



House Committee on Commerce and Labor  
Public Hearing Regarding House Bill 152  
November 3, 2025

Dear Chairman Johnson, Vice Chair Lear, Ranking Chair McNally and Committee Members:

My name is Monica Burks, and I am Policy Counsel for the Center for Responsible Lending (CRL), a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. CRL is affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers. I am here on behalf of CRL and the communities we serve to recommend that you remove the Earned Wage Access (EWA) language from the budget for vital amendments.

Companies that offer loans directly to consumers against their next paycheck are marketing a technology-based form of payday loan—a harmful product that Ohio and other states have appropriately regulated. “Earned Wage Access” is nothing more than a marketing term for a product designed similarly to payday loans, with terms that tend to create a long-term cycle of debt for borrowers.

No-cost options for consumers are illusory and difficult to access, negating their utility. According to Earnin’s terms of service, the non-expedited advance takes 1–2 banking days to be deposited, while the expedited service takes up to 30 minutes. The overwhelming majority of users (roughly 90%) pay express fees when immediate access to cash is necessary—after all, that is the entire purpose of getting an EWA advance.

EWA providers use a host of techniques, adopted from the field of behavioral economics, to induce users to pay the company a “tip” for a product that is advertised as “free.” For example, EWA providers that derive revenues from tips typically design their consumer-facing applications (“apps”) to default to the payment of a tip, requiring users to take additional steps to avoid paying. Other tactics include suggesting to users that paying a tip helps keep the service available. For example, Earnin’s terms of service tell consumers that tips “help fund” the service and “keep [it] going.” These tactics have proved highly effective at driving users to pay “tips” to EWA providers.

Tipping, expedite fees, and subscription fees are substantial finance charges. One provider commented that 40% of its revenue comes from tips and that it would have to significantly change its business model without them. This is strong evidence that their business model depends on loans for which the true cost is often higher than advertised or disclosed, with an APR that would far exceed Ohio’s usury cap.

To quote one of their representatives, EWA providers target “liquidity-constrained and credit-thin” laborers living paycheck to paycheck, often struggling with insufficient income to meet their expenses. But costly debt tends to make matters worse. EWA providers should not get a pass from Ohio’s usury limits when lending to these individuals. We do not believe this bill, as drafted, is adequate to protect Ohio consumers. We recommend that any regulation of EWA products include provisions classifying these payday advances as credit, and the providers as lenders.

This bill would codify a business model that, by design, drains millions of dollars from consumers without the guardrails Ohio requires of similarly situated credit products. We urge this committee to reject this bill and treat EWA companies according to what they are: app-based payday lenders.

Please consider the enclosed materials for more information on the impact these fintech lending practices have had on consumers and what other lawmakers and regulators have done in response. Thank you for your consideration.

Sincerely,

Monica Burks  
Policy Counsel  
Center for Responsible Lending  
[www.responsiblelending.org](http://www.responsiblelending.org)

# Ohio

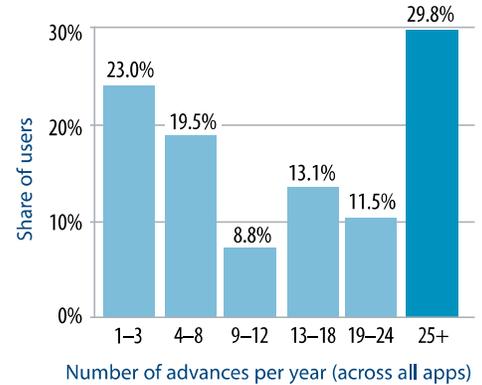


Most frequently used EWA providers:  
Brigit, Cleo, Dave, EarnIn, FloatMe

## Repeat Borrowing

Frequent advances incur more fees, making EWA more costly for workers

Roughly 1 in 3 took out 25+ advances in a year

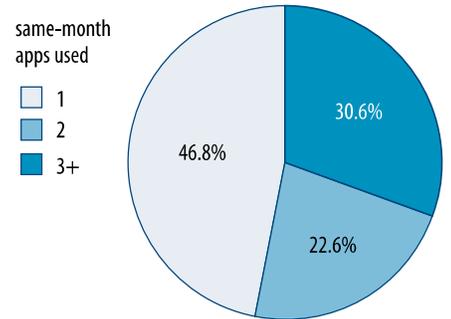


Users with at least 6 advances in 1 or more months accounted for 43% of all users and 87% of all advances.

## Loan Stacking

Using multiple apps leaves workers with less money on payday, making it harder to meet expenses

Roughly 1 in 3 used 3+ apps in the same month

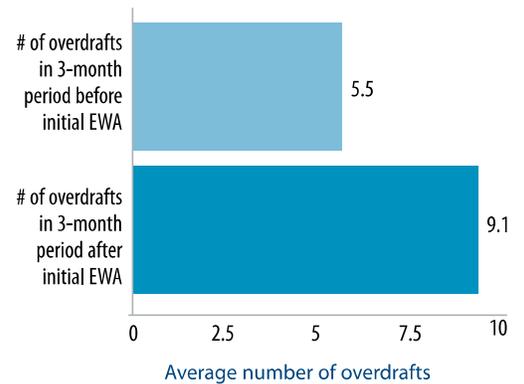


One OH resident used as many as 6 apps in the same month. On average, workers used 1.5 apps every month.

## More Overdrafts

EWA products may exacerbate overdrafts, negatively impacting overall financial health

Overdrafts increased after initial advance



Of OH users who experienced overdrafts, 68% experienced increased overdrafts after their initial advance.

## NICKEL AND DIMED:

---

### How Payday Loan Apps Drain Workers' Pay and How to Stop Them

Monica Burks, Policy Counsel

Yasmin Farahi, Deputy Director of State Policy & Senior Policy Counsel

Andrew Kushner, Senior Policy Counsel

Katelin Kaiser, Policy Counsel

October 2025



## About The Center for Responsible Lending (CRL)

---

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families, including people of color, women, rural, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

## Acknowledgments

---

The authors would like to express gratitude to Ellen Harnick, Whitney Barkley-Denney, Matthew Kravitz, and Mike Calhoun for their contributions.

