



**Statement for the Record by Chamber of Progress  
November 2, 2021 Hearing:  
“Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL  
and Other Emerging Fintech Cash Flow Products”**

November 9, 2021

The Honorable Stephen F. Lynch  
Chairman, Task Force on  
Financial Technology  
House Committee on  
Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Warren Davidson  
Ranking Member, Task Force on  
Financial Technology  
House Committee on  
Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Lynch and Ranking Member Davidson:

Chamber of Progress appreciates the opportunity to submit a statement for the record for the hearing entitled, “Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products,” held by the Task Force on Financial Technology on November 2, 2021. Chamber of Progress is a new progressive tech industry group fighting for public policies that will build a fairer, more inclusive country in which all people benefit from technological leaps.

Financial distress from having an insufficient level of liquid assets is among the major economic gaps that exist between white households and racial minority households. For example, the average value of liquid assets among white households was \$8,100 in 2019 compared to \$1,500 for Black households.<sup>1</sup> The racial liquidity gap continues to be a challenge for many families, who have immediate needs arise such as paying rent or buying groceries, but who will not receive a paycheck until later in the month. These scenarios are particularly acute for racial minority groups. In fact, research suggests that a sudden loss in income will have a greater effect on a Black or Hispanic household than a white household.<sup>2</sup>

Oftentimes communities of color and other low-income households turn to payday lending institutions or banks to assist in times of crisis. However, the high interest rates attached

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<https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/>

<sup>2</sup> [https://www.nber.org/system/files/working\\_papers/w27552/w27552.pdf](https://www.nber.org/system/files/working_papers/w27552/w27552.pdf)

to payday loans make it nearly impossible to pay off the debt. This leads to devastating impacts on long-term financial security, and barriers to establishing generational wealth. Like the racial liquidity gap itself, the burden of the consequences falls disproportionately on people of color.

The current options available to consumers are failing them. Banks profit off the billions of dollars through overdraft fees, largely on the backs of those who are struggling, while payday lenders take billions more in fees. Meanwhile, low-income Americans and communities of color are penalized with poor credit and high fees, limiting their access to the tools wealthier people frequently use to access cash.

Earned wage access (EWA) tools provide consumers with solutions that genuinely address the liquidity gap without being the exploitative financial tools that prey on their vulnerability. Many EWA tools have no hidden fees, no interest, and no other avenues of recourse. For example, one EWA provider, Earnin, asks users to pay for the service only through voluntary “tips,” independent of the amount of money they’re accessing through the platform. Credit agencies and debt collectors are never involved, and the provider bears the entire risk if the money isn’t recovered; the consumer bears none. More importantly, EWA tools empower employees by giving them access to the wages they have earned on their timetable.

Before lawmakers rush to place EWA tools under existing regulatory frameworks, we encourage you to seek a comprehensive understanding of how EWA products already fall within the scope of multiple regulations and are improving upon the existing payday lending model. Applications of regulatory regimes to this burgeoning sector should allow for innovation in the financial services sector while ensuring that consumers are supported with safe and secure options.

Thank you for your leadership on this important issue and for holding this hearing. As consumers today seek financial tools to help them meet their everyday needs, it is vital for lawmakers to understand these challenges and the available means to address them.

Sincerely,



Koustubh “K.J.” Bagchi  
Senior Director, Federal Public Policy