

**Testimony in Support of Senate Bill 94
Commercial Law – Earned Wage Access – Revisions
Senate Finance Committee
Hearing Date: January 29, 2026
Position: FAVORABLE**

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 94 in response to a request from Senator Clarence Lam.

Maryland Legal Aid (MLA) is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents, including abused and neglected children, nursing home residents, the working poor and veterans. With 12 offices serving residents in each of Maryland's 24 jurisdictions, MLA handles civil legal cases involving a wide range of issues, including family law, housing, public benefits, consumer law, and criminal record expungements. MLA supports passage of SB 94.

Many of our clients are low-wage workers but the topic addressed by this legislation is not a low-income issue. Many Maryland families live paycheck-to-paycheck, barely able to make ends meet, and find it hard to afford even the bare necessities like housing, food, and utility costs. These stark realities create the market for providers of earned wage access products. However, when a small dollar “earned wage access” (EWA) advance is layered with expedite fees, subscriptions, and repeated automatic debits, it can destabilize household budgets, trigger bank overdrafts and leave families short on rent, utilities, food, and transportation.

1) Maryland’s current EWA framework—and why SB 94 is needed now

In 2025, Maryland enacted a new EWA subtitle within the Commercial Law Article that created a licensing framework and consumer conduct requirements. That law requires providers to offer at least one no-cost option, disclose fees, comply with privacy and information security laws, reimburse certain overdraft/NSF fees caused by provider debits, and submit annual reports to the Office of Financial Regulation (OFR). It also capped expedited delivery fees (generally \$5 for advances of \$75 or less, and \$7.50 for advances over \$75).¹

However, the 2025 statute also permitted providers to solicit and collect “tips,” subject to disclosure rules and a “default tip at zero” requirement.² Subsequent public discussion and enforcement activity nationally has underscored that “tips” are frequently not experienced by consumers as truly voluntary and can operate like a concealed finance charge—especially when apps use design features that steer users toward paid options or make it difficult to choose a free option quickly.³ Maryland policymakers have also raised concerns about loan-stacking (multiple providers advancing against the same wages) and the broader consumer-protection implications of creating carve-outs from existing lending rules.⁴ SB 94 is a timely and targeted improvement because it (1) bans tipping outright in relevant contexts, and (2) narrows aspects of the exemption structure by clarifying that certain consumer loan protections continue to apply.

2) What SB 94 does well: banning tips and tightening compliance expectations

SB 94 makes a clear, enforceable change: **EWA providers and certain lenders may not solicit, charge, or retain tips, gratuities, or other donations.** It also requires providers to disclose in their contracts that the provider is prohibited by law from soliciting or retaining tips. This is important because a tipping model invites consumer confusion and manipulation, and it is difficult for regulators to supervise when “optional” payments are embedded in app flows.

SB 94 also shortens the time to correct improper tip receipt from **30 days to 7 days**, better reflecting the reality that for many Maryland households, even a small deduction can immediately cause overdrafts or missed bills.

3) Where Maryland law still needs strengthening: cumulative cost, “free option” usability, debit practices, and exit rights

Even with a tip ban, EWA products can remain high-cost when the business model relies on repeat transactions and per-advance fees. Several independent analyses have found high repeat-use patterns and increased overdraft incidence associated with cash advance app use, which is consistent with the harms MLA sees in practice when repayment hits before rent, utilities, or childcare expenses clear.⁵

4) Brief note on other states

States have taken divergent approaches: some treat EWA advances as loans under existing lending laws, while others created special EWA regimes that leave significant gaps. Maryland’s 2025 law placed it among states that adopted a distinct EWA framework.⁸ SB 94 is an opportunity to further strengthen Maryland’s approach by removing tipping and adding practical, measurable cost and transparency limits.

Conclusion

MLA supports SB 94 because it strengthens Maryland’s EWA law by prohibiting tips and tightening compliance expectations. With the amendments above, especially a \$10 all-in monthly cost cap, timely access to a real no-fee option, limits on repeat debits, simple cancellation, and stronger public reporting, Maryland can better protect low-wage workers and struggling families from unaffordable, repeat-use loans/credit that drains future paychecks.

MLA respectfully requests a Favorable Report on SB 94.

Respectfully Submitted,

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Footnotes

1. Alexander J. Callen, *Maryland Enacts Law Regulating Earned Wage Access Services* (Goodwin client alert, May 27, 2025) (summarizing licensing, free-option requirement, capped expedited delivery fees, overdraft reimbursement requirement, and annual reporting to the Office of Financial Regulation).
2. *Id.* (summarizing 2025 Maryland law tip requirements, including default tip at \$0 and disclosures when tips are solicited/received).
3. National Consumer Law Center, *Picking Workers' Pockets: Unfair, Deceptive and Abusive Practices by Earned Wage Payday Lenders* (Jan. 2026) (describing “dark patterns” and coercive interfaces that steer users toward purportedly voluntary tips and fees).
4. Center for Responsible Lending, *Nickel and Dimed: How Payday Loan Apps Drain Workers' Pay and How to Stop Them* (Oct. 2025) (describing Maryland’s 2025 law debate and concerns raised, including tips and loan stacking).
5. Texas Appleseed, *Understanding “Earned Wage Access” & “Buy Now, Pay Later” Apps* (2025 RAISE Texas Summit) (citing reported average increase in overdrafts after EWA use and high repeat-use indicators, drawing on GAO/California DFPI/CRL sources).
6. NCLC, *Picking Workers' Pockets* (Jan. 2026) (summarizing enforcement allegations involving barriers to cancellation and subscription “negative option” practices).
7. CRL, *Nickel and Dimed* (Oct. 2025) (recommending robust reporting and transparency; discussing loan stacking risk and repeat borrowing patterns).
8. Callen, *Maryland Enacts Law Regulating Earned Wage Access Services* (May 27, 2025) (noting Maryland joins other states adopting similar legislation and describing the new oversight regime).