We would also like to thank Archetype Graphic Design & Writing Services for their help in designing and formatting this report.

## Executive Summary

---

Payday loan apps are designed to be a **debt trap**—much like storefront payday loans. They both draw borrowers into a pattern of repeated borrowing and a succession of fees that pull from already-stretched paychecks, creating demand for the next loan.

Payday loan app companies try to evade state credit laws by promoting a **legal fiction**: they claim that these loans are not loans. As state regulators and attorneys general investigate and challenge industry violations of credit law, these lenders have lobbied state legislatures for exemptions from those laws.

This policy brief provides state lawmakers, regulators, and attorneys general with an update on federal and state developments from 2025 and recommendations for protecting borrowers.

### State lawmakers should:

- Reject attempts to exempt app-based payday lenders from credit laws.
- In states that have—through strong rate caps—effectively banned triple-digit interest storefront payday lending, hold app-based payday lenders accountable to the same rate caps.
- In states without strong rate caps on these loans, impose strong caps on fees (including “tips”) on a per-loan and per-month basis.
- Ensure that multiple lenders do not lend against the same wages.
- Require robust data reporting and transparency.

State regulators and attorneys general should use their enforcement authority to ensure these lenders follow the law.

## Introduction

---

Payday loan apps, often marketed as “Earned Wage Access,” are short-term advances against a borrower’s next paycheck. These app-based payday loans are offered in two primary models: employer-integrated apps, where repayment is deducted directly from wages through payroll systems, and direct-to-consumer apps, where fintech lenders debit consumer bank accounts for repayment. App-based payday lenders have branded themselves as instant, fast, or quick cash advance apps, but the evidence is clear: “Earned Wage Access” loan apps are a fintech version of the same high-cost, debt-trap model as storefront payday lenders.



**App-based payday lenders have branded themselves as instant, fast, or quick cash advance apps, but the evidence is clear: “Earned Wage Access” loan apps are a fintech version of the same high-cost, debt-trap model as storefront payday lenders.**

The business model exploits financial precarity; it does not solve it. Research from the Center for Responsible Lending (CRL) confirms that payday loan apps are not occasional use financial tools. They are loan products designed to drive repeat borrowing and extract high fees. Analyzing bank account transaction level data over a full year after a borrower’s first payday app loan, CRL found that such borrowing escalates over time, with monthly loan use doubling in the first year from two loans per month on average in month one, to four by month 12.<sup>1</sup> CRL’s review of transaction level data found that borrowers are taking out loans repeatedly and that using multiple lenders is common. Three quarters (75%) of borrowers took out at least one advance on the same day or day after making a repayment, replicating the same debt cycle seen in traditional payday lending.<sup>2</sup> In addition, CRL found that overdrafts on consumers’ checking accounts increased 56% on average after use of an advance product, demonstrating how these products directly exacerbate financial instability rather than alleviate it.<sup>3</sup>

Along with other tricks to push frequent reborrowing, lenders impose caps on the amount of money that can be borrowed in a single loan, driving borrowers to take multiple loans in quick succession (sometimes on the same day) to borrow the desired amount. This enables lenders to extract multiple expedite fees and tips from what could otherwise have been a single transaction. Payday app loans are designed to produce this result, pushing people deeper in a debt trap and adding more unaffordable debt.

CRL research also reveals a high incidence of “loan stacking,” where multiple payday app lenders extend advances against the same paycheck. For example, a borrower may take an advance from EarnIn, then borrow again from MoneyLion and DailyPay within the same pay cycle. Simultaneous borrowing across multiple apps demonstrates borrower distress. This is consistent with the finding that loan stacking increases over time, with most borrowers borrowing from more than one lender during their first year of tracked use.<sup>4</sup> This cycle of increased borrowing exacerbates the monthly financial shortfall that drives users into their first payday app loan.

Twenty-one states plus the District of Columbia have banned triple-digit interest payday loans, and payday loan apps typically charge rates far in excess of permissible limits in those jurisdictions. Facing law enforcement action for these and other violations, app-based payday lenders—branding themselves as “earned wage access” or “EWA”—have lobbied aggressively in state capitals across the country and in Congress. They are pressuring officials to exempt them from lending laws, on the purported ground that payday loan app loans are not loans.

Most states wisely have resisted these efforts. While a few states with strong protections against traditional payday lending have recently loosened regulations to allow payday loan apps to operate legally in their state, the overwhelming majority of payday-free states have elected to remain payday-free. At the same time, regulators and attorneys general are pursuing lawsuits against payday loan app companies for usurious lending and deception. This paper updates lawmakers, regulators, attorneys general, and advocates on legislative and regulatory activity around payday loan apps in the last year and provides guidance on how to respond to the lenders’ evasive tactics.

## Payday Loan Apps: Debt Trap by Design

1. **What is “EWA”?** “Earned Wage Access” is a marketing term for app-based payday lenders that deploy the same debt-trap model as storefront payday lenders. Payday loan apps, like storefronts, offer costly, small dollar, short-term payday loans that people cannot realistically repay without borrowing again.
2. **Small loans, high fees:** Borrowers are offered small loan amounts (e.g., the most common loan from DailyPay is \$20) with accompanying expedite fees for instant delivery. In some cases, consumers must pay subscription fees to receive loan funds, and lenders use a variety of pressure tactics to extract tips from borrowers. As a result, consumers pay **an average of 383% APR** for each payday loan app transaction.
3. **On repeat:** Payday app transactions generate a shortfall in customers’ pay, compelling customers to enter additional loan transactions to cover the gap that widens with each repetition of the borrow-repay cycle. In addition, payday app lenders encourage repeat use through a variety of tactics, including sending frequent in-app notifications and text messages to trigger customers to reborrow. As a result, **75% of customers reborrow on the same day or the day after repaying a prior loan.**
4. **From bad to worse:** Payday loan apps are designed to extract much-needed income from borrowers’ pay, eroding their financial stability. CRL found that of the payday loan app borrowers who overdrafted their bank account, **67% overdrafted more frequently after their initial advance** from a payday loan app, demonstrating how these products directly exacerbate financial instability rather than alleviate it.

