



FAQs: The Earned Wage Access Consumer Protection Act

Does the bill address cost by allowing Earned Wage Access Apps to have a free option:

- These products are marketed to people who want fast cash, and about 90% of users request funds immediately, so they pay expedite fees.
- Earned Wage Access App lenders make free options slow, inconvenient, and hard to access, so very few people use the free options.
 - Lenders use a variety of tactics to push people into paying fees, such as including fees by default that are difficult to remove, deliberately slowing down or exaggerating the delay of free options, and implying that the products will not be available if people do not pay.
- The bill does not prevent these loopholes.

Does the bill have any provisions that protect privacy and prevent misuse of personal data?

What are examples of dark patterns and deceptive practices undermining borrower privacy?

- No, the bill has no protections for privacy or data.
- Some lenders use geolocation tracking on borrower phones. They send notifications encouraging borrowing. With the data they collect to understand user finances, they can refine when they prompt borrowing to maximize usage.
 - For example, using insights gleaned from analytics, a lender might track when users open notifications and send them at times most likely to elicit new credit requests.

Workers have already earned this money. Why should they have to wait for an old-fashioned biweekly pay schedule to get it?

- Employers and payroll providers are free to pay more frequently, but they should not make people pay to be paid.
- Modern payroll systems increasingly enable more frequent wage access, but making people pay to get their wages simply shifts the cost of payroll onto low-wage workers.
 - Many of these apps have no connection to employer payroll systems and are not paying wages; they are simply a loan ahead of payday. The employer-integrated apps can assess earned wages, but it is not your money until payday, and they are still loans that are repaid by payroll deduction on payday.

Won't giving workers access to their pay sooner give people liquidity and help them avoid more costly options like payday loans and overdraft fees?

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- No. Pushing people to use next week's paycheck for this week's expenses creates a hole in the next paycheck and a cycle of reborrowing and mounting fees. They have less money and liquidity.
- Research shows that people pay more overdraft fees and take out more payday loans after beginning to use these payday loan apps.

How is it a loan when the worker doesn't have an obligation to repay the loan and can cancel repayment?

- Lenders can and do debit accounts, multiple times if needed, to be repaid.
- People are required to authorize repayment, and they collect repayment successfully 97% to 99% of the time. These are for-profit companies that ensure they will get repaid.
 - They do not prominently disclose the ability to cancel repayment and make doing so extremely difficult – and sometimes impossible if the loan was taken out close to payday.

The bill prohibits earned wage access products from employing debt collectors or debt buyers, or suing, and it is a non-recourse product. Isn't that very different from a loan?

- They do not need to use debt collectors or sue because they have powerful recourse through automatic bank account debits or payroll deductions, which collect 97% to 99% of the time.
- Payday lenders don't check credit reports either, but they are still making loans. Reverse mortgages are non-recourse and don't sue or use debt collectors, but they are still loans.

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