



Minnesota House Committee on Commerce Finance and Policy
Re: HF 2874 – Earned Wage Access
March 24, 2026

Dear Chair O'Driscoll, Chair Koegel and Members of the Committee:

My name is Yasmin Farahi, Deputy Director of State Policy and Senior Policy Counsel for the Center for Responsible Lending (CRL). We urge you to vote no on HF 2874, which would legalize high-cost payday loan apps under the misleading label of “earned wage access” (EWA).

This bill creates a carve-out that allows predatory lenders to evade the core protections in Minnesota’s strong lending laws. Although marketed as providing early access to accrued wages, these products are functionally payday loans: short-term, high-cost advances against a worker’s next paycheck that are due on payday. The bill attempts to redefine these transactions as non-credit to evade interest rate limits and standard consumer protections.

Harms of Payday Lending Apps

CRL’s research shows that payday loan apps marketed as earned wage access inflict a multitude of harms upon consumers:

- **Repeat borrowing is the norm, not an exception:** borrowers double their usage over the first year, from two loans per month to four per month on average.
- **Immediate reborrowing is common:** 75% of borrowers take out a new advance the same day or the next day after repayment.
- **Overdrafts spike after use:** checking-account overdrafts increase by 56% on average following use of an EWA/payday app.
- **Loan stacking is widespread:** borrowers routinely take advances from multiple apps at the same time, with wages pledged to more than one lender — exactly the kind of debt spiral that Minnesota law was designed to prevent.
- **The cost routinely exceeds triple-digit APRs:** Payday loan apps come with steep costs — the average APR for observed loans paid within 7 to 14 days was 383% APR.

These findings are mirrored in an examination of Minnesota consumers transaction data, highlighted in the enclosed fact sheet.

Additionally, EarnIn-funded research found that using EarnIn caused workers to incur more bounced-check (“NSF”) fees. **EarnIn use causes users to bounce more checks.**

What the Bill Does — and Why It Is Harmful

The EWA industry has been going across the country to state legislatures asking for carve-outs from existing laws for their product. While specific provisions vary, EWA carve-out bills like HF 2874 follow a consistent and troubling pattern. They assert that EWA is “not a loan,” despite operating as credit in every meaningful sense. Based on that assertion, these bills exempt providers from credit laws, including interest rate caps like Minnesota’s 36% rate cap, fee limits, ability-to-repay requirements, and basic disclosure rules.

Minnesota’s existing small dollar lending laws cover app-based payday loans and include meaningful cost protections in the form of a 36% APR cap – a standard used to allow consumers to compare the cost of credit. HF 2874 serves to carve app-based payday loans out of existing laws. In doing so, it creates a framework that does not include meaningful and effective limits on per transaction fees, and it includes no limit at all on monthly fees. The offered amendment, with \$5 and \$7.50 per transaction limits on fees is insufficient, as these companies push small loans to extract fees on repeated transactions. It also excludes “tips,” pushed by EWA providers and commonly included as part of the transaction fees associated with these app-based loans. The bill as drafted would allow automatic repayment from wages without adequate safeguards and fails to prevent loan stacking or repeated use. HF 2874 legalizes fintech payday lending under a different name, undermining consumer protections on small dollar lending enacted by this legislature to prevent the harms associated with predatory high-cost lending.

CRL urges the legislature to regulate payday loan apps based on how they function. Payday loan apps should be treated as credit and subject to existing interest rate caps, fee limits, and disclosure requirements.

Courts Find that these Products are Violating Applicable Laws

Courts are increasingly rejecting the industry’s claim that EWA is not credit. As summarized in CRL’s Nickel and Dimed report, enclosed and linked below, a growing number of lawsuits challenge these products, and courts are uniformly siding with consumers in recognizing that EWA transactions constitute credit and that related practices violate consumer protection laws.

Several cases have identified violations of the Military Lending Act (MLA), underscoring the particular harm these products pose to service members and veterans—groups Congress has explicitly sought to protect from high-cost payday lending. Other litigation has focused on deceptive practices and unfair or abusive conduct under state and federal UDAAP standards.