# Federal Policy Landscape

---

## Regulatory Action by the Consumer Financial Protection Bureau (CFPB)

In July 2024, the Consumer Financial Protection Bureau (CFPB) issued a proposed interpretive rule confirming that these “paycheck advance products” are subject to the federal Truth in Lending Act (TILA) and Regulation Z.<sup>5</sup> The proposed rule affirms that these products, offered through payday loan apps, are loans, and that the tips and expedite fees are finance charges subject to disclosure under TILA and Regulation Z.<sup>6</sup> The CFPB released the proposed rule along with an in-depth analysis of millions of payday loan app transactions, which revealed that the average transaction size is relatively small, repeat usage is high, nearly all workers pay for expedited access, and the annual percentage rate (APR) for a typical employer-integrated transaction equates to 109.5%.<sup>7</sup>

In addition, in early January 2025, the outgoing CFPB administration released Supervisory Highlights outlining two major concerns with payday loan app lenders that the CFPB examined in 2024.<sup>8</sup> The Supervisory Highlights noted that payday loan app lenders had violated federal consumer protection law by misrepresenting the uses and benefits of tipping and by blocking users’ attempts to close their accounts.<sup>9</sup> As discussed below, these Highlights provide a roadmap for state regulators to pursue enforcement actions against these lenders.

Since that time, the current administration has sharply reversed course. Among other changes, the agency has moved to reduce supervision of non-bank entities<sup>10</sup> and has withdrawn assorted advisory opinions regarding the application of TILA to payday loan apps.<sup>11</sup>

Notwithstanding this shift in enforcement priorities, the legal analysis set out in the proposed interpretive rule remains valid and demonstrates that existing federal law governing loan products applies to app-based payday loans.<sup>12</sup> Though not final, the proposed rule provides useful guidance to state lawmakers, regulators, and attorneys general grappling with how to regulate payday loan apps.

## Congressional Action

In Congress, an industry-backed bill in the House of Representatives that would exempt payday loan app loans from TILA was considered in 2024.<sup>13</sup> The bill did not advance to the floor for a vote and expired at the end of the last congressional term. While the bill has not been reintroduced in 2025, lenders, by way of a trade association, the American Fintech Council, are pushing the legislation.<sup>14</sup>

## State Policy Landscape

---

### State Legislative Action on Payday Loan Apps

For several years, payday loan app companies have pushed lawmakers to enact legislation exempting them from existing state credit laws. Lender lobbyists promote these deregulatory measures under the guise of the lenders' purported desire for regulation. For example, industry bills contain licensing requirements that purport to protect consumers, but do not. The lenders' lobbying blitz has been only moderately successful, with just a handful of states enacting the industry's desired legislation in 2023 and 2024.<sup>15</sup>



*For a summary of state-by-state actions on payday loan apps, please refer to the appendix.*

In 2025, payday app lenders continued their efforts both in states that have strong interest rate caps and usury laws, and in states without such protections. App-based payday lenders got bills introduced in 2025 in a total of 15 states.<sup>16</sup> Most of those bills did not advance. Ultimately, six states adopted legislation authorizing payday loan app loans. Half of these states already permitted storefront payday lending.<sup>17</sup> Even in those states, consumer advocates were able to win some modest protections on app-based payday loans. While these small wins do not come close to adequately protecting borrowers, they do reflect growing understanding of the harms that payday loan apps pose.

Industry-friendly bills passed in Indiana, Louisiana, and Utah, three states with generally weak consumer protection laws that still permit storefront payday lending with triple digit APRs. Despite this unfavorable context, consumer advocates scored some modest improvements to the lender-proposed bills in two of these states. The Indiana bill requires lenders that collect tips to set the default tip to \$0<sup>18</sup> and to cap fees at the greater of \$5 or 5% of the transaction amount per advance.<sup>19</sup> The Louisiana bill requires robust data collection and public disclosure of some aggregate data.<sup>20</sup> While data collection and public reporting are no substitute for substantive consumer protections, they can help regulators, attorneys general, legislators, and other stakeholders better understand how these loans impact the people who use them.

The Utah law codifies a sweeping authorization of the predatory business model employed by payday lending app companies that includes no limits on fees or tips.<sup>21</sup> This is unsurprising for a state that allows a myriad of predatory lending practices, including triple-digit APR storefront payday lending.

The remaining three states where payday loan app authorizing bills passed this year are Arkansas, Connecticut, and Maryland. All have otherwise strong consumer protections on small dollar loans, and all have successfully eliminated storefront payday lending within their borders. The creation of a new regulatory regime to exempt app-based payday lenders weakens these states' protections against usury, in ways that are unique to each state.

Arkansas has a longstanding usury limit enshrined in the state constitution. The constitutional limit caps rates at 17% APR.<sup>22</sup> This would seem to prohibit the vast majority of app-based payday loans and invalidate any legislative attempt to authorize them. While the bill adopts the lenders' claim that these loans are not loans, this fiction seems unlikely to be effective. First, the constitutional usury provision is broad; it applies to "loans or contracts." Moreover, the Arkansas Supreme Court has served as a bulwark against legislative efforts to abrogate these constitutional protections.<sup>23</sup> Thus, the validity of the law is uncertain.

In Maryland, after regulatory guidance in 2023 made clear that many app-based loans would be covered under Maryland's consumer protection laws, payday app lenders began lobbying aggressively for a carve-out.<sup>24</sup> Under pressure, Maryland legislators passed a law that contains some consumer protections but leaves payday app lenders' worst practices unrestrained.



