



STATE OF MARYLAND

OFFICE OF THE GOVERNOR
Wes Moore

May 20, 2025

The Honorable Adrienne A. Jones
Speaker of the House of Delegates
H-101 State House
Annapolis, MD 21401

Dear Speaker Jones,

In accordance with Article II, Section 17 of the Maryland Constitution, I will allow House Bill 1294 - *Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization* - to be enacted without my signature.

For decades, employers have offered their employees, mostly low-wage and hourly workers, the opportunity to access some of their accrued wages before the end of their payroll cycle. Recently, this service has become known as “earned wage access.” Originally, only employers offered wage access to their employees but, more recently, third party companies began offering this access directly to consumers as loans secured by their accrued wages. The usage of these services have been growing rapidly as third-party lenders have entered the market to allow workers faster access to their earned, but not yet paid, wages. While there are clear benefits of access to these products, this innovation by lenders necessitates that adequate consumer protections be in place.

Earned wage access (EWA) products can undoubtedly provide a tangible benefit to workers. Expenses can arise unexpectedly and these small loans can offer a means to replace a flat tire, pay a medical co-pay, afford a veterinarian bill, and so on. However, depending on how the product is structured, consumers face risks of paying relatively high costs while they are already short on cash or drawing too much of their pay, unintentionally landing Marylanders in worse financial situations. This has led states across the country as well as the federal government to

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grapple with appropriate regulations for these products in recent years. In 2024, the Consumer Financial Protection Bureau (CFPB) affirmed that these products should be treated as loans with adequate consumer protections. Unfortunately, the Trump-Vance Administration has set about dismantling the CFPB and its protections for Americans. In this time when federal protections are being eroded, it is more important than ever for states to step up and ensure that necessary protections are in place.

To that end, I commend Delegate CT Wilson and members of the General Assembly for advancing a path forward on regulating these products as no legislation has previously been brought forward specifically on this issue. This is a complex issue and one that states are searching for a balanced solution to. House Bill 1294 provides some strong consumer protections that should not go unnoticed or unappreciated. In particular, the bill formally defines earned wage access products as loans, sets fee caps, provides some limitations on solicitations for tips, requires lenders to offer a no-cost option to consumers and clearly explain how to utilize it, and prevents certain fees from accruing. These protections are a significant step in the right direction and should serve as a starting place for future efforts on this issue. However, it is my view that the statute and regulations will need continued work to ensure that this access to capital is maintained while ensuring that predatory practices are unable to take root. In particular, there are three sections of the legislation that should be strengthened:

First, the legislation creates no cap on the amount of money, including by multiple lenders, that a consumer can borrow against. This puts both the lenders and consumers at risk of borrowing all, or more than the total amount, of earned wages prior to receiving payment. This can quickly result in a debt cycle for consumers and would leave lenders unable to reclaim the loan and fees.

Second, the bill creates a new class of lenders with broad exemptions from existing commercial law focused on financial consumer protection. Specifically, the bill exempts licensed earned wage access lenders from laws such as Commercial Law § 12-305 which prohibits discrimination on applicants based on race, color, creed, national origin, sex, sexual orientation, gender identity, disability, marital status, or age; as well as from § 12-304 which prohibits deceptive advertising. While I have no immediate indication that EWA lenders are violating these provisions or their spirit, my administration is concerned about financial consumer protection deregulation at a time when the CFPB is being diminished and defunded by the current federal administration.

Lastly, House Bill 1294 permits earned wage lenders to solicit tips from consumers provided that they (1) disclose who will receive the tip; (2) set the default tip at \$0; and (3) disclose that the decision to tip has no impact on the lender's willingness to offer a loan or the terms of that loan. While the protections included are laudable, it is my view that soliciting tips for a loan in any form is inappropriate.

Data on who is utilizing these loans underscores the importance of ensuring that necessary protections are in place to prevent misuse or inappropriate lending practices. A market inquiry that the Maryland Office of Financial Regulations (OFR) conducted in 2024 found that earned wage access products are commonly used in Maryland with over 11 million EWA transactions in Maryland totaling roughly \$108 million, with more than 345,000 unique customers between January 1, 2019 and September 26, 2024. Usage is highest among those earning \$25,000 - \$50,000 annually and 23% use the service at least once every two weeks with most users showing 51 or more repeat transactions, suggesting habitual use. 50% of users pay expedited fees and defaults are disproportionately higher in older age groups (65+) and by those earning less than \$50,000 annually. When mapping the usage of these products, OFR found that usage is most common within the lowest income communities in the state. Given these results of the market inquiry, it is clear to me that both preservation of access to these products and strong consumer protections are warranted.

Maryland has long been a leader amongst states on financial consumer protection and it is important to my administration that we continue this tradition. While House Bill 1294 takes steps in the right direction, there is more to do and I look forward to engaging with partners in the legislature and stakeholders from across the state to chart a path forward. For these reasons, House Bill 1294 will take effect without my signature.

Sincerely,



Wes Moore
Governor