



House Committee on Financial Institutions and Pensions

HB 2105

January 30, 2023

Written Proponent Testimony from Ben LaRocco on behalf of EarnIn

Chairman Hoheisel, Vice Chair Clifford, Ranking Member Xu, and Distinguished Members of the Committee, I rise today in support of consumer choice and HB 2105, the Kansas earned wage access services act.

I serve as the Senior Director of Government Relations for EarnIn, a pioneering Earned Wage Access (EWA) provider. Designed to alleviate challenges encountered by people from the traditional payroll cycle, EarnIn provides customers with access to their earnings as they are earned and before they are paid. With access to pay on-demand, EarnIn vastly reduces financial anxiety by helping people spend, transfer, and save their money as they want. 82 percent of EarnIn customers reported feeling less stressed about their financial situation¹. EarnIn's platform is easy to use and efficient, with customers able to set up an account quickly and access the money they worked for 24/7, with just a few clicks and no credit checks, interest rates, or mandatory fees. With EarnIn's Lightning Speed feature, you can count on your money being in your bank account in 30 minutes or less. Built as an alternative to payday loans, EarnIn's earned wage access product is non-recourse and does not allow its customers to get trapped in cyclical debt if they are unable to repay their advance. Since our founding in 2013, our community members have downloaded our app over 13 million times and accessed over \$15 billion in earnings.

The real-life impact of paycheck timing is of critical importance to many Americans. One consequence of the monthly or biweekly periodic pay schedule is that it limits workers' access to money they have already earned and creates everyday hardships, because workers' financial obligations often do not coincide with pay dates. As a result, workers may delay obtaining much-

¹ <https://www.earnin.com/fti>



needed goods and services or put off medical care until they receive their next paycheck.² In an era of on-demand technology, we believe that earned wage access provides workers with a choice of how to obtain near-real-time access to the funds they earn without the excessive fees, challenges, and pitfalls of traditional alternatives like debt, bank account overdrafts, and payday lending.

EarnIn provides these services with no-mandatory fees, no interest, and no-recourse, which means there is no legal right to repayment, no debt collection, and no credit reporting. Users can choose to provide voluntary “tips,” though one’s access to earnings is in no way dependent on tipping, or they can opt in to transfer earnings within minutes, which we call Lightning Speed, for a low, transparent, tiered rate of \$1.99 to \$3.99. Credit agencies and debt collectors are never involved, and EarnIn bears the entire risk if a Cash Out isn’t recovered – the consumer bears none.

We partner with companies large and small to provide this service to their employees, and we also operate “Direct to Consumer.” This means that anyone with a paycheck can use our services – regardless of employer, no matter how big or small. Any employee in the U.S. with a bank account who receives their paycheck via direct deposit can use EarnIn, including employees of small business and public employees.

Last year, nearly 2 million Americans at more than 400,000 different US employers used EarnIn, including over 180,000 small business employers, including more than 22,000 unique users in Kansas.³

In 2017, the CFPB promulgated the Payday, Vehicle Title, and Certain High-Cost Installment Loans (the “Payday Rule”)⁴ that specifically exempted EWA or “no-cost advances” from coverage under the Rule because EWA is not a loan. EarnIn’s model prevents the risks and harms sought to be addressed by the Payday Rule and that are traditionally associated with payday lending.

² E.g., <https://www.businesswire.com/news/home/20181023005517/en/Earnin-Survey-Shows-Majority-of-Americans-Are-Delaying-Medical-Care> (“More than half of Americans (54 percent) have delayed medical care for themselves in the past 12 months because they could not afford it.”)

³ EarnIn internal data, full year 2022

⁴ <https://www.govinfo.gov/content/pkg/FR-2017-11-17/pdf/FR-2017-11-17.pdf> Page 265

EarnIn also maintains a comprehensive compliance program. This includes policies and procedures related to electronic funds transfers, and unfair, deceptive, or abusive acts or practices (UDAAP), as well as data privacy laws, such as the Gramm-Leach-Bliley Act (GLBA), and financial crimes regulation from the Treasury Department's Office of Foreign Assets Control (OFAC).

EWA is currently unregulated in the state of Kansas and does not easily fit into existing regulatory frameworks. As the popularity has grown, and the industry has matured, there has been interest in how to properly regulate this service. Over the past two years, EarnIn has worked with regulators, EWA providers, and other stakeholders to craft a model bill that protects consumers and gives businesses certainty to invest and grow, regardless of EWA business model. That framework is represented in HB 2105, and we are proud to speak in support of this legislation.

HB 2105 stipulates that:

- EWA providers must offer their customers at least one no-cost option for receiving wages.
- EWA must be provided on a non-recourse basis, so if the consumer does not repay, the EWA provider cannot go to court to sue the consumer or pursue debt collection activities.
- EWA providers may not condition access to the product on a consumer's credit score and may not report consumers' repayment behavior to credit reporting agencies.
- EWA providers must clearly communicate with consumers regarding when they will be asked to repay advanced funds.
- EWA providers cannot provide, sell, or otherwise disclose consumer data to third-parties except as necessary to provide services to the consumer or in accordance with a consumer's written consent.
- EWA providers must register with and submit annual data to the Kansas State Bank Commissioner.

This bill helps foster financial inclusion and gives consumers real, safe, and beneficial choice – alternatives to high-cost and confining options that are otherwise available – and allows for both the employer-integrated model and the direct-to-consumer model on equal footing that preserves consumer choice.

Thank you Chairman Hoheisel, Vice Chair Clifford, Ranking Member Xu for the opportunity to speak with you today. I would be happy to answer any questions about EarnIn, Earned Wage Access, or HB 2105.



Sincerely,

Ben LaRocco

Ben LaRocco
Senior Director, Government Relations