The payday loan app industry has made a massive multi-state lobbying effort to gain exemption from state lending laws in order to lend at triple-digit interest rates.

Maryland's law defines payday loan app transactions as loans but exempts them from the state's usury limits.<sup>25</sup> Instead, the law sets a per-transaction limit on fees. Unfortunately, the limit is too high to be meaningful for consumers.<sup>26</sup> Moreover, the bill permits payday loan app lenders to collect tips but does not include tips within the fee limits; in fact, the law sets no limits at all on the amount lenders can collect in tips. The Maryland bill goes even further in exempting payday loan app companies from important protections contained in the state's consumer credit code. It exempts these lenders from the consumer credit code's protections against discrimination based on race, sexual orientation, and other protected identities.<sup>27</sup> It also gives the lenders a pass from the consumer credit code's prohibitions against deceptive advertising.<sup>28</sup>

Governor Wes Moore allowed the Maryland bill to become law without his signature, publishing a letter outlining reservations about the bill and identifying changes that he expects the legislature to make in the 2026 session. The governor expressed three principal concerns: (1) the bill does not protect against the risk that multiple lenders will lend against the same wages; (2) "the bill creates a new class of lenders with broad exemptions from existing commercial law focused on consumer financial protection," specifically the Maryland Commercial Law's prohibitions against unlawful discrimination and deceptive advertising; and (3) the governor expressed the view that "soliciting tips for a loan in any form is inappropriate."

The Connecticut payday loan app law enacted in 2025 is stronger than the Maryland law, but it does not provide adequate protections. The law marks a retreat from an earlier law, enacted in 2023, that made clear that payday loan app transactions are loans and, as such, were subject to existing consumer lending laws in the state.<sup>29</sup> After the law went into effect in January 2024, several EWA companies stopped lending in the state rather than comply and began aggressively lobbying for new legislation.

The 2025 legislation affirms that payday app loans are loans and that fees and tips are finance charges. However, the law allows these loans to exceed the state's usury limits. Specifically, the law permits app-based payday lenders to collect finance charges of as much as \$30 per month from a borrower with a \$4 per loan limit. Unfortunately, both the per-loan fee cap and the monthly limit are too high to adequately protect borrowers. Despite this, some lenders nonetheless opposed the bill primarily because of the fee caps.<sup>30</sup> The inclusion of per-transaction and per-month fee caps reflects the recognition that app-based lenders rely upon heavy repeated use to drive up total fees collected per borrower over time.

The Connecticut legislation includes other provisions not present in other states' laws. For example, tips are included in the fee cap.<sup>31</sup> Lenders also must offer borrowers the opportunity to receive up to 75% of their earned wages in one loan, rather than set loan amount limits so low that borrowers are driven to take multiple loans, incurring multiple fees.<sup>32</sup> Additionally, the Connecticut law requires lenders to give customers statements that reflect, among other things, the total fees paid.<sup>33</sup>

The law also contains the beginnings of a protection against loan stacking. It requires lenders to implement measures to ensure they do not lend against wages already subject to an advance by another lender, and the law provides authority for the state banking commissioner to adopt additional rules in this area.<sup>34</sup> Like the Indiana law, the Connecticut bill requires that lenders that solicit tips set the default tip to \$0.<sup>35</sup>

In sum, the payday loan app industry has made a massive multi-state lobbying effort to gain exemption from state lending laws in order to lend at triple-digit interest rates. While payday loan app lenders have had some success (especially in states that permit storefront payday loans), most states have resisted the lobbying and political pressure exerted by these companies. Payday loan-free states have overwhelmingly elected to remain payday loan-free. The limited exceptions, particularly Maryland and Connecticut, demonstrate the level of lenders' influence.

### State Attorneys General and Regulators Take Action

Significant EWA developments in the last year arose in the context of enforcement, as attorneys general in the District of Columbia and New York moved to enforce state credit laws against these unlicensed lenders.

Near the end of 2024, D.C. Attorney General Brian Schwalb sued EarnIn, a direct-to-consumer payday loan app, for its deceptive practices and usurious, unlicensed lending activity.<sup>36</sup> The Attorney General alleges that EarnIn's claims that its EWA product is not a loan, does not carry interest, and has no fees for instant access are all intentional misrepresentations prohibited by the District's unfair and deceptive practices law.<sup>37</sup> The Attorney General further charged EarnIn with unlawfully operating without a lending license.<sup>38</sup> In the investigation that precipitated the lawsuit, the District found that EarnIn pressures consumers to engage in multiple transactions during a single pay period by sending notifications within its app prompting users to repeatedly take out relatively small sums to increase the fees it collects.<sup>39</sup>

The New York Attorney General filed separate suits in the spring of 2025 against DailyPay<sup>40</sup> and MoneyLion.<sup>41</sup> The suits allege violations of consumer protection laws, licensed lending requirements, usury laws, and unfair and deceptive practices prohibitions. The practices undergirding these claims include the fact that consumers cannot receive cash advances instantly and for free, as promised; instead, they must pay expedite fees and, in the case of MoneyLion, tips. While claiming publicly that their advances are not loans, MoneyLion refers to its products as single payment loans, and the outstanding advances as "principal."<sup>42</sup>

[These cases are important developments both because they represent real attempts to combat payday loan app abuses and because their allegations, based on extensive data provided to the attorneys general, reveal the ways in which these apps harm consumers and how the business model is designed to extract more fees through small repeat loans. For example:](#)

