

Letter of Support: Earned Wage Access Regulations

Members of the New York State Legislature:

We write in support of S916 and A5053, which would license the earned wage access (EWA) industry in New York. EWA has provided hard-working New Yorkers access to their already-earned wages – not future wages – for more than a decade. New York has always had a high cost of living and so it is not surprising that a recent report by the Robinhood Foundation and Columbia University found that 19% of New Yorkers live paycheck to paycheck, even for those who earn well above minimum wage.

EWA does not solve for income insufficiency, but it does provide options for employees who need to access their wages on a more flexible basis, in response to their individual needs should they face emergencies and unexpected bills.

While every EWA provider is slightly different, they all share a few key characteristics:

1. EWA is based on wages earned. Workers can only access the money they have already worked for, they are not being provided credit or a loan.
2. Because they are not lenders, EWA providers do not charge interest or late fees, and do not consider creditworthiness for any purpose.
3. EWA products are voluntary and non-recourse. If an employer fails to make payroll, the risk is on the EWA provider, not the worker. Employees can also cancel at any time without accruing late fees, interest, or other penalty fees.
4. While there are usually some small costs associated with EWA, at least one “no cost” option is offered by most EWA providers, such as instant transfers onto a debit card, or via a next business day bank transfer.

Without EWA, available options to access funds quickly can be costly, especially without good credit. Common alternatives include overdrawing a bank account for a roughly \$30 fee, \$150 pawn loan fees (U.S. average), and paying bills late or not at all leads to penalties, late fees, interest, and negative credit score impacts.

This is why EWA is a popular low-cost or no-cost solution for people in New York with short-term liquidity problems. Nationally, 78% of workers who now use the EWA service DailyPay, previously paid bills late or not at all, and 39% regularly overdrew their bank accounts. This has helped frequent overdrafters save an estimated \$660 per year. EWA programs also often provide additional financial health education and features, such as savings accounts and no-cost financial counseling.

Since EWA is not a loan, it does not fit into existing regulatory buckets, and S916 by Senator Cooney and A5053 by Assembly Member Vanel would require EWA industry licensing by the State Department of Financial Services.

The undersigned organizations support the New York state legislature's efforts to license and create new guidelines for EWA consumers. Importantly, this legislation would create new protections for EWA consumers, such as a fee cap and disclosure rules, while codifying industry best practices such as credit invisibility; a ban on debt collection, late fees, penalty fees, interest; and a required "no cost" option for all consumers. Nevada, Missouri, and Wisconsin recently enacted similar laws, and many other states have since introduced and advanced EWA licensing legislation.

Creating a licensing structure for Earned Wage Access will empower the state with robust oversight over existing EWA services so that New Yorkers can continue to utilize them as an alternative to traditional, high-cost financial products and strategies.

We encourage you to support S916 and A5053.

