Center for Responsible Lending

Senate Finance Committee
Public Hearing Regarding House Bill 96
May 23, 2025

Dear 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 remove the EWA language from the budget for appropriate amendment.

Thank you for your consideration.

Sincerely,

Monica Burks
Policy Counsel
Center for Responsible Lending
www.responsiblelending.org