- According to the D.C. EarnIn complaint, 83% of transactions include the expedite fee.<sup>43</sup> According to the New York MoneyLion complaint, nearly 90% of all advances were assessed a fee, and in 96% of those cases, the fee was successfully collected.<sup>44</sup>
- MoneyLion's advances carry extremely high costs. Nearly all advances carried APRs above 100%, with more than half exceeding 500%, and the average cost of credit **rising above 800%**.<sup>45</sup>
- MoneyLion employs a host of behavior techniques to drive more frequent and higher tipping. **The platform used pre-filled tip suggestions, reminders, and behavioral nudges to encourage tipping**, which generated over \$7 million in tips in New York during 2018–2023, of which approximately \$6.8 million was actually collected.<sup>46</sup> When combined with fees, the total amount extracted from New York users exceeded \$31 million.<sup>47</sup>

- MoneyLion unscrupulously encourages repeat use. Even when a user's available Instacash balance was advertised as high as \$500, individual advances were capped at lower amounts, such as \$100. As a result, **users had to take out multiple advances to access the full balance, incurring multiple fees and tips.**<sup>48</sup>
- Frequent MoneyLion users are most harmed, with those obtaining two or more advances per week generating a disproportionate share of fee and tip revenue.<sup>49</sup> Some users who relied on Instacash every other day or more could face monthly costs of more than \$50 in fees and tips.<sup>50</sup> The financial impact was significant: for example, **a worker with a \$1,000 biweekly direct deposit who consistently took two median advances per week could see almost \$250 deducted from their next paycheck,** leaving them substantially short of covering essential expenses.<sup>51</sup>
- According to the New York Attorney General's DailyPay complaint,<sup>52</sup> **the most common advance was for \$20,** repaid in seven days with a \$2.99 fee, which yielded **an APR above 750%.**<sup>53</sup> As with MoneyLion, repeat DailyPay users are most injured: many workers took advances multiple times per week, and frequent borrowers generated a disproportionate share of revenue.<sup>54</sup> Because repayment was deducted from subsequent paychecks, workers often faced reduced take-home pay, which drove them to seek new advances in later pay cycles.<sup>55</sup>
- **MoneyLion and DailyPay profit not just from charging fees in a single transaction, but from creating a cycle of repeated use that drives escalating fee revenue.** DailyPay identifies workers who take advances more than twice per week as its "long-term upside," projecting **hundreds of dollars in revenue per user** by encouraging dependency through constant balance updates.<sup>56</sup> Similarly, MoneyLion *maximizes* repeated fee collection by preselecting costly options, limiting alternatives, and sending "boosts" that temporarily increase total funds available to increase Instacash "approximately 25%."<sup>57</sup>

In addition to state attorneys general, state regulators are making it clear that payday lending app companies are making loans, and that these products are covered by existing consumer credit laws. For example, the financial regulator for the state of Maine issued an advisory ruling in June 2025 explicitly stating that payday lending app companies are advancing money to consumers and are therefore subject to Maine's Consumer Credit Code.<sup>58</sup>

## City Steps Up Against "Modern-Day Payday Lender"

**On October 6, 2025,** the mayor of Baltimore, along with the city council, filed an injunction action against MoneyLion alleging that the lender uses misleading marketing and usurious interest charges that trap residents in an "exploitative cycle of debt." The lawsuit is the first of its kind from a city against an app-based payday lender and brings claims under both state law and Baltimore's Consumer Protection Ordinance. Similar to the findings reported in the complaint filed by the New York Attorney General against MoneyLion, the City of Baltimore found that despite marketing emphasizing instant access to "zero interest" loans, the fintech payday lender's imposition of expedite fees and tips constitutes interest that total more than 10 times the states 33% interest cap.<sup>59</sup>

## Courts Side with Borrowers in Class Action Suits

In addition to facing these state enforcement actions, payday loan app companies suffered a string of defeats in their attempts to dismiss private lawsuits seeking redress in 2025. Notably, in *all* of these cases, courts ruled that plaintiffs had validly stated claims that payday loan app companies offered loans notwithstanding industry claims that these advances are “non-recourse” (meaning that the companies will not go after a user that does not repay the advance).



**In *all* of these cases, courts ruled that plaintiffs had validly stated claims that payday loan app companies offered loans.**

- In the spring of 2025, the United States District Court for the Northern District of California denied a motion to dismiss filed by EarnIn against a putative class action.<sup>60</sup> Applying Georgia law and TILA, the court concluded, among other things, that the complaint sufficiently alleged that EarnIn is making loans under both laws.<sup>61</sup> Rejecting EarnIn’s claims that their loans are “non-recourse,” the court concluded that whether a transaction is a loan depends on the real intent and understanding of the parties, and that such transactions should be scrutinized based on their substance, not their form.<sup>62</sup>
- In August 2025, the United States Court for the District of Maryland denied EarnIn’s motion to dismiss a claim by a putative class of plaintiffs that it violated the Maryland Consumer Loan Law by making loans without a license and with interest rates that exceed the maximum limitation.<sup>63</sup> The court specifically held that Maryland lending law applies to transactions purported to be nonrecourse.<sup>64</sup> In addition, the court held that the state’s new EWA bill did not relieve EarnIn from liability for the period of time before the law went into effect.<sup>65</sup>
- Also in August 2025, the United States District Court for the Eastern District of Pennsylvania denied another EarnIn motion to dismiss, this time against claims by a putative class action under TILA and Pennsylvania usury law. The court held that the complaint plausibly alleged that the expedite fees and tips EarnIn solicits are finance charges under both statutes, which require only a “connection” between the imposition of the charge and the extension of credit.<sup>66</sup>
- In September 2025, the United States District Court for the Western District of Washington denied a motion to dismiss filed by payday app lender Cleo, in a putative class action under the federal Military Lending Act (MLA) and TILA.<sup>67</sup> The court refused to compel the case to arbitration and held that Cleo’s payday loan advance product is credit, and that both the expedite fees and subscription fees it collects are finance charges.
- In October 2025, another judge of the U.S. District Court for the Northern District of California held that payday loan app loans issued by Empower are “credit” under the MLA and TILA, and that Empower’s subscription fees and instant transfer fees are “finance charges” under those statutes. The court so held in the context of denying Empower’s motion to compel arbitration, which cannot compel to arbitration claims that a lender has violated the MLA. Notably, the court also held that Empower’s loans met the Regulation Z/TILA definition of a “payday loan.”<sup>68</sup>

## Conclusion and Recommendations

---

Reining in the abuses of payday loan apps, the new frontier in payday lending, will require strong action from legislators and enforcement by attorneys general and regulators.

