



Testimony in Opposition to HF 2874
Before the House Committee on Commerce, Finance and Policy
Of the Minnesota House of Representatives
Lauren Saunders
Associate Director, National Consumer Law Center
March 24, 2026

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

I am Lauren Saunders, the Associate Director of the National Consumer Law Center (NCLC), a national non-profit organization that uses its consumer law expertise to work for economic justice for low-income and vulnerable consumers. NCLC publishes a treatise, *Consumer Credit Regulation*, which discusses high-cost lending, including payday lending and its latest incarnation, earned wage payday lending. We also regularly issue reports, including [The Affordability Problem of Earned Wage Payday Loans](#) (Feb. 2026)¹ and [Picking Workers' Pockets: Unfair, Deceptive and Abusive Practices by Earned Wage Payday Lenders](#) (Jan. 2026).²

I am offering this testimony in opposition to HF 2874. **The overriding goal of this bill is to declare that loans are not loans and exempt high-cost payday loan apps from Minnesota's interest rate limits, including the protections adopted in 2023 to stop predatory payday loans.** Instead of strong protections, the bill substitutes high fees and disguised interest with meaningless protections that only codify an existing business model that permits exploding fees.

To date, **10 out of 10 courts** to rule on the issue have rejected industry claims and have found that earned wage payday loans are loans covered by the federal Truth in Lending Act, the Military Lending Act and its 36% rate cap, and/or state credit laws.³

Data and experience increasingly show that payday loan apps **exploit and worsen the affordability crisis by costing people hundreds of dollars a year in fees and trapping them in a vicious debt trap cycle of reborrowing:**⁴

¹ NCLC, [The Affordability Problem of Earned Wage Payday Loans](#) (Feb. 2026) (“Affordability Problem”).

² NCLC, [Picking Workers' Pockets: Unfair, Deceptive and Abusive Practices by Earned Wage Payday Lenders](#) at 14 (Jan. 2026) (“Picking Workers' Pockets”).

³ See NCLC, [Courts Reject Claims that Payday Loan Apps Don't Offer Loans](#) (March 23, 2026).

⁴ See generally *Affordability Problem*, *supra*.

- **Not free. 90% of earned wage payday loans have fees.** Apps make free options slow, inconvenient, difficult to access, and rarely used. For instance, the New York Attorney General found that MoneyLion “artificially slows deposits” for certain no-fee loans, “a process it describes as ‘Delayed Deposits.’”⁵
- **Hundreds a year in fees.** DailyPay boasts to investors that it **extracts over \$300 per year on average** from low-wage workers. One worker paid almost \$1,400 on 450 loans over two years.⁶ One in five MoneyLion borrowers regularly incur fees and tips totaling **\$57 a month.**⁷
- **Debt trap reborrowing.** 80% of DailyPay’s most recent revenue comes from workers who took out **over 100 loans per year.** Nearly half of all fees are paid by workers who, on average, take out **a loan every other day.**⁸
- **“Dark pattern” manipulations to increase fees and churn loan volume.**
 - A video shows EarnIn required users to make **13 additional clicks and suffer through 17 messages** about why they need to tip in order to get an advance without a fee.⁹
 - MoneyLion advertises \$500 in credit but limits loan size to \$100, while allowing people to take out back-to-back loans with separate fees; the New York Attorney General found nearly **2 million loans made within minutes** of each other.¹⁰
- **Increased financial distress. Overdrafts** and use of **payday loans increase** after people start using payday loan apps, and **loan stacking** from multiple apps is common.¹¹

The proposed amendments to HF 2874, which are being portrayed as “the Maryland model,” are neither consistent with the approach in Maryland nor sufficient to stop exploding fees. Maryland classifies earned wage payday loans as loans, requires a regular consumer loan law license, subjects so-called “tips” to the state’s 36% rate cap, and is considering a bill from the governor to ban tips altogether. The \$5 to \$7.50 limits on expedite fees in the proposed amendment, a disguised form of interest, are insufficient in the face of the manipulations described above that can result in multiple loans a day and hundreds a year.

⁵ Picking Workers’ Pockets, *supra*, at 14.

⁶ NCLC, [DailyPay Extracts Hundreds of Dollars From Low-Wage Workers’ Pay](#) (May 8, 2025) (summary of facts from New York Attorney General (NY AG) complaint against DailyPay) (“DailyPay”).

⁷ NCLC, [MoneyLion’s Costly “0% APR” “Earned Wage” Payday Loans](#) (May 22, 2025) (summary of facts from NY AG complaint against MoneyLion) (“MoneyLion”).

⁸ DailyPay, *supra*.

⁹ NCLC, [The Tricks Cash Advance Apps Use to Coerce Borrowers to “Tip”](#) (Apr. 23, 2025) (EarnIn video).

