

# OPPOSE

## THE SO-CALLED EARNED WAGE CONSUMER PROTECTION ACT



The **Earned Wage Access Consumer Protection Act (EWACPA)** discussion draft would **worsen the affordability crisis** by exempting payday loan apps from federal and state fee and interest rate caps, eliminating transparency, and pushing workers into paying to be paid.

**Problems with Payday Loan Apps:** Apps offer cash advances ahead of payday and are repaid from bank accounts or payrolls on payday, collecting disguised interest in the form of expedited fees, tips, donations, and subscription fees.

- **90% of advances have fees.** Apps make free options slow, inconvenient, and difficult to access.
- **Apps lead to debt trap cycles.** EWA borrowers took out an average of 27 loans per year. Workers routinely take out over 100 loans a year.
- **Manipulations increase fees.** Lenders limit loan size, as low as \$25, to push multiple loans per week or even per day with multiple fees. The EarnIn app required users who were trying not to “tip” to make 13 additional clicks and suffer through 17 messages about the importance of tipping.
- **Apps lead to increased financial distress.** Overdrafts and use of regular payday loans increase after people start using payday loan apps, and loan stacking from multiple apps is common.

DailyPay **extracts over \$300 per year on average from workers.**

One worker paid almost \$1,400 over two years.

One in five MoneyLion borrowers regularly incurs **fees and tips of \$57 a month.**



**Meaningless “protections” are a smoke screen for a bill that would worsen the affordability crisis by:**

- Declaring payday loan app loans are not loans, a claim that **13 out of 13 courts have rejected**.
- **Preempting state laws and oversight**, blocking state interest rate and fee limits and other protections.
- Permitting **high fees with no limit**.
- **Harming servicemembers**, by exempting payday loan apps from the Military Lending Act’s 36% rate cap and other protections, with such a broad definition that even traditional payday lenders could adapt.
- **Stopping cost transparency** by exempting apps from the Truth in Lending Act and the APR disclosures that only apply to the most expensive loans with fees over \$7.50 for loans above \$75 and \$5 for smaller loans.
- **Allowing data collection and surveillance.**
- Leaving oversight to an **eviscerated Consumer Financial Protection Bureau**.

The core purpose of the bill is to insulate the business model of payday loan apps that exploit and extract hundreds of dollars from low-wage workers.

**Oppose Rep. Steil’s Earned Wage Access Consumer Protection Act.**