

Earned Wage Access: Easy Money or Fintech Payday Lending?

2026 AFEE Annual Meeting

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Motivation

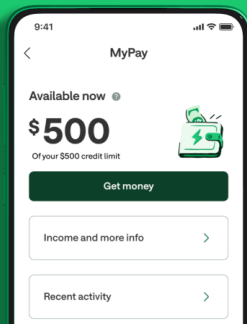
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Source: www.chime.com/early-pay/mypay

Motivation

- EWA is a rapidly growing product among low and moderate income workers
- The type of delivery model for EWA can either amplify or reduce the power imbalance for wage workers
- Current legislation (or lack thereof) often treats different delivery models as the same

Product Overview

- Earned Wage Access (EWA) is a Fintech product that allows workers to access their accrued but not yet paid wages
- Shared characteristics with payday loans:
 - Small amounts
 - Short periods
 - Fast access to funds
- Differences from payday loans:
 - Not clearly a credit product
 - Generally lower fees
 - Based on accrued earnings, not future earnings

Employer-Integrated Models

Key Features

- Integrated directly into an employer's payroll system
- Advance amounts are determined by the number of accrued hours
- Consumer can request funds directly to their bank accounts through ACH or RTP
- On payday, advanced funds are either deducted from paycheck or intercepted then disbursed
- Some providers control the account where funds are disbursed
- Fees: subscription fees, transaction fees, payment rail speed

Direct-to-Consumer Models

Key Features

- Standalone apps that do not have direct access one's payroll data
- Rely on access to transaction data that shows consistent direct deposits from employer
- Consumer can request funds directly to their bank accounts through ACH or RTP
- On payday, advanced funds are pulled from the consumer's account
- Fees: monthly subscription fees, transaction fees, payment rail speed, tips/donations

Comparison: Employer Integrated vs. Direct-to-Consumer

Feature	Employer-Integrated	Direct-to-Consumer
Eligibility	Accrued Hours	Direct Deposit History
Delivery Method	Checking Account EWA Account	Checking Account EWA Account
Reconciliation	Payroll Deduction Paycheck Intercept EWA Account	Account Draw EWA Account
Fees	Subscription Transaction Speed	Subscription Transaction Speed Tips
Debt Obligation?	No	Yes

EWA Advocates

- Hawkins (2021) sees EWA as providing workers with affordable alternatives to high-cost payday loans.
- Davis (2025) sees EWA as giving workers, “more control over when they are paid for their work.”
- Beasley (2023) see EWA as a highly desired employer benefit that can help to reduce turnover. However, smaller firms may be left at a disadvantage due to costs.

EWA Critics

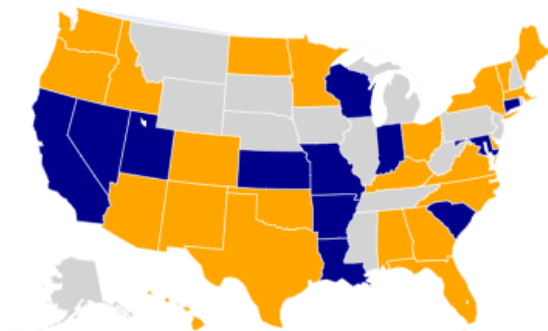
- New York Attorney General Letitia James has sued MoneyLion and DailyPay. She says “Promising New Yorkers financial freedom while pushing them into outrageously expensive loans is downright shameful. These are payday loans by another name.”
- Center for Responsible Lending’s Barona and Constantine (2025) have four key findings:
 - ① Borrowing Escalates Over Time
 - ② 53% of users borrow from multiple platforms
 - ③ Heavy users pay more in fees than light users
 - ④ Average APR for a one to two week advance is 383%

Federal Policy Efforts

EWA products stand in a legally gray area at the federal level

- 2024 H.R. 7428: Earned Wage Access Consumer Protection Act (bill expired without passage)
- CFPB's 2020 Advisory Opinion
- Opinion was rescinded in January 2025
- CFPB's 2024 proposed interpretative ruling
- Second Trump administration has effectively shut down the CFPB

State Policy Map



Status

- No Legislation
- Introduced
- Established

As of November 30, 2025

Key State Policy Features

Common EWA Policy Features:

- Special EWA License or Registration
- Mandatory No-Cost Options
- Full Fee Disclosures
- No Credit Checks
- Non-Recourse
- EWA Not Classified as a Loan

Policy Recommendations & Conclusion

- Do Not Call it EWA Unless it is Employer-Integrated
- Pay Employees Weekly
- Clear Framework for EWA Legislation

Questions?

- We welcome any questions and feedback
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