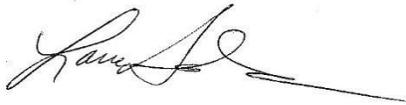
¹⁰ MoneyLion, *supra*.

¹¹ Center for Responsible Lending, [Consumer Impacts of EWA](#) (Oct. 2024).

The only way to prevent escalating fees on payday loan apps and to distinguish earned wage payday loans from regular payday loans is to cap the annual percentage rate (APR) at 36% as Minnesota law and the Military Lending Act already do, or to impose a monthly fee cap such as \$10 a month covering all loans.¹² This bill does not address the high fees and repeat borrowing associated with payday loan apps. It will worsen affordability problems in Minnesota and authorize earned wage payday lenders to prey on the most financially vulnerable residents.

NCLC urges you to vote against HF 2874.

Thank you,

A handwritten signature in black ink, appearing to read 'Lauren Saunders', with a long horizontal flourish extending to the right.

Lauren Saunders
Associate Director
National Consumer Law Center

¹² Letter from Americans for Financial Reform et al. to U.S. House Financial Services Committee on [Discussion draft of Earned Wage Access Consumer Protections Act](#) (Feb. 24, 2026).



March 23, 2026

The Honorable Tim O’Driscoll
Co-Chair
House Commerce Finance and Policy
Committee
658 Cedar St, 2nd Floor
Saint Paul, MN 55155

The Honorable Erin Koegel
Co-Chair
House Commerce Finance and Policy
Committee
658 Cedar St, 5th Floor
Saint Paul, MN 55155

Dear Co-Chair O’Driscoll and Co-Chair Koegel,

On behalf of the Financial Technology Association (FTA)—an organization representing innovative fintech companies, including several leading providers of Earned Wage Access (EWA)—I write to express our support for House File 2874. We thank the committee for their efforts on legislation, and proposed amended language, that would provide important regulatory clarity for EWA products and the workers and employers who rely on them, and we respectfully urge the Committee to support the measure.

With growing affordability pressures, EWA is a lifeline for many hard-working Minnesotans. It helps people pay their bills on time, manage their cash flow, and handle emergency expenses, such as a doctor’s visit or auto repair.

With no mandatory fees, no credit checks, no interest, no recourse, and no impact on credit scores, EWA products are easy to use and consumer-friendly. They help people manage short-term liquidity challenges and avoid high-cost, predatory financial products. While EWA providers may charge voluntary expedited transfer fees, voluntary tips, or membership fees, they do not charge interest and always offer a no-cost option. These protections apply whether the model is business to business (B2B) and offered as an employee benefit, or direct to consumer (D2C), which allows any worker to choose the provider that best fits their needs.

We thank the Committee again for their support of appropriate regulation – like HF 2874 – that is risk-based and tailored to the unique nature of these innovative products, and look forward to continuing to work with the Committee as the bill progresses. This bill would create a durable regulatory framework for EWA providers, ensuring strong, clear consumer disclosure requirements and enshrine into law the consumer protective features of the product.

Sincerely,

A handwritten signature in cursive script, appearing to read "Penny Lee".

Penny Lee
President and Chief Executive Officer
Financial Technology Association



American Fintech Council Testimony

TO: Minnesota House Committee on Commerce Finance and Policy
FROM: Ashley Urisman, Director-State Government Affairs, American Fintech Council (AFC)
DATE: March 24, 2026
SUBJECT: House File 2874

Position: Support with Amendments

Testimony:

Thank you Co-Chair O'Driscoll, Co-Chair Koegel, Co-Vice Chair Elkins, Co-Vice Chair Perryman, and members of the House Commerce Finance and Policy Committee for the opportunity to submit written comments regarding House File 2874 (HF 2874). We are grateful for your work on this important issue and support the intent and much of the substance of this bill. However, we respectfully request a few minor amendments to ensure that consumers can access this important innovative financial tool without compromising on the protection they deserve.

AFC is a standards-based trade association representing the leading financial technology (fintech) companies, including the largest number of Earned Wage Access (EWA) providers. AFC's mission is to promote a transparent, inclusive, and customer-centric financial system. A core part of our mission is supporting responsible innovation and sound public policy in Financial Services.

EWA is an emerging fintech product that allows workers to access the money they have already earned in a given pay period before their employer's scheduled pay day. With EWA, employees are no longer beholden to arbitrary pay periods and can access their own money on their own terms. EWA providers utilize several different business models: some integrate directly with employers, while some offer EWA as a standalone product directly to consumers, while others offer comprehensive subscriptions that include a suite of other financial wellness products in addition to their EWA service. Because the latter business model includes services that are beyond EWA, AFC asks that the bill be amended to ensure that caps on subscriptions fees paid for and bona-fide non-EWA services be excluded from this bill.

