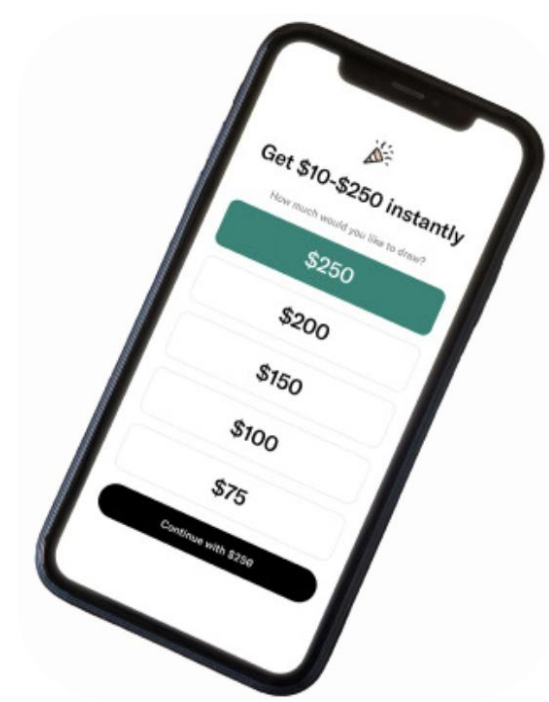


***Earned Wage
Access Apps:
Skimming Fees
from Texans'
Paychecks.***

Ann Baddour, Texas Appleseed
Director, Fair Financial Services Project



Ann Baddour, Texas Appleseed



Ann Baddour is the state director of Appleseed projects aimed at bringing low-income and immigrant consumers into the financial mainstream. She is actively involved in reform of regulations governing payday and auto title lending in Texas to build greater consumer protection into these transactions. She also advocates for consumer protections to address financial exploitation of vulnerable populations and improve protections against abusive debt collection practices.

She was a member of the Consumer Financial Protection Bureau's Consumer Advisory Board, serving a four-year term ending in 2018. Ann is a Fulbright Scholar with a Master of Public Affairs Degree from the LBJ School of Public Affairs and a Master's Degree in Middle Eastern Studies from The University of Texas at Austin.

Learning Objectives

1. Learn the ins & outs of a growing financial technology product: Earned Wage Access (EWA)
2. Learn about the pitfalls, costs, and consumer protection concerns associated with EWA products
3. Learn about how these products are regulated (or unregulated) and what that means for consumers

Financial Wellbeing in Texas

Texans are struggling in today's economy.

- An average of 13.8% of Texans lived below the poverty line (2024).
- 6.5% of Texas households are unbanked, compared to 4.2% of U.S. households (2023).
- Over 50% of Texas renters are housing burdened, spending 30% or more of their income on housing (2024)
- 33% of Texans have a debt in collections, 10 percentage points higher than the US average (2025).

When people are under financial strain and aren't able to pay their bills, feed themselves and their families, or meet their most basic needs, they may resort to loan products to help make ends meet.

- Payday & Auto Title Lending (e.g., ACE Cash Express, Texas Car Title & Payday Loan Services)
- Finance Company Loans (e.g., World Finance, OneMain, Mariner Finance)
- “Fintech” Loans: Earned Wage Access, Buy Now, Pay Later

Earned Wage Access

What is Earned Wage Access? What are the major concerns?

A History of Wage Advances in Texas



1920s: Salary lenders took wage assignments in exchange for small pay advances. Low-wage workers paid 10% to 20% of the advance **in monthly fees**. Borrowers were often trapped in debt for many months or years at these high rates. These companies evaded lending protections.



1990s: Payday lenders emerged, offering cash advances with fees of 15% to 20% of the advance **every two weeks** and average APRs in excess of 500%. They continue to evade state rate and fee caps by operating as credit services organizations instead of as lenders. Borrowers are often trapped in debt for a year or more at these high rates.



Today: A new version of wage advances has emerged using Internet technology and cellphone apps. These products also claim they are not loans. Charges for **advances of around 10 days** are often the equivalent of over 300% APR on average. **Will these products become the next predatory cash advance?**

Earned Wage Access (EWA)

What is Earned Wage Access (EWA)?

- Earned wage access (EWA) provides users cash advances, ranging anywhere from \$20 to \$750, that are typically repaid on the user's next payday either (1) directly from a bank account or (2) through payroll deduction or wage assignment.
- Also known as *Early Wage Access*, *Earned Wage Advance*, *Early Wage Advance*, and sometimes called "*workplace payday loans*"

How do users access EWA?

- Employer-Based: EWA companies partner with employers and rely on payroll systems to determine cash advance eligibility. Cash advances are then repaid either through payroll deduction or wage assignment.
- Direct-to-Consumer: Borrowers can access cash advances from EWA companies by downloading applications directly on their phone and relying on access to the borrower's bank account. Cash advances are repaid directly from the borrower's account.

WHAT WE KNOW ABOUT EWA



\$50,000 per year or less
Income of typical customer.



\$40-\$100
80% of the advance amounts fall in this range.



330% APR
Average cost of a 10-day advance.



56%
Average increase in overdrafts after use of EWA advance.



75%
Took out at least one advance on the same day or day after making a repayment.

payactiv

brigit

earn in

dailypay.



