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Earned Wage Access Law Moves Forward; Institute Highlights Concerns

Indianapolis, IN -- In recent years, Earned Wage Access (EWA) has emerged as a financial product that wants to set itself apart from others - including in Indiana law and more recently, in federal law. This app-based financial product allows consumers to access any "earned income" in advance, sometimes requiring fees and/or asking for "tips" as part of the advance. Just last week, a bill passed out of the House Financial Services Committee by a vote of 29-22 that would preempt (in other words, prevent) any state law calling this product a loan or "substantially restricting" EWA providers' ability to operate. The Institute joined 225 organizations across the country to express concerns about the law.

This comes just as the Indiana Community Action Poverty Institute published a new "Listening to Hoosiers" research report that highlights Hoosier experiences with EWA.

"As part of our mission to ensure that all Hoosiers can be financially secure, we have to be vigilant about financial drains," shared Dr. Erin Macey, Director of the Indiana Community Action Poverty Institute and co-author of the *Listening to Hoosiers* report. "Many interviewees in this project expressed paying numerous fees and even tips that added up over time, and that often accessing their paycheck early created a cycle of borrowing and reborrowing." Such fees and the in-app solicitation of tips to benefit the company have been the topic of state-level investigations, with findings indicating that costs can add up to over 300% APR. Studies have also revealed that typical users are taking 30-40 advances per year. "Because of the repeat usage among EWA users, fees can add up quite quickly," emphasized Dr. Macey. "Having more regulation of this product to ensure responsible lending is critical."

Amidst the drawbacks reported by respondents, Zia Saylor, co-author and Researcher at the Indiana Community Action Poverty Institute, also saw a need for broader change. "Many of the users of EWA that we interviewed really struggled with daily costs of living that pushed them to EWA usage, highlighting that we need to make essentials, such as healthcare and housing, more affordable."

As EWA providers seek to minimize regulatory oversight through legislation at the federal level, recognizing the impacts these products have on Hoosiers in Indiana offers insights into what is missing--and needed--to support Hoosiers. The full report can be read online.

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About the Indiana Community Action Poverty Institute

The Indiana Community Action Poverty Institute engages in research and promotes public policies to help Hoosier families achieve and maintain financial well-being. We believe that when Hoosiers are financially stable, they can achieve their full potential and better contribute to their communities. The Institute is a program of the Indiana Community Action Association.