To ensure that EWA providers safely and effectively serve consumers, AFC has established clear standards on what constitutes a responsible EWA product to ensure users remain protected. Our standards require that

- A voluntary no-cost option be made available for all users;
- All potential fees are represented to users clearly and transparently;
- All EWA transactions are “credit invisible,” and do not include credit checks or reporting to consumer credit agencies;
- All EWA transactions are “non-recourse,” and users can cancel their EWA service at any time, meaning it does not have to be repaid
- Users who cancel their EWA service may not be sent to collections, charged interest or late fees, and will not see their credit impacted. Users will simply be locked out of an EWA provider’s services until they repay the outstanding balance.

At this time, EWA remains unregulated in Minnesota. The guardrails set forth in HF 2874 explicitly codify the aforementioned AFC standards and create a licensing framework administered by the Minnesota Commerce Department. This framework ensures that workers in the North Star State can use EWA services with peace of mind. The bill creates an opportunity for both Minnesotans and EWA providers to build a stronger economy in the state.

Thank you again for the opportunity to offer our comments regarding HF 2874.

Sincerely,



Ashley Urisman
Director of State Government Affairs
American Fintech Council



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 Massachusetts 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](#)

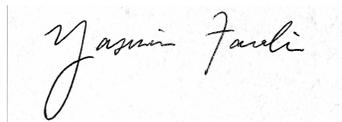
[A Loan Shark in Your Pocket: The Perils of Earned Wage Advance | Center for Responsible Lending](#)

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,



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

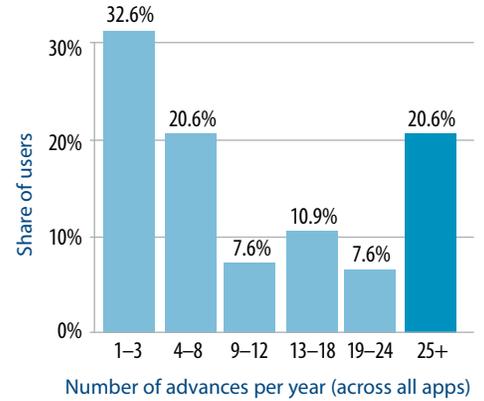


Repeat Borrowing

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

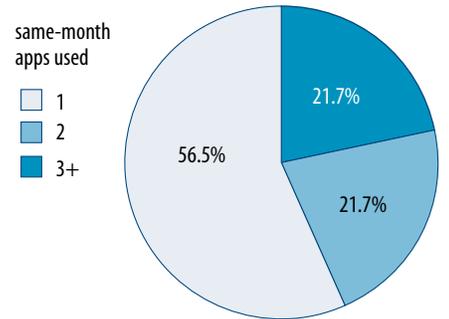


Loan Stacking

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



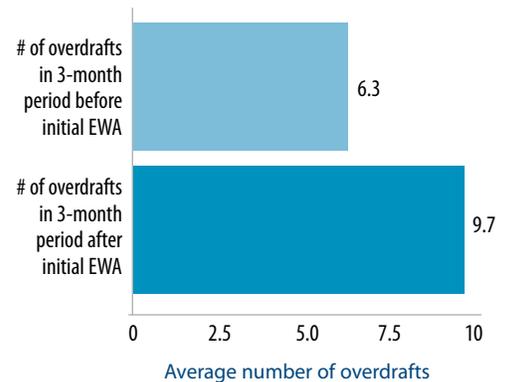
Percentages may not add up to exactly 100% due to rounding.

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



Written Testimony in Opposition to HF2874

Good afternoon, Chair and members of the committee.

My name is Taryn Curtis, and I live in South Saint Paul, Minnesota. I participated in a listening session last fall with Exodus Lending to discuss my experience using mobile lending apps.

Like many others, I turned to these apps for quick assistance with an unexpected expense. While the initial process was easy, the aftermath was not. The interest rates and fees were not transparent, and the repayment terms were confusing. I soon found myself paying back far more than I had borrowed, trapped in a cycle that was difficult to escape.

During the listening session, I realized my experience was not unique. Many of us trusted these apps because they appeared legitimate and convenient. However, because these companies are not held to the same standards as other lenders, users remain vulnerable to high rates and hidden fees.

I oppose this bill because it fails to ensure that all lenders, including those operating via smartphone apps, are transparent and fair. Implementing interest rate caps and requiring clear disclosures will provide Minnesotans with the same protections whether they borrow online or in person.

Thank you for considering this legislation and for listening to the voices of those seeking fair and responsible lending practices.

— Taryn Curtis
South Saint Paul, MN

Dear Co-Chairs O'Driscoll and Koegel and Members of the House Commerce Finance and Policy Committee,

On behalf of Three Rivers Community Action, we are writing to express our opposition to HF2874, the proposed legislation regulating earned wage access payday loan apps.

As a nonprofit organization serving Minnesotans navigating financial instability, we see firsthand how high-cost, short-term lending impacts individuals and families. Many of the people we work with turn to these products during moments of urgency, often without clear information about the true cost. What may appear to be a small fee can quickly add up, especially when repayment timelines are short and borrowing becomes repeated.