MoneyLion

Sources

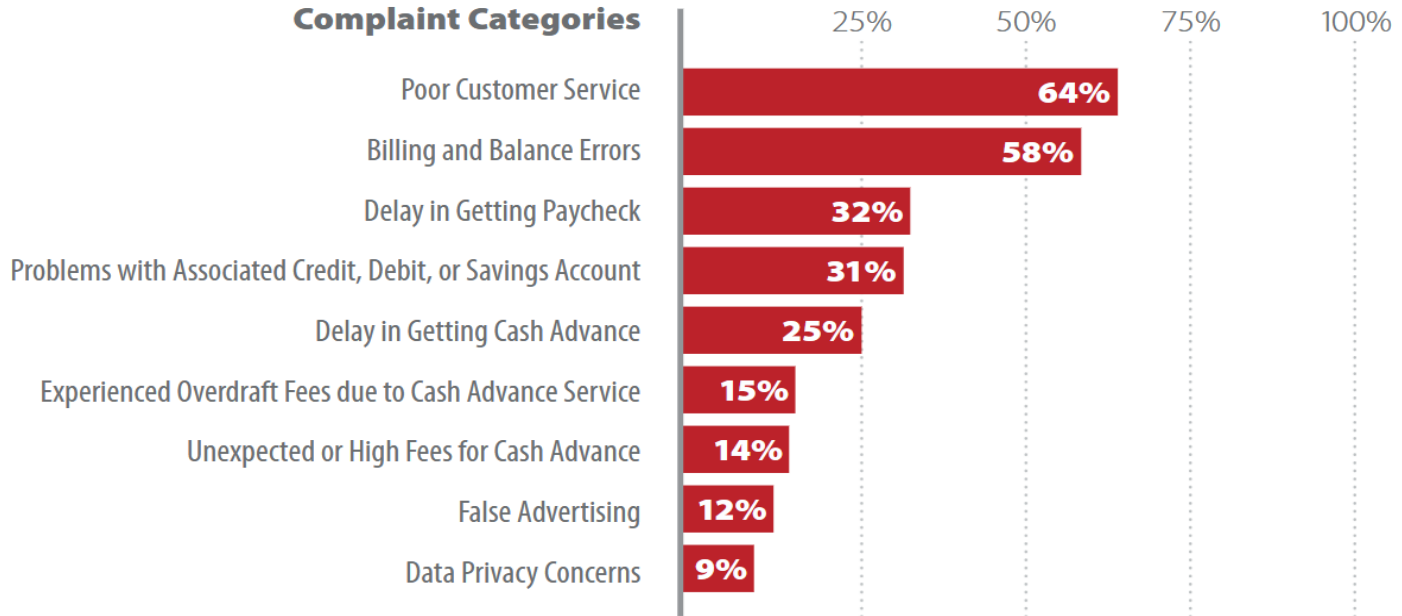
"Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed," United States Government Accountability Office (March 2023).

"2021 Earned Wage Access Data Findings," California Department of Financial Protection and Innovation.

"Not Free: The Large Hidden Costs of Small-Dollar Loans Made Through Cash Advance Apps," Center For Responsible Lender (April 2024).

Overview of Consumer Complaints*

Better Business Bureau & Consumer Financial Protection Bureau Data, 2022-2024
For Four EWA Companies: Earnin, DailyPay, Payactiv, and Empower (now Tilt Finance)



*Total of all categories exceeds 100%, because the same complain may fall into multiple categories. Analysis examines 923 complaints from four companies: Activehours (Earnin), Empower Finance, DailyPay, and PayActiv.

What are our top concerns with EWA?

Key Issues

- **Numerous and uncapped fees** – There are no limits to the number and cost of fees that EWA companies can charge people who use their products.
 - Expedite/fast-funding fees: Up to \$8.99
 - Subscription/membership fees: \$5- \$14.99
 - Tips: e.g. default of \$11 on a \$100 advance (Earnin)
- **No accountability for late wage payments or other harm caused** – These products can cause financial hardship for workers through delays providing pay on time and in the right amount.
 - For Employer-Based models that use wage assignment, many people complain about not receiving their paycheck on payday, as well as other problems receiving their pay. In addition, wages assigned to one of these companies are not protected from bankruptcy of the employer-based advance provider.

Other Concerns

- Manipulative tactics to encourage “tipping” – multiple asks (as many as 17 times)
- Lack of data privacy protections – no accountability to ensure user data (financial and location information) is protected from sale to third-parties

“They took the money out of my account a week early.”

“It has been 48 hours and I still do not have a paycheck.”

“It’s an endless cycle of passing the buck.”

“They attempted to deduct \$840 BEFORE I got paid. It caused overdraft fees and extensive stress on my part as they DRAINED my account.”

“Daily pay keeps taking more money than I’ve transferred. They have been taking days from the wrong pay period and deducting them from checks that have already closed instead of deducting them from the paycheck and pay period in which they belong.... They have refused to do anything to fix this and are not responding to any emails.”

“This is a predatory practice designed to keep people using the service.”

EWA Legislation

What is Earned Wage Access? What are the major concerns?

EWA Legislation:

State Level:

- **Bills past two legislative sessions that would have:**
 - Exempted EWA from state lending laws
 - Exempted EWA from payroll provider/money services law
 - Exempted EWA from wage assignment laws

With no real protections in return—no fee caps, no wage protections, no protections for military borrowers.

Federal Level:

- **Bill is currently being considered in House Financial Services Committee:**
 - Weaker than the final version of Texas bill before it died on a point of order
 - Would preempt any state laws.

What We Need:

- EWA considered a loan with rate and fee caps.
- Without these protections, it will become a new version of a payday loan.

Join Us!

- Sign up for Texas Fair Lending Alliance E-mail List for Updates!

<https://www.texasfairlending.org/newsletter>



- If you are an employer, please participate in this survey:

https://texasappleseed.iad1.qualtrics.com/jfe/form/SV_6ILHtzG51P6htZA



Thank you for attending!



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