March 17, 2025

The Honorable Matt Klein, Chair
Commerce & Consumer Protection Committee
Minnesota Senate
2105 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Gary Dahms, Ranking Minority Member
Commerce & Consumer Protection Committee
Minnesota Senate
2105 Minnesota Senate Building
St. Paul, MN 55155

RE: SF 2216, Article 4, Sections 1-9 (Earned Wage Access Regulation)

Dear Chair Klein and Ranking Minority Leader Dahms,

DailyPay, LLC, the nation's leading Earned Wage Access (EWA) provider, writes to firmly oppose SF 2216, Article 4, Sections 1-9, the Department of Commerce's Budget and Policy bill that would erroneously regulate EWA products as loans and providers as lenders. This proposal incorrectly seeks to classify Earned Wage Access (EWA) services as loans under Minnesota state law, mistakenly asserting that these services evade the state's 36% interest rate cap despite our industry and DailyPay not charging interest. While we recognize the importance of consumer protection in financial services, such reclassification would have negative consequences for Minnesota residents who rely on these services to manage their financial well-being.

Earned wage access programs are low-cost or no-cost, innovative tools that provide employees with access to wages they have already earned without imposing high costs or charging interest. Unlike traditional loans, EWA services do not create debt; they simply provide workers with a means to access their hard-earned income ahead of their scheduled payday. Labeling EWA services as loans risks all EWA providers leaving the state and then leaving consumers with only higher cost alternatives for accessing liquidity, including high-interest lending and other actual predatory financial products, which all charge far more than all EWA platforms, including DailyPay's single $3.49 expedited transfer fee .

Specifically, this misguided reclassification could lead to:

1. **Limited Access to EWA Services**: As mentioned above, imposing a 36% interest rate cap on EWA providers means EWA providers would no longer operate, driving some out of the Minnesota market and limiting access for workers relying on these services. This sends users to only more expensive options.

2. **Increased Financial Stress for Workers**: Without EWA access, employees would need to resort to predatory alternatives, such as payday loans or high-interest credit cards, worsening their financial struggles.
3. **Discouragement of Low-Cost Innovation**: Classifying EWA as a loan could stifle innovation in the financial technology sector by creating regulatory hurdles for companies looking to develop or enhance such services that drive down costs for consumers. Minnesota risks losing its standing as a leader in fostering financial innovation.
4. **Increased Costs for Consumers**: EWA programs are not loans; they provide early access to earned income without borrowing,repayment, origination fees, late fees, penalty fees, or interest on unsettled EWA amounts, as well as no debt collection of any kind. All of this distinguishes EWA from traditional lending products. For these reasons, requiring EWA providers like DailyPay to obtain a lending license would completely change the fee structure of EWA and only have worse consequences.

As this committee knows, two-thirds of Americans live paycheck to paycheck, lacking sufficient savings to handle emergency expenses between pay periods. Even individuals making $100,000 annually before taxes are experiencing financial fragility.[1] With the average annual salary nationwide falling just shy of $60,000[2]consumers increasingly turn to safe and affordable alternatives to bridge the financial gap created by irregular pay schedules.[3]

To further illustrate the need for this product, independent research conducted by the Financial Health Network in 2023[4] and sponsored by DailyPay found that 22% of households experienced expenditures exceeding their income, while 29% reported challenges in meeting their bill payment deadlines. Furthermore, 43% of households did not possess adequate savings to cover a minimum of three months' living expenses. Additionally, a separate study conducted by Aite Novarica explored the effectiveness of Earned Wage Access (EWA) as a potential liquidity solution. The results revealed that 81% of EWA users no longer depended on payday loans after utilizing the service, and 75% reported rarely or never overdrawing their accounts as a result of using EWA.

Instead of reclassifying EWA services as loans and subjecting DailyPay's optional, one-time, flat instant transfer fee to the state's 36% interest rate cap, we strongly urge the legislature to consider alternative approaches that prioritize keeping costs low while preserving access to these invaluable services.. For example, establishing clear disclosure requirements, a fee cap per

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[1] Morabito, Charlotte. "Here's Why Even Americans Making More than $100,000 Live Paycheck to Paycheck." *CNBC*, CNBC, 11 Dec. 2023, www.cnbc.com/2023/12/11/why-even-americans-making-more-than-100000-live-paycheck-to-paycheck.html
[2]*The average annual salary nationwide is $59,428.*Belle Wong, J.D. "Average Salary by State in 2024." *Forbes*, Forbes Magazine, 8 Nov. 2023, www.forbes.com/advisor/business/average-salary-by-state/.
[3]SecureSave, January 25, 2023, Survey: Americans personal savings are plummeting as 74% are now living paycheck to paycheck (https://www.prweb.com/releases/2023/01/prweb19128966.htm).
[4]*Exploring Earned Wage Access as a Liquidity Solution: Findings From a Study of Earned Wage Access Users*, Financial Health Network, November, 2023, https://finhealthnetwork.org/wp-content/uploads/2023/12/EWA-Users-Report-2023.pdf.

transaction, and specific consumer safeguards tailored to the new risks posed by other EWA providers that lending laws do not address would effectively balance oversight with accessibility.

Thank you for your attention to this important matter. We urge you to reconsider the implications of this bill and work towards a solution that champions financial inclusion and innovation while protecting Minnesota's workers.

Sincerely,

DailyPay, LLC