While this bill is presented as a consumer protection measure, it does not meaningfully limit the cost of borrowing. A flat fee structure, without clear limits on how or when fees can be charged, allows for effective interest rates that far exceed what is legal for other small-dollar loans in Minnesota. This creates an uneven playing field and leaves borrowers exposed to the same cycles of debt that existing law is intended to prevent.

Minnesotans deserve real protections that reduce harm, not policies that give the appearance of regulation while allowing high-cost lending to continue.

We urge you to oppose this bill and instead support solutions that center transparency, fairness, and long-term financial stability for our communities.

Thank you for your time and consideration, and for your commitment to protecting Minnesota consumers.

Sincerely,

MyKitta Davis

Achieve Homeownership Advisor

Three Rivers Community Action

March 22, 2026

House Commerce Committee,

I want to share with you my personal experience with using money apps such as Cleo, Dave, Earn-in, Brigit, money lion and the money app. I have been using these apps for many years. It started when I was short on cash to get Christmas presents, as I live paycheck to paycheck, regardless of working 3 part time jobs as I have a lot of bills and responsibilities. The first time utilizing the money apps is great as it is extra money the first time using the apps, but after that is when it starts the endless cycle that is so hard to get out of. The money apps start taking out the money you borrowed out of your bank account when you get paid. So, if I borrowed 200.00 from Earn-in they will take out that money plus their fees which I will discuss momentarily. So, 200.00 is out of my bank account which makes me short on paying my bills, so in turn I have to take out another loan so I can pay my bills on time. As you can see this is an endless cycle that is easy to start but so hard to break.

Here is the breakdown of the apps I have used and their fees:

Earn-in: Can only take out 100 a day until you reach your max of what you can take out. Each time you borrow money they charge a 6.00 fee to get it right away (lightning speed) or no fee if you do standard which takes a few days. If for some reason you can't make your scheduled payment you can change the date when you pay it back, but that can only be done once every 6 months.

Dave: For example, if I want 300.00, I owe Dave 320.00. So, I would be paying 20.00 in fees. You can't get the loan all at once, you can request 150.00 and get charged a fee then request the other half for another fee. You can get it deposited into your bank account or a dave card. If you want to wait a few days for it to be deposited in your account there is no fee, but most of the time you need it right away. If you can't pay them when you are supposed to, they say they will only take what you have in your account and keep on doing that until you pay them back. They also want on file three payment options so if they try to take out of your bank account and nothing is in there or not enough they will look at your second/ third form of payment.

Cleo: You can't take out the full loan all at once. If you are approved for a 500.00 loan, you can take out half now and then 24hrs later take out the other half. You can set up a subscription plan to get higher cash advances, the cleo card, early access paycheck etc. The plus plan is 6.00 monthly, the pro plan is 9.00 a month and the builder plan is 15.00 a month. If you want your funds right away it is 15.00 for an express fee. So since you can't take out the full amount right away and have to get the funds you want in total you would be charged 30.00 extra for express fee, not including the subscription plan you choose a month. If you want to change the payment date you can but not frequently. I told them one time I couldn't pay them back when I was scheduled to because I got a new job and my payment dates would change. They said they wish they could help but couldn't because I

recently changed the payment date. So, I had to call my bank and make a stop payment so they couldn't leave my bank account negative again for taking funds that I didn't have.

Brigit: I was with them for many years and only able to take 50.00 . They charged me a 4.00 fee. When I made so many payments on time I would get extension credits, which allowed me to extend my payment date with no penalty. The last time when I dealt with them, I didn't have any extensions left so I emailed them stating my payment dates have changed due to a new job and I told them that exodus was helping me with my last payment. They were very understanding and worked with me and extended my payment date.

Money lion: Looking at my previous transaction history, my last cash advance was in Dec 2025 and I received 300.00. I was charged 26.97 total for fees. I wasn't able to get my funds in one transaction, but in two. My first cash advance from them was in May 2025. I received 50.00 and I had to repay them 58.99, so a 9.00 fee.

Money app: I started this app in May 2025. I received a 50.00 deposit and in total I paid them back 57.99, so an 8.00 fee. Dec 2025 was my last loan where I received 250.00 and in total paid them back 268.99, so a 19.00 fee. I can't remember if it was this app or money lion that if I wanted an extension I had to pay an extra 16.00 to extend payment.

As you can see these payday loan apps are a trap and with the help of Exodus , more than once they have helped me break the chain of this cycle. I am so grateful for their commitment and compassion to help individuals like me to break this cycle.

