House Economic Matters Committee
FROM: Maryland Department of Labor
DATE: 3/31/2026
BILL: Commercial Law - Earned Wage Access - Revisions

MDL POSITION: SUPPORT

The Maryland Department of Labor (MD Labor) and its Office of Financial Regulation (OFR) are responsible for providing consumer financial protections, licensing consumer lenders, and enforcing state laws regarding pay and wages.

Amendments to the Bill

Senate Finance amended the bill to move the language prohibiting discrimination and false advertising to the Earned Wage Access (“EWA”) statute rather than incorporate it into the bill by referring to Subtitle 3 of Financial Institutions. MD Labor and OFR are supportive of these changes.

Background

Many employers offer employees, mostly low-wage and hourly workers, the opportunity to access some of their accrued wages before the end of their payroll cycle through online EWA products. These products, particularly when offered to employees by unconnected third-party providers, often come with fees or other costs. The Department believes it is critical that any financial products allowed in the State, including EWA products, maintain the protective consumer framework established by Maryland law.

EWA services have been growing in popularity because they allow consumers faster access to their earned, but not yet paid, wages. However, these products, particularly when offered by third-party providers unaffiliated with the employer, **often come with high fees and other hidden costs**. For example, the company providing these advances may charge a flat fee or even request a “tip” to provide the loan. Other companies advance funds using a debit card and charge transaction fees to access the wage advance. While these products are marketed as affordable, costing only a few dollars over a two-week period, the fees can carry an annual percentage rate

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("APR") of between 100% and 400%, far above the maximum interest rate of 33% APR permitted for all other loans under Maryland lending laws.

In 2025, the legislature passed HB1294, which addressed the regulation of EWA loans. That legislation took critical steps to clarify that EWA products are loans and providers must be licensed as consumer lenders, as well as placed limits on per-transaction fees. By adopting provisions explicitly regulating EWA products, the General Assembly clearly envisioned that these offerings should be included within Maryland's consumer protection framework along with all other loans.

However, as highlighted in Governor Moore's letter to the General Assembly, HB1294 carved out EWA products from core consumer protections.¹ The law exempted EWA lenders from the false advertising and non-discrimination provisions of the Maryland lending laws. And it allowed companies providing EWA loans to request a "tip" during the loan transaction. These costs can be difficult for consumers to understand and avoid.

What SB94 Proposes to Do:

The legislation the Department is bringing today ensures vital consumer protections apply to Earned Wage Access products as they do to all other lenders in Maryland. It is designed to safeguard small-dollar borrowers from exploitative tipping practices, which are inherently abusive and anti-competitive. EWA users are often of limited means and should not be subjected to overt and/or subtle pressure to pay any fees under the guise of "tips". The bill:

1. Mandates that EWA lenders adhere to certain advertising and non-discrimination requirements;
2. Aligns EWA loan requirements with those of all other small-dollar lenders; and
3. Prohibits lenders from asking for tips.

EWA Products: Market Inquiry Findings

The importance of these key safeguards with respect to EWA products are supported by the findings from the Office of Financial Regulation's 2024 Market Inquiry. OFR found that EWA products are used by low-wage workers in minority communities; there is a high rate of repeat use; and most companies do not rely on tips as a significant revenue source. **A data sheet with the results of OFR's Market Study in 2024 is included at the end of this testimony.**

¹<https://governor.maryland.gov/Lists/Vetoed/Attachments/18/HB1294%20-%20Earned%20Wage%20Access%20-%20Special%20EWS%20Letter.pdf>

The Market Inquiry found that typical EWA users in Maryland are individuals earning between \$25,000 and \$50,000 annually, aged 25 to 33, and with a high school education. Many of these users have additional debt and turn to EWA products for immediate needs, especially groceries. The most common advance amount ranges between \$25 and \$100, and there is prevalent use of multiple EWA products in a single month. Moreover, Black and Hispanic communities use EWA services at higher rates, with transaction volume correlating to the percentage of minority populations in a given area. Additionally, consumers in zip codes with greater financial constraints and higher rent burdens tend to rely more on EWA products. Maps provided at the bottom of this document show the concentration of users in these areas. Separately, the data also indicated that individuals with lower financial literacy are more likely to rely on these products, and that defaults are disproportionately higher for individuals over age sixty-five. Workers in zip codes with fewer people with a bachelor's degree are more likely to use EWA services.

The data in the Market Inquiry showed that there are significant consumer impacts associated with EWA products. **Most users across all companies have 51 or more repeat transactions.** High repeat usage rates suggest users' financial dependency. Additionally, consumers have faced negative experiences such as declined transactions, unpaid advances, and salary reconciliations. Importantly, nearly **2,700 complaints were raised by Maryland residents over a five-year span.** All of these factors underscore the need for ensuring consumers are protected from false advertising and discriminatory practices, and requiring EWA services to comply with the same truth in lending and other consumer protections as other consumer loan products.