With regard to legislation, the best protection against the harms of payday lending is a 36% APR cap. States that have such protections should maintain and enforce them—not shield app-based payday lenders from them. Maryland, Connecticut, and Arkansas—states that have strong rate caps against storefront payday loans, but enacted statutes to exempt app-based payday lenders—should repeal these exemptions. At a minimum, these states should revisit these new laws to put significantly stronger protections in place. For Maryland, this means eliminating authorization for unlawful tips, reducing the extremely high per-loan cost caps, pairing them with strongly protective monthly cost caps, and restoring anti-discrimination and deceptive advertising protections. For Connecticut, it means strengthening per-loan and monthly cost caps that are still too high to protect the struggling borrowers targeted by these lenders. Indiana should repeal confidentiality provisions that shield payday loan app data from public oversight and amend its fee cap by reducing the per-loan cost cap, prohibiting tips or including them in the cap, and adding a monthly cap. Louisiana, Utah, and other states that enacted industry-driven legislation should reverse laws that legitimize unlimited fees and tips. In all cases, lenders should be prohibited from lending against wages that another lender has already lent against.

Across the board, transparency is essential. States should require payday loan app companies to report data on transactions, fees, revenue, and consumer usage, and to make this information public. Without visibility, the true costs of these loans remain concealed, allowing the industry to hide behind unsubstantiated claims that payday loan apps are a benefit rather than a trap. California already requires app-based loan providers to report to the state financial regulator but must commit to making that data public. In Maryland, the state financial regulator should take full advantage of its authority under the state's new cash advance loan law to collect and publish important data on these loans. In Connecticut, the banking commissioner should use their rulemaking authority to impose effective loan tracking methods to stop lenders from facilitating loan stacking. Other state regulators should use available authorities to compel information from app-based lenders about loan costs, borrowing patterns, and usage rates.

With regard to enforcement, in states where industry has not obtained a carve-out from state credit laws, regulators and attorneys general must take action to apply those laws to payday app loans. CRL strongly supports the efforts in the District of Columbia and New York to do just that and encourages other states to follow those jurisdictions' lead.

There are other legal theories that state officials should assert to combat the worst abuses of the payday loan app industry. In particular, industry practices raise potential unfair, deceptive, and abusive acts or practices claims ("UDAAP claims"), which many state financial enforcers can bring directly under state law—and all such enforcers can bring under federal law (see chart in the appendix for more information). The industry's deceptive practices around advertising "free" advances that nearly always solicit a fee and/or tip and abusive practices around trapping users in a cycle of repeat reborrowing are ripe for challenge under these UDAAP statutes. And, as the CFPB has noted, lenders' representations around the purpose and benefits of tipping and their conduct preventing users from canceling their accounts also constitute UDAAPs.<sup>69</sup> Notably, these claims can be brought *even in states where payday loan apps are exempt from state credit laws*.

The accompanying state law chart (see appendix) serves as a shorthand guide to state regulation of payday loan apps in the states that have authorized them. It provides a side-by-side comparison of where states have imposed meaningful consumer protections, such as comprehensive cost limitations, data reporting, and enforcement authority, and where significant gaps remain. By presenting this information in a single, digestible format, the chart allows lawmakers, regulators, and advocates to quickly identify trends, compare state approaches, and assess the effectiveness of different policy choices. The chart highlights which states have acted to curb abusive fee structures and high-pressure tip systems, which have taken steps to enforce their existing credit laws, which have created loopholes for this industry, and which have not acted at all. This chart is therefore a practical advocacy tool equipping decisionmakers with a clear, visual snapshot of where strong protections exist, where harmful carve-outs have been enacted, and where urgent action is still needed.

# APPENDIX

## State-by-State Action on Payday Loan Apps

The states included in this chart have either enacted laws that have eliminated payday lending, or taken action on payday loan apps, or both. States in gray passed laws pushed by app-based payday lenders exempting themselves from existing state credit laws and providing for a regulatory scheme that does not effectively protect consumers and provide transparency.

State	Cost Limitations			Enforcement & Oversight			Data Reporting & Transparency			
	Strong Small-Dollar Loan Rate Cap (e.g., 36%)	Per-Transaction Fee Limit	Monthly Aggregate Fee Cap or Limit	Establishes Registration/Licensing Structure Unique to Payday Loan Apps	Effort to Require Compliance with Small dollar Lending Statute	State UDAP/UDAAP Authority <sup>1</sup>	Federal UDAAP Authority	Lender Reporting Required	Periodic Public Reporting Required	Authority to Impose Transaction Reporting System
Arizona	X					X	X			
California				X <sup>2</sup>		XX	X	X		
Colorado	X					X	X			
District of Columbia	X				X	X	X			
Georgia	X					X	X			
Hawaii	X					X	X			
Illinois	X					X	X			
Massachusetts	X					X	X			
Minnesota	X					X	X			
Montana	X					X	X			
Nebraska	X					X	X			
New Hampshire	X					X	X			
New Jersey	X					X	X			
New York	X				X	XX <sup>3</sup>	X			
North Carolina	X					X	X			
Ohio	X					X	X			
Oregon	X					X	X			
Pennsylvania	X					X	X			
Rhode Island	X <sup>4</sup>					X	X			

### Footnotes

- <sup>1</sup> States marked with "XX" have expanded UDAAP protections. Arkansas, Nevada, South Dakota, and West Virginia have UDAP protections that only prohibit deceptive or unconscionable acts.
- <sup>2</sup> California enacted, via regulation, a registration regime that will expire in February 2029, four years after it went into effect.
- <sup>3</sup> New York's FAIR Act, amending the state's UDAAP statute, has passed the legislature and is awaiting the governor's signature.

