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**Ohio Poverty Law Center Testimony
Ohio Senate Government Oversight and Reform Committee
Wednesday, May 14, 2025**

Chair Manchester, Vice Chair Brenner, Ranking Member Weinstein, and members of the Ohio Senate Government Oversight and Reform 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 written testimony regarding sections of House Bill 96 that will have an impact on legal aid organizations and clients.

House Bill 96 includes regulatory provisions for Earned Wage Access (EWA) service products under the Ohio Department of Commerce. These provisions are the subject of Senate Bill 117 and House Bill 152, both currently in the committee process in their respective chambers. The language of these bills would create a way for these providers to operate in the state through an application and investigation process to receive a valid certificate of registration.

These products are comprised of multiple models, including direct-to-consumer products and employer-integrated services. Providers are required to disclose terms and conditions, as well as any fees. Providers will be required to offer a no-cost option; 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
- A money transmission
- A 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.
- In addition, 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

The 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.

Many borrowers are trapped in a cycle of debt, which leads to repeat usage of these services. 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.

We are advocating for the removal of these sections to allow the standalone legislation to receive a robust discussion during the committee process or would request substantial consumer protection to be added to the language.

Thank you for the opportunity to provide testimony on House Bill 96 and I am happy to answer any questions.

Sincerely,
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