The data also shows that, over the period analyzed, many users voluntarily paid tips that often exceeded \$2.00 per transaction and averaged \$282.44 per user, fees paid by workers on top of service fees to access their own wages. This reflects a real and well-documented consumer protection problem recognized as **dark-pattern pricing.** Dark patterns are design and pricing practices that trick, manipulate, or steer consumers into decisions that benefit the provider at the consumer's expense, such as disguising costs or emphasizing 'optional' payments in ways that obscure the true price of a product or service. Most providers now offer employer-integrated solutions, with a growing trend toward the use of bank partnerships and requirements for direct deposits to branded accounts, and provide debit and credit cards. Expedite fees vary widely, and while users often pay tips and fees if asked as

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part of the cash advance application process, the data provided shows that these fees do not significantly contribute to most company revenues. Instead, interchange fees represent a major source of revenue. In fact, most providers responding to OFR's Market Inquiry earned more from interchange fees than from the fees and tips they received from users. **Limiting additional fees and prohibiting the solicitation of misleading "tips" protects consumers and will not result in a material reduction in revenue for the vast majority of EWA providers operating in Maryland.**

CONCLUSION

Senate Bill 94 restores balance to Maryland's consumer protection framework by closing gaps that have allowed Earned Wage Access loan providers to impose confusing, unnecessary, and often exploitative costs on workers seeking access to their own earned wages. The Department's Market Inquiry confirms that tipping practices are not essential to provider viability, yet they impose real financial harm on consumers, particularly low-wage workers and communities already facing financial strain.

By prohibiting tipping, applying core advertising and non-discrimination standards, and aligning EWA providers with other small-dollar lenders, SB 94 advances transparency, fairness, and equity without stifling innovation.

For these reasons, the Maryland Department of Labor respectfully urges the Committee to issue a favorable report on Senate Bill 94.

For questions, please contact Andrew Fulginiti at Andrew.Fulginiti@maryland.gov

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Market Inquiry Data on Earned Wage Access (EWA) Products

Impact on Low-Income and Minority Workers

- EWA usage is highest among those earning **\$25,000 - \$50,000** annually.
- Black and Hispanic communities show disproportionately high usage rates.
- Workers in zip codes with higher financial constraints and rent burdens are more reliant on EWA services.

High Cost of EWA Products to Workers

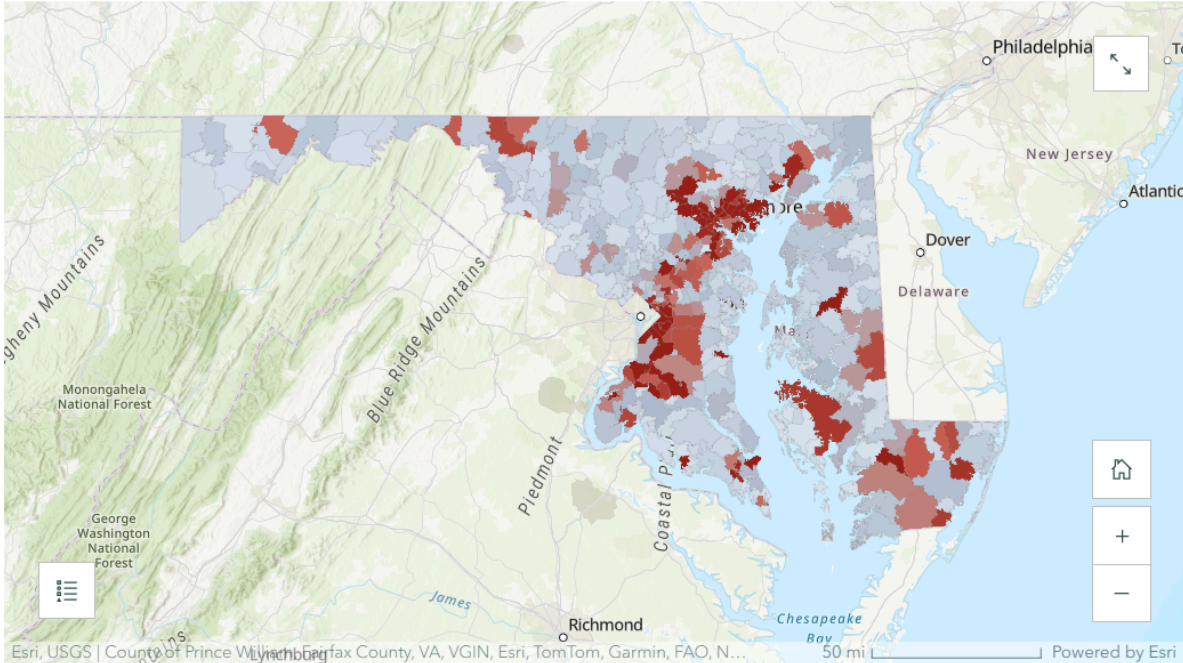
- The average transaction value is **\$108.18**, with an average APR of **66.28%**.
- At least 3 providers have APR equivalents exceeding **100%**, with one company charging an APR of **227.17%**.
- Fees range from **\$1.99 to \$5.00** per transaction.
- **50%** of users pay expedited fees, totaling approximately **\$3.8 million** in Maryland.
- Despite claims that EWA is an alternative to payday loans, the data suggests EWA products carry high APR and similar repeat-use cycles.

Repeat Use and Cycles of Reliance

- From January 1, 2019, to September 26, 2024, there were 11,141,090 EWA transactions in Maryland totaling \$108,082,684, with 345,437 unique customers.
- Most users have **51 or more** repeat transactions, with cash-out amounts exceeding **\$500** per transaction.
- **23%** use the service at least once every two weeks, suggesting habitual use.

Negative Impacts

- **9,820** transactions failed or were declined due to a lack of funds.
- Debt collection and disputes over payment terms are the top consumer complaints.
- EWA defaults are disproportionately higher in older age groups (**65+**) and by lower income groups (**<\$50,000**).



EWA Transactions_2024 Transactions Rate Per 1,000 Pop