**State-by-State Action on Payday Loan Apps (APPENDIX CONTINUED)**

State	Cost Limitations			Enforcement & Oversight			Data Reporting & Transparency			
	Strong Small-Dollar Loan Rate Cap (e.g., 36%)	Per-Transaction Fee Limit	Monthly Aggregate Fee Cap or Limit	Establishes Registration/Licensing Structure Unique to Payday Loan Apps	Effort to Require Compliance with Small dollar Lending Statute	State UDAP/UDAAP Authority	Federal UDAAP Authority	Lender Reporting Required	Periodic Public Reporting Required	Authority to Impose Transaction Reporting System
South Dakota	X					X	X			
Vermont	X					X	X			
Virginia	X					X	X			
Washington						X	X			X <sup>5</sup>
West Virginia	X					X	X			
Arkansas	X <sup>6</sup>					X	X			
Connecticut	X	X <sup>7</sup>	X <sup>8</sup>			X	X			X <sup>9</sup>
Indiana		X		X		XX	X			
Kansas				X		X	X			
Louisiana						X	X	X	X <sup>10</sup>	
Maryland	X	X				XX	X			X <sup>11</sup>
Missouri				X		X	X			
Nevada				X		X	X	X		
South Carolina				X		X	X			
Utah				X		X	X			
Wisconsin				X		X	X	X		

<sup>4</sup> The 36% rate cap on all small dollar loans in Rhode Island goes into effect on January 1, 2027.

<sup>5</sup> Washington law requires all payday lenders to report loans to a third-party tracking database and prohibits consumers from taking out more than eight of these loans total per year. The definitions of loan and payday loan under Washington law encompass payday loan app loans, and to the extent there is any uncertainty, the state financial regulator should issue guidance on this issue.

<sup>6</sup> Arkansas has a constitutional prohibition on usury that would trump a conflicting statute and that has, in the past, invalidated legislative attempts to create carve-outs from the usury prohibition.

<sup>7</sup> The per-transaction fee limit is inclusive of all fees collected, including tips.

<sup>8</sup> The monthly fee limit per lender is inclusive of all fees collected, including tips.

<sup>9</sup> The Connecticut law empowers the Connecticut Banking Commission to set rules to prevent borrowers from borrowing against the same wages from multiple providers.

<sup>10</sup> Lenders must submit annual reports that disclose, among other things, the total number of unique customers, total amount of tips and donations received, and total revenue attributable to payday loan app transactions. Annual reports will be published with information presented in aggregate form.

<sup>11</sup> Maryland's Commissioner of Financial Regulation has authority to collect necessary data from payday loan app companies and should implement regulations that include transaction reporting and periodic public reporting.

## Endnotes

---

- <sup>1</sup> Center for Responsible Lending, [Escalating Debt: The Real Impact of Payday Loan Apps Sold as Earned Wage Advances \(EWA\)](#) (2025).
- <sup>2</sup> Center for Responsible Lending, [Not Free: The Large Hidden Costs of Small-Dollar Loans Made Through Cash Advance Apps](#) (2024).
- <sup>3</sup> *Id.* at 8.
- <sup>4</sup> Center for Responsible Lending, [Escalating Debt: The Real Impact of Payday Loan Apps Sold as Earned Wage Advances \(EWA\)](#) (2025).
- <sup>5</sup> Consumer Fin. Prot. Bureau, [Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work](#) (Proposed Interpretive Rule, July 2024).
- <sup>6</sup> *Id.* at 7.
- <sup>7</sup> *Id.*
- <sup>8</sup> Federal Register, [Supervisory Highlights, Issue 37 \(Winter 2024\)](#), 90 Fed. Reg. 607 (2025).
- <sup>9</sup> *Id.* at 612.
- <sup>10</sup> Federal Register, [Legal Standard Applicable to Supervisory Designation Proceedings](#), 90 Fed Reg 41520 (2025).
- <sup>11</sup> Federal Register, [Interpretive Rules, Policy Statements, and Advisory Opinions; Withdrawal; Truth in Lending \(Regulation Z\); Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work](#), 90 Fed Reg 20084 (2025).
- <sup>12</sup> While federal law establishes a broad regulatory framework for consumer lending, it does not impose substantive limits on loan costs, with the exception of the Military Lending Act, 10 U.S.C. § 987, et seq., which caps the annual percentage rate at 36% for covered loans to servicemembers, as defined by the Truth in Lending Act, 15 U.S.C. § 1601, et seq. As a result, state laws and enforcement play a crucial role in regulating interest rate limits and other lending practices to protect borrowers.
- <sup>13</sup> [Earned Wage Access Consumer Protection Act, H.R. 7428, 118th Cong.](#) (2024).
- <sup>14</sup> Lynne Marek, [EWA Players Seek Federal Oversight](#) (2025).
- <sup>15</sup> Center for Responsible Lending, [A Loan Shark in Your Pocket: The Perils of Earned Wage Advance](#) (2024).
- <sup>16</sup> [Az. Sen. Bill SB 1582 \(2025\)](#); [Ark. House Bill 1517 \(2025\)](#); [Colo. House Bill 25-1020 \(2025\)](#); [Conn. Sen. Bill No. 1396 \(2025\)](#); [Ind. House Bill 1125 \(2025\)](#); [La House Bill 368 \(2025\)](#); [Me. House Bill 1915 \(2025\)](#); [Md. House Bill 1294 \(2025\)](#); [Minn. House Bill 2874 \(2025\)](#); [N.M. House Bill 59; N.Y. Senate Bill S3332A \(2025\)](#); [Ohio Senate Bill 117 \(2025\)](#); [Or. Senate Bill 481 \(2025\)](#); [Wash. House Bill 1063 \(2025\)](#); [Utah House Bill 179 \(2025\)](#).
- <sup>17</sup> See [Ark. House Bill 1517 \(2025\)](#); [Conn. Sen. Bill No. 1396 \(2025\)](#); [Ind. House Bill 1125 \(2025\)](#); [Md. House Bill 1294 \(2025\)](#); [La House Bill 368 \(2025\)](#); [Utah House Bill 179 \(2025\)](#).
- <sup>18</sup> [Ind. House Bill 1125 \(2025\)](#) at 34.
- <sup>19</sup> *Id.* at 35.
- <sup>20</sup> [La House Bill 368 \(2025\)](#) at 7.
- <sup>21</sup> [Utah House Bill 179 \(2025\)](#).
- <sup>22</sup> Ark. Const. art. XIX, § 13; Ark. Code Ann. § 4-57-104 (2025).
- <sup>23</sup> JD Supra, [Does the Recent Earned Wage Access Law Change the Regulatory Environment in Arkansas?](#)
- <sup>24</sup> [Maryland Commissioner of Financial Regulation, Guidance on Earned Wage Access Products](#)
- <sup>25</sup> [Md. House Bill 1294 \(2025\)](#) at 2.
- <sup>26</sup> Expedite fees are maxed out at \$5 for transactions under \$75 and \$7.50 for transactions over \$75.
- <sup>27</sup> [Md. House Bill 1294 \(2025\)](#) at 13.
- <sup>28</sup> [Md. House Bill 1294 \(2025\)](#) at 14.
- <sup>29</sup> Conn. Gen. Assemb., [An Act Concerning Various Revisions to the Banking Statutes \(2023\)](#).
- <sup>30</sup> Lynne Marek, [Connecticut enacts controversial EWA law](#) (2025).