-Melissa Rosiak
Sartell, MN



Legal Services Advocacy Project

March 22, 2026

The Honorable Tim O’Driscoll
Co-Chair, Commerce Fin. & Policy Comm.
Minnesota House of Representatives
2nd Floor, Centennial Office Building
St. Paul, MN 55155

The Honorable Erin Koegel
Co-Chair, Commerce Fin. & Policy Comm.
Minnesota House of Representatives
5th Floor, Centennial Office Building
St. Paul, MN 55155

Re: HF 2874 – Earned Wage Access Payday Loan Bill

Dear Chair O’Driscoll, Chair Koegel, and Members of the Commerce Finance and Policy Committee:

The Legal Services Advocacy Project (LSAP) writes in staunch opposition to HF 2874, a bill to sanction the discredited payday lending policies that this Legislature has rejected and have been proven not to help but rather to cause financial stress and harm to consumers. LSAP provides legislative and administrative policy advocacy on behalf of Legal Aid’s clients, who include low-income Minnesotans, Minnesotans with disabilities, and elder Minnesotans statewide.

Plain and simple, the product this bill seeks to sanction is a payday loan. Period the end. The proponents can spin this anyway they want, use tortuous, inaccurate, and incredulous logic to try to avoid the truth that what they are peddling is a payday loan that is already regulated under Minnesota Statutes, sections 47.60 and 47.601. You can call a pig a duck, but it’s still a duck. By any measure these are payday loans. Just because they are app-based rather than storefront loans does not change their fundamental nature. As the National Consumer Law Center correctly informs: this product is merely “a payday loan dressed up in fintech marketing.”

EWA loans are app-based payday loans and should be regulated as such. They contain the very same characteristics as the storefront payday loans that are governed by sections 47.60 and 47.60 : high repeat usage; loan stacking; disingenuous marketing; high cost; and targeting of financially strapped workers. In fact, the lifeblood of this product is trapping borrowers into loan after loan after loan after loan.

The delete-all does not fix these problems. And the fact that other states have succumbed to the lobbying pressure to enact harmful, anti-consumer legislation sanctioning this product should carry zero weight in this committee. Just because there is a need for short-term credit does not mean that this Legislature should sanction dangerous and harmful lending practices. High-cost loans that make borrower’s financial situation ever more precarious in not the answer to financial hardship.

The Industry's Arguments Justifying This Bill Stretch Credulity and are Downright Wrong

"There is a Free Option"

EWA payday lenders derive their revenues from expedited fees and other means whereby a consumer must pay something to get the loan. For employer-based payday lenders, the Consumer Financial Protection Bureau found that "90% of workers pay this fee."¹

As for the direct-to-consumer loans that feature the ludicrous concept of asking consumer for "tips," it is virtually impossible to avoid paying them. As the plaintiffs in a lawsuit against one EWA payday lender documented:

Although the tip is nominally optional, plaintiffs assert that EarnIn utilizes various forms of deception and coercion to ensure that most users pay it, including visual and structural indicators that the charge is mandatory, representations that the charge must be paid to keep EarnIn running, and confusing roadblocks that borrowers have to navigate to avoid paying it...[C]alling the payment a "tip" is misleading because, although EarnIn represents that the tip is a way to "help" people, "support the service," and "keep EarnIn running for the rest of the community," the tip serves solely to generate profits for EarnIn.²

HF 2874 deceitfully provides that a fee "does not mean a voluntary tip, gratuity, or other donation." To exclude "tips" from being finance charges for a loan does not pass the laugh test. As one GOP legislator in another state opined: "I can't get my head around the concept of tipping in this context. We've all seen more pressure to tip at the point of sale where there's a human being involved. But there's no human being here. This is akin to me going to my ATM and withdrawing \$100 and then it asking me to tip it for the exceptional service it provided."

In short, the vast majority of borrowers pay a fee or other charge to get the loan. If they didn't, there would be no business. The lenders act as if their product is a public service to help people. If that were true, then indeed all of the loans would be free. It is disingenuous to cloak an exploitive money-making enterprise as a social services endeavor.

"It's Their Money"

No, it isn't. It's the EWA payday lender's money that is being advanced. When an employer clicks on the app and asks for a loan, the EWA payday lender does NOT access the employer's bank account where the worker's wages reside and advances the employer's money that the worker has earned to date. To say it's the employee's money is not just misleading, it's downright untrue. The loan money that goes into the worker's bank account IS THE LENDER'S MONEY, which then needs to be repaid on payday or some other date certain.

To underscore how fallacious this line of argument is one only need to look at the definition of "provider" in the bill. The definition excludes "[a]n employer that offers a portion of salary, wages, or compensation directly to its employees or independent contractors before the normally scheduled pay date." Clearly, by the EWA payday lenders' own admission, it is NOT an employer who is advancing the funds; it is a third-party EWA payday lender who is advancing ITS funds. This deceptive argument should cease once and for all. It is simply not accurate.

"It's Not a Loan"

HF 2874 expressly excludes these products from being loans or an extension of credit. This exclusion is absurd. To suggest these aren't loans does not appropriately recognize the nature of this product.

