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Ohio Poverty Law Center Testimony
Ohio Senate Financial Institutions, Insurance, and Technology Committee
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Chair Wilson, Vice Chair Lang, Ranking Member Craig, and members of the Ohio Senate Financial Institutions, Insurance, and Technology Committee, my name is Danielle DeLeon Spires, and I am a policy advocate at the Ohio Poverty Law Center. The Ohio Poverty Law Center advocates for evidence-based policies that protect and expand the rights of low-income Ohioans. We are a non-profit working closely with Ohio's legal aid community, serving Ohioans who are living, working, and raising their families in poverty. Thank you for the opportunity to provide testimony on Senate Bill 117, which regards regulations for Earned Wage Access (EWA) services.

The language of the bills creates regulatory process for EWA under the Department of Financial Institutions; however, it also creates a loophole for operating outside of applicable consumer lending laws.

These products are comprised of multiple models, including direct-to-consumer products and employer-integrated services. Under the bill, companies are required to disclose terms and conditions, as well as any fees. A requirement to provide a no-cost option is also included, however, consumers typically encounter optional fees or "tips" upon taking out an advance. The different models often utilize different fee structures, including, but not limited to monthly subscription fees, transaction fees, and expedite fees.

In addition, under these provisions, EWA services are not considered a loan or other form of credit or debit or a money transmission. In addition, the bill states EWA are not in violation of, or non-compliant with, any other provision of the Revised Code governing the sale or assignment of, or an order for, earned but unpaid income. Any registrant providing earned wage access services in accordance with this chapter shall not be considered to be a creditor, debt collector, lender, or money transmitter

These as-introduced EWA provisions present several concerns. The language does not include limits on fees or tips: Transparency in fees and tips are not the same as capped or nominal fees In addition, the language allows these products to avoid being named as loans. Previous advice from the CFPB through an interpretative rule issued in July 2024, found that paycheck advance products are consumer loans subject to the Truth in Lending Act, which provides consumers with strong protection against predatory practices.

We agree with advocacy recommendations that any regulation of EWA products includes provisions classifying these payday advances as credit, and the providers as lenders. We also

encourage caps on additional fees and tips. Addition of these recommendations to the bill language would create additional consumer protection for individuals utilizing these services.

Many borrowers are trapped in a cycle of debt, which leads to repeat usage of EWAs. Over half of consumers use direct-to-consumer cash advance apps to pay for everyday expenses like food, transportation, housing costs, and bill and utility payments.

The National Consumer Law Center (NCLC) found that over 55% of workers in the most recent data obtained two or more advances/week, making up 75% to 80% of revenue. The top 10% of users took out 5.7 advances a week – nearly 300 loans a year.

Consumers can also access multiple lenders simultaneously, leading to loan stacking and increased risk of overdraft fees. NCLC found nearly three in five advances were within two days or less of the prior loan.

Direct-to-consumer lenders receive access to a consumer's bank accounts and process transactions to recoup loan funds. This may result in multiple attempts, regardless of the balance of the account.

The impact on consumers raises concerns and we encourage the committee to include additional consumer protection into these regulatory provisions. Thank you for the opportunity to provide testimony on Senate Bill 117 and I am happy to answer any questions.

Sincerely,
Danielle DeLeon Spires

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