- <sup>31</sup> [Conn. Sen. Bill No. 1396 \(2025\)](#) at 3.
- <sup>32</sup> [Conn. Sen. Bill No. 1396 \(2025\)](#) at 9.
- <sup>33</sup> [Conn. Sen. Bill No. 1396 \(2025\)](#) at 11.
- <sup>34</sup> [Conn. Sen. Bill No. 1396 \(2025\)](#) at 12.
- <sup>35</sup> [Conn. Sen. Bill No. 1396 \(2025\)](#) at 13.
- <sup>36</sup> [District of Columbia v. Activehours, Inc.](#) (EarnIn), Complaint, No. 2024-CAB-007303 (D.C. Super. Ct. Dec. 2024).
- <sup>37</sup> *Id.* at 15.
- <sup>38</sup> *Id.* at 16.
- <sup>39</sup> *Id.* at 11.
- <sup>40</sup> [People v. DailyPay](#), Petition, No. 154851/2025 (N.Y. Sup. Ct. 2025).
- <sup>41</sup> [People v. MoneyLion](#), Complaint, No. 451303/2025 (N.Y. Sup. Ct. 2025).
- <sup>42</sup> *Id.* at 7.
- <sup>43</sup> [District of Columbia v. ActiveHours Inc.](#) at 10.
- <sup>44</sup> [People v. MoneyLion Inc.](#) at 18.
- <sup>45</sup> *Id.* at 17.
- <sup>46</sup> *Id.* at 16.
- <sup>47</sup> *Id.* at 26.
- <sup>48</sup> *Id.* at 20.
- <sup>49</sup> *Id.* at 32.
- <sup>50</sup> *Id.*
- <sup>51</sup> *Id.*
- <sup>52</sup> [People v. DailyPay, Inc.](#) at ¶ 99.
- <sup>53</sup> [People v. DailyPay, Inc.](#) ¶ 100.
- <sup>54</sup> [People v. DailyPay, Inc.](#) at 26.
- <sup>55</sup> *Id.* at 23.
- <sup>56</sup> [People v. DailyPay, Inc.](#) at 25–26.
- <sup>57</sup> [People v. MoneyLion Inc.](#) at 25.
- <sup>58</sup> Maine Superintendent of Consumer Credit Protection, [Advisory Rule defining “earned wage access” products as “loans”](#) (2025).
- <sup>59</sup> [Mayor Brandon M. Scott Sues MoneyLion for Operating Digital-Age Payday Lending Scheme](#), press release (Oct. 6, 2025).
- <sup>60</sup> [Orubo v. Activehours, Inc.](#), Order Den. Motion to Dismiss at 2, No. 5:24-cv-04702-PCP (N.D. Cal. April 2025).
- <sup>61</sup> *Id.* at 8.
- <sup>62</sup> *Id.* at 6.
- <sup>63</sup> [Johnson v. Activehours, Inc.](#), No. 1:24-cv-02283, slip op. at 2 (D. Md. Aug. 2025).
- <sup>64</sup> *Id.* at 7.
- <sup>65</sup> *Id.* at 11.
- <sup>66</sup> [Golubiewski v. Activehours, Inc.](#), No. 3:22-CV-02078 (M.D. Pa. Aug. 2025).
- <sup>67</sup> [Moss v. Cleo AI Inc.](#), No. 2:25-CV-00879 (W.D. Wa Sept. 2025).
- <sup>68</sup> [Vickery v. Empower Finance, Inc.](#), No. 3:25-cv-03675 (N.D. Cal. Oct. 2025).
- <sup>69</sup> See notes 8 and 10, *supra*.



Center for Responsible Lending

[www.responsiblelending.org](http://www.responsiblelending.org)

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, rural, women, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

---

#### **North Carolina**

302 West Main Street  
Durham, NC 27701  
Ph (919) 313-8500  
Fax (919) 313-8595

#### **California**

1970 Broadway  
Suite 350  
Oakland, CA 94612  
Ph (510) 379-5500  
Fax (510) 893-9300

#### **District of Columbia**

910 17<sup>th</sup> Street NW  
Suite 500  
Washington, DC 20006  
Ph (202) 349-1850  
Fax (202) 289-9009