CRL Resources

For more information on the harms of these products discussed above, how the business model works, and how regulators, attorneys general, and policymakers have taken action against these lenders in the face of heavy industry pressure, please find CRL resources available here:

• [Escalating Debt: The Real Impact of Payday Loan Apps Sold as Earned Wage Advances \(EWA\) | Center for Responsible Lending](#)

• [Nickel and Dimed: How Payday Loan Apps Drain Workers' Pay and How to Stop Them | Center for Responsible Lending](#)

[Not Free: The Large Hidden Costs of Small-Dollar Loans Made Through Cash Advance Apps | Center for Responsible Lending](#)

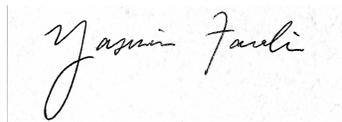
[A Loan Shark in Your Pocket: The Perils of Earned Wage Advance | Center for Responsible Lending](#)

CRL also co-authored a recent report examining the impact of the 2023 Minnesota payday lending reforms - which enacted a strong 36% rate cap on small dollar loans - drawing on focus groups with former payday loan borrowers. The findings are clear: borrowers are better off without payday lending, they have demonstrated adaptive strategies to manage financial struggles, and they overwhelmingly support strong consumer protections and further regulation, including enforcement against lenders trying to evade state law. The report can be found here:

[Escape from the Debt Trap: Relief for Minnesotans After State Ends Payday Lending | Center for Responsible Lending](#)

CRL respectfully urges you to vote against HF 2874 and reject this attempt to weaken Minnesota's consumer lending protections. Payday loan apps should not be permitted to evade the law simply by rebranding high-cost credit as "earned wage access."

Thank you,

A handwritten signature in black ink that reads "Yasmin Farahi". The signature is written in a cursive style and is positioned above a thin horizontal line.

Yasmin Farahi

Deputy Director of State Policy and Senior Policy Counsel

Center for Responsible Lending

Minnesota

Most frequently used EWA providers:
Cleo, Brigit, EarnIn, MoneyLion, Dave

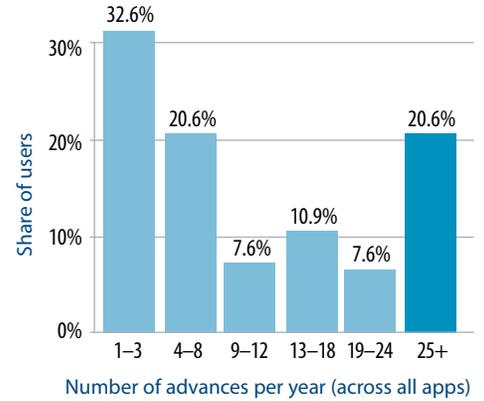


Repeat Borrowing

Frequent advances incur more fees, making EWA more costly for workers

Users with at least **6** advances in 1 or more months accounted for **33%** of all users and **79%** of all advances.

Roughly **1 in 5** took out **25+** advances in a year

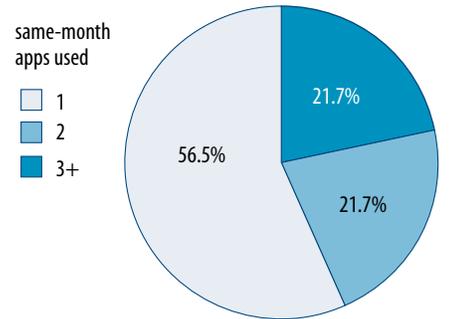


Loan Stacking

Using multiple apps leaves workers with less money on pay-day, making it harder to meet expenses

One MN resident used as many as **6** apps in the same month. On average, workers used **1.4** apps every month.

Roughly **1 in 5** used **3+** apps in the same month



Percentages may not add up to exactly 100% due to rounding.

More Overdrafts

EWA products may exacerbate overdrafts, negatively impacting overall financial health

Of MN users who experienced overdrafts, **67%** experienced **increased overdrafts** after their initial advance.

Overdrafts increased after initial advance