One need go no further than the definitions under existing law to conclude that this bill is a blatant attempt to evade existing protections for this kind of short-term loan. Payday loans are regulated under Minnesota Statutes,

¹ Consumer Financial Protection Bureau, Data Spotlight: *Developments in the Paycheck Advance Market*, July 18, 2024, at 5.

² *Orubo v. Activehours, Inc.*, 780 F. Supp. 3d 927, 932 (N.D. Cal. 2025).

sections 47.60 and 47.601. A payday loan under section 47.60 is defined as an unsecured “cash advance” in an amount less than \$350 (or \$1,300 under section 47.601) for “personal, family, or household purpose[s].” If that doesn’t describe EWA payday loan, nothing does.

The Legal Information Institute at Cornell University affirms that “an advance is a type of **loan**...”³ The Bell Policy Center of Colorado describes EWA advances as “short-term, small-dollar **loans**.”⁴ According to Moneyview, “an advance is a form of credit that is given to cover daily funds such as salary, wages, and so on. It is provided for a short-term duration and is...considered a **short-term loan**...”⁵

Whether or not interest is charged is immaterial. As University of Houston Law Center professor Jim Hawkins – a *payday lending industry advocate* – says about EWA payday lenders: “**the industry’s argument that the absence of an explicit interest charge prevents these transactions from being loans...relies on dubious footing.**”⁶ As Black’s Law Dictionary identifies, an “interest-free loan” is “money loaned to a borrower at no charge.”⁷ The idea that “tips,” “donations,” and “contributions” are not finance charges is preposterous and merely an audacious attempt at a blatant subterfuge.

Whether or not the lender chooses to go after the borrower if the loan is not repaid is also immaterial as to whether or not the extension of money is a loan. As the Maine Department of Professional & Financial Regulation articulates: “[T]he inclusion of non-recourse provisions...does not mean that those contracts are not loans.”⁸ One court has taken judicial notice in the lawsuit against EarnIn’ that “both EarnIn and its users understand that users are expected to repay any advances, that EarnIn implements several requirements to ensure that repayment will occur in nearly all circumstances, and that EarnIn’s disclaimer of any legal repayment obligation is therefore a sham, illusory, or at the very least lacking in any real-world significance.”⁹ As Professor Hawkins notes, “even non-recourse advances are loans.”¹⁰ Moreover, that the EWA payday lenders tout that they do not go after unpaid loans is a meaningless argument: As Professor Hawkins notes, there is “little risk on nonpayment.”¹¹ For example, the charge-off rate for employer-based loans is infinitesimal: the Financial Health Network reports that EWA payday loans are “recouped successfully 97% of the time.”¹²

Black’s Law Dictionary defines “loan” as “a thing lent for the borrower’s temporary use.”¹³ It’s a loan. In sum, as one judge once sagely summarized: “The ingenuity of man has not devised a contrivance by which usury can be legalized . . . [F]or the name by which the transaction is denominated is altogether immaterial if it appears that a loan of money was the foundation and basis of the agreement which is under consideration.”¹⁴ All this smoke is merely a tactic to “strenuously attempt to avoid being regulated like other lenders” and avoid being held to the consumer protection standards associated with consumer lending.¹⁵

³ Cornell Law School, Legal Information Institute, advance; at <https://lawyers.law.cornell.edu/> (emphasis added).

⁴ Bell Policy Center, In the Know (emphasis added).

⁵ Moneyview, Difference Between a Loan and an Advance, at <https://moneyview.in/loan-insights/difference-between-loans-and-advance> (emphasis added).

⁶ Jim Hawkins, *Earned Wage Access and the End of Payday Lending*, 101 B.U. L. REV. 705, 727 (2021) (emphasis added).

⁷ *Interest-free loan*, Black’s Law Dictionary (10th Ed. 2014).

⁸ Maine Department of Financial & Professional Regulation, *Advisory Ruling*, at 2.

⁹ *Orubo v. Activehours, Inc.*, 780 F. Supp. 3d 927, 934–35 (N.D. Cal. 2025).

¹⁰ Hawkins, at 750.

¹¹ Hawkins, at 751.

¹² Devina Khanna and Arjun Kaushal, *Earned Wage Access and Direct-to-Consumer Advance Usage Trends*, Financial Health Network, April 2021.

¹³ *Loan*, Black’s Law Dictionary (10th Ed. 2014).

¹⁴ *Bank of Lumpkin v. Farmers’ State Bank*, 161 Ga. 801, 132 S.E. 221, 221 (1926).

¹⁵ Andrew Kushner, Monica Burks, and Yasmin Farahi, *Paying to be Paid: Consumer Protections Needed for Earned Wage Advances and Other Fintech Cash* (Center for Responsible Lending, 2024).

