

SB94-Commercial Law-Earned Wage Access-Revisions
Position: Favorable

Economic Matters Committee
230 Taylor House Office Building
231 Taylor House Office Building
Annapolis, Maryland 21401

Chair Valderrama and Members of the Committee,

My name is Whitney Barkley-Denney, and I am a senior policy counsel and Deputy Director of State Policy at the Center for Responsible Lending. CRL works in the states and in Congress to ensure a fair, inclusive financial marketplace that creates opportunities for all families and individuals, regardless of their income.

First, I want to thank the Office of Financial Regulation for bringing this important bill, and to Governor Moore's office for the well-thought-out response to HB 1294, the payday loan app bill passed last year. As I testified in 2025, payday loan apps, which market themselves as a product called Earned Wage Advance, are a cause of major concern for consumer protection groups nationally, as demonstrated by the fact that a letter asking Governor Moore to veto last year's bill was signed by nine national consumer protection organizations. They have all reaffirmed their commitment to the passage of this bill, and that letter is attached with this testimony.

Research has consistently demonstrated that payday loan apps are designed for borrowing to escalate over time, with borrowers taking out loan after loan to fill the income gaps created or exacerbated by the initial advance. Research also demonstrates that these lenders derive most of their revenues from borrowers who get ensnared in multiple loans per month, including from multiple apps at a time. Because there are no checks of borrowers' other outstanding debts, the same portion of a borrower's income can be pledged to multiple loans. Recent research touted by the lenders themselves shows that bank penalty fees increase as a result of these loans, something the researcher dubbed the "EWA affect".

SB94 is an important first step in providing additional guardrails to HB1294. While HB 1294 established transaction fee caps of \$5.00 and \$7.50, these caps are excessively high given the small size and duration of these loans. Moreover, HB 1294 authorizes the lenders to seek so-called “tips” (a misleading term for a corporate revenue stream) and exempted “tips” from the caps. As a result, the caps do not provide meaningful protection.

Maryland should pass SB94 to ban tipping on app-based payday loans.

The bill has another important provision. HB 1294 exempted app-based payday lenders from the Small Dollar Loan Act’s prohibitions against discrimination and unfair and deceptive practices (UDAP).

Over the last year, many of these companies have faced allegations that they have deceived borrowers as to the nature of their transactions (claiming they are not loans, for example) and their prices, at a steep cost to borrowers. There is also increasing evidence that app-based payday lenders are targeting communities of color.

For example, EarnIn secured an investment from Rap legend Nas; enlisted pastor T.D. Jakes, one of the most prominent Black ministers in America, as an endorser; and placed its CEO at the Essence Festival to host a fireside chat framed around racial financial equity. These are not coincidental choices — they reflect a strategy of using trusted Black cultural figures and spaces to market financial products to communities that deserve protection, not exploitation.

No corporation, no matter the product, should be able to operate outside of the fundamental protections these laws give consumers. Maryland should restore the UDAP And anti-discrimination provisions to the state’s Earned Wage Advance Act.

Thank you for your time and attention to this matter. We are thankful that the Senate moved this bill forward and look forward to the continuing discussion of these important issues. Please vote “yes” on SB 94, Commercial Law-Earned Wage Access-Revisions.

Sincerely,

Whitney Barkley-Denney
Center for Responsible Lending