



Testimony of Janay Eyo
Director of Financial Policy
Chamber of Progress

Re: VT H 87 “An act relating to regulating earned wage access services”

February 1, 2023

Dear Chair Marcotte and members of the Committee:

Thank you for the opportunity to submit testimony for the record regarding VT H 87. On behalf of the Chamber of Progress, a tech industry coalition promoting technology’s progressive future, I write to urge you to support VT H 87, which will regulate earned wage access services.

Our organization works to ensure that all Americans benefit from technological leaps. Our corporate partners include companies like Earnin and Chime, but our partners do not have a vote on or veto over our positions.

What is Earned/Early Wage Access (EWA)?

We are strong supporters of providing consumers with better alternatives to predatory lending and junk fees at banks. Earned and early wage access services help workers bridge the gap from today to payday, and free workers from dependency on the payroll cycle and a financial system that frequently disadvantages them.

Earned wage access operates on an agreement between the service provider and an employer, which allows the provider access to employee timesheets to determine earned wages.¹ On an employee’s payday, the provider collects funds from the employer that were disbursed to the employee ahead of payday.

Early wage access is a similar concept, except the service provider does business directly with the consumer, without direct involvement from the employer. In this instance, the consumer downloads an application, establishes an account with the service provider and links their checking account information.

¹<https://www.kansascityfed.org/ten/2021-winter-ten-magazine/ask-the-fed-exploring-rise-of-earned-wage-access-programs/>

In both setups, the EWA provider allows users to access anywhere between 50-100% of their earned wages at any given time, with limits sometimes placed by the provider based on frequency and consecutive use.²

EWA Promotes Consumer Choice

Based on a survey conducted by three direct to consumer EWA service providers, an overwhelming number of EWA consumers said they understood how the service structure works and consider it the best option to manage their spending.³ EWA provides consumers the opportunity to stretch their dollar farther than the standard two-week pay cycle.

In this post-COVID, inflationary economy, the usage of EWA has increased across the board. From 2018 until now, these services tripled in usage in response to consumers adapting to a financial environment where they are empowered to spend without a lack of liquidity.⁴

A majority of EWA users surveyed tended to use EWA every two weeks and access an average of \$100 - \$149 in a typical month. This funding is used to primarily pay bills on time, avoid overdraft fees at financial institutions, and buy groceries.⁵ EWA gives consumers a safer alternative to paying bills late and getting charged bank overdraft fees that can cause a further decline into debt.

Earned and early wage access products tend to have different business models, and we applaud H 87's text to accommodate all models operating in lawful compliance. Preferential treatment of a specific EWA model would leave the consumer with limited options to make the best decisions for themselves and their families. Additionally, the continued development of financial technology will lead to new EWA business models to emerge. If strict regulation is crafted around a preferred model, this may hinder innovation in this space and again, leave consumers with limited options.

Families working paycheck to paycheck are currently beholden to the 2-4 week pay cycle, trapped in a system that does not account for real life factors that cannot wait for payday. With the right regulatory framework outlined in this bill, EWA has an opportunity to make a greater impact by providing a service that meets the consumer where they are. Like many other innovations in fintech, consumer choice with EWA will allow workers to

² Id.

³ Brigit, Money Lion & Earnin Customer Research - Combined Customer Topline Report Research conducted online by FTI Consulting's Digital & Insights team from April 21st, 2021 – May 18th, 2021
<https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>

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https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA_D2C_Advance-_s age_Trends_FINAL.pdf

⁵ <https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>

vote with their pocketbooks and choose the service that is best for them and their budget. With this in mind, we encourage you to support H 87.

Thank you.