EWA Payday Loans are No Different from Storefront Payday Loans

They are High Cost

The cost of an EWA payday loan is exorbitant, on an APR basis, triple digits. The argument that you can't apply an APR to a short-term loan is without merit. First, an APR is merely a calculation of the cost of credit. The formula is simple: how much is loaned, what is the finance charge, and over how long a period. It's an apples-to-apples comparison.

Of course by trying to avoid their proper designation as loan, the EWA payday lenders do not want to have to comply with basic lending laws and disclosure of APRs, which have been identified in lawsuits and other articles as ranging from 284% to 750% and, in one case involving Earnin, "1,022%." While the industry claims their "small" fee is better than other payday loans, the fact of the matter is that this bill sanctions much higher fees.

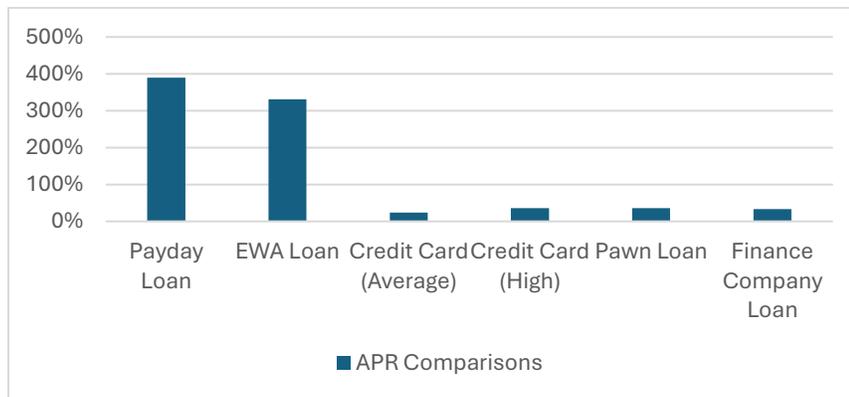
Serial Borrowing is Rampant and Disturbing

The basic business model of this and all payday loans is insidious. These companies' profitability relies in getting the worker to borrow over and over and over and over again. This is a discredited model, which only results in the workers digging the financial hole deeper and deeper each pay period. As the New York Attorney General noted in a lawsuit against one of the EWA payday lenders: "[t]he abusive nature of [the defendant's] business is a selling point...it touts its customers' dependency to potential investors, claiming the company can extract hundreds of dollars in wages on average each year from an hourly worker."¹⁶

EWA Loans are NOT Cheaper than Other Forms of Credit

And the argument that EWA payday loans are cheaper than other forms of credit is specious, as the chart below shows:

APR Comparisons¹⁷



¹⁶ New York State Attorney General, Press Release, *Attorney General James Sues Payday Lending Companies for Exploiting Workers with Illegal Loans*, April 14, 2025

¹⁷ Sources: Payday loans (390%) (Minn. Stat. § 47.60); EWA loans (331% - 334%) (DPFI); Credit card average APR (24%) (Investopedia, *Average Credit Card Interest Rate for August 2025*); Credit card high (36%) (Jane Parker, *What is the Highest Credit Card Interest Rate* (Wallet Hub, August 7, 2025); Pawn loans (36%) (Minn. Stat. § 325J.07); Finance Company Loans (33%) (Minn. Stat. § 47.59).

Loan Stacking is a Huge and Unsolvable Problem

In a recent study, “nearly half of all EWA payday borrowers had used multiple companies in the same month.”¹⁸ The General Accounting Office confirms this perilous risk of EWAs payday loans, finding that “[i]f consumers rely on earned wage access to cover their daily expenses, they may need to use it again to make up for the funds used to repay a prior advance.”¹⁹ This just digs the hole deeper, and the industry acknowledges this is an issue but offers no solution.

EWA Payday Loans Do Not Prevent Overdrafts; They Cause Them

EWA payday lenders often argue their products are superior to higher cost overdraft protection fees. But in reality, their products *cause* overdrafts. As the GAO confirms, though an EWA loan “purports to give consumers access to money that has been earned but not yet paid, potentially helping lower-income consumers meet their financial obligations,” EWA products create “risks of unexpected overdraft fees.”²⁰

Borrowers taking direct-to-consumer EWA payday loans are even more vulnerable to overdraft fees. These EWA payday lenders do not work with employers. Rather, they extract repayment directly from a borrower’s bank account the moment the paycheck hits. The GAO’s findings are confirmed by the allegations of the Class Action filed in California against Earnin. According to the Complaint, “Earnin’ markets the app as a way for users to avoid NSF and overdraft fees from their banks but then directly causes those fees by withdrawing funds when Earnin knows that the user does not have sufficient funds to cover the withdrawals.”²¹

Indeed, in a study of **Minnesota EWA payday loans**, “overdrafts on consumers’ checking accounts increased on average following use” of an EWA loan.²² In fact, 67% of EWA borrowers experienced increased overdrafts after their initial advance. For these borrowers, the number of overdrafts they experienced **increased by 64%** compared to the number of overdrafts they experienced before they ever took an EWA loan.²³ In sum, EWA payday loans “may exacerbate overdrafts, negatively impacting overall financial health” of Minnesotans who use them.²⁴

Consumer Privacy is a Concern

When a worker clicks on an employer-based app and gives the lender permission to pry into the worker’s private payroll records, it is highly unlikely that the worker has the foggiest notion that the lender is going to pore over the worker’s private payroll and person data, whether or not they pay child support or are subject to a garnishment, or what their spending habits are. This is serious invasion of privacy which is a completely under-the-radar aspect of the mechanics of this product when a borrower visits the lending app.

Conclusion

This bill tries to put old wine in a new bottle. LSAP urges the committee not to be swayed by the misleading and inaccurate rhetoric designed to place a veil over the fact that this is a payday loan, nothing more, nothing less. It doesn’t just walk and quack like a duck, it is a duck! LSAP urges the committee to forcefully reject this attempt to evade existing law governing this product.

¹⁸ Candice Wang, Lucia Constantine, Monica Burks, and Yasmin Farahi, *A Loan Shark in Your Pocket: The Perils of Earned Wage Advance* (Center for Responsible Lending, October 2024), at 8.

¹⁹ United States General Accountability Office, *Report to Congressional Committees, Financial Technology Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed* (2023), at 23.

²⁰ GAO, at 1.

²¹ *Compl., Perks v. Activehours, Inc. d/b/a Earnin*, (United States District Court, Northern District of California, September 3, 2019) (emphasis in original).

²² Center for Responsible Lending, *Earned Wage Advance (EWA) Products: States Should Regulate as Credit to Protect Consumers*, October 2024

²³ *Id.* (emphasis added).

²⁴ *Id.*

HF 2874 seeks to turn a sow’s ear into a silk purse by doth protesting these advances are not payday loans and should somehow be regulated differently. As the chart below show, the isn’t a sliver of difference between an app-based EWA payday loan and a traditional storefront payday loan.

Comparison of App-Based EWA Payday Loans and Traditional Storefront Payday Loans

<i>Characteristic</i>	<i>Storefront Payday Loan</i>	<i>Employer-Based EWA Payday Loan</i>	<i>Direct-to-Consumer EWA Payday Loan</i>
Short-Term, Small Dollar Loan	√	√	√
Heavy Repeat Borrowing (Debt Trap)	√	√	√
Does Not Solve Financial Instability; Exacerbates It by Leaving Borrowers Short for Next Pay Period	√	√	√
High-Cost / Fees	√	√	√
Multiple Loans from Multiple Providers (Loan Stacking)	√	√	√
Deceptive, Misleading Marketing	√	√	√
Extremely Low Default Rate	√	√	√
Direct Access to Bank Account (ACH)	√	√ ²⁵	√
Causes Overdrafts	√	√ ²⁶	√

There are a myriad of concerns with this product and with this bill. It:

1. Promotes errors in the estimation of wages earned, allowing “guesstimates” with no obligation to verify the employee’s earnings, significantly increasing the likelihood of miscalculation and the advance of a loan for more than the employee actually earns;
2. Fails to call the product what it is: a loan;
3. Codifies a fiction that tips, gratuities or donations are not fees or finance charges;
4. Sets an excessively high cap on fees;
5. Fails to set any limit on the number of loans a borrower may take; and
6. Includes meaningless and cosmetic “protections,” including requiring a free option (where almost all borrowers pay the fee), informing the consumer of changes to the contract (which doesn’t prevent the company from reserving the right to unilaterally change the agreement), requiring complying with the federal Electronic Funds Transfer Act (they already have to comply with those); reimbursing overdrafts if caused by the EWA lender prematurely accessing the employee’s bank account (that’s not what causes overdrafts); prohibiting referrals to collection agencies, debt buyers, and prohibiting lawsuits (the default rate is very small and the amounts borrowed are too small to warrant collection or litigation); and charge only one fee per transaction (which doesn’t address the fact that consumers can take dozens, even hundreds of loans per year, which is from where the lender’s revenues derive, and it doesn’t take into account for those companies that demand tips, they can also charge a fee).

LSAP urges the committee to reject this proposal and instead require that EWA payday loans be regulated as they should be under Minnesota’s existing payday loan laws, sections 47.60 and 47.601.

Sincerely,



Supervising Attorney

²⁵ Whether the EWA payday lender obtains repayment from having direct access to a bank account depends on the company. Some companies use the ACH/direct deposit debit method to obtain repayment of the loan. With others, the employer sending the entire paycheck to the company, which then sends the wages to the employee, minus the loan principal and the fees.

²⁶ *Id.* Overdrafts occur when a payday lender uses the ACH/direct deposit repayment method.