

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-1396

AN ACT CONCERNING EARNED BUT UNPAID WAGE OR SALARY INCOME

Title: ADVANCES.

Vote Date: 3/11/2025

Vote Action: Joint Favorable

PH Date: 3/4/2025

File No.:

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SPONSORS OF BILL:

The Banking Committee

REASONS FOR BILL:

Effective financial management of an individual's funds is an important skill in life. Providing individuals with flexibility regarding their already earned paychecks benefits their financial security. This bill allows for the regulation of early wage access providers to protect Connecticut workers and promote more effective financial management.

RESPONSE FROM ADMINISTRATION/AGENCY:

Dante Bartolomeo, Connecticut Department of Labor, Labor Commissioner: He expressed concern regarding Connecticut wage statutes. He stated that currently, if Earned Wage Access (EWA) is offered in the form of a payroll deduction, the employer must first receive written authorization from the employee. He explained that the current language of the bill does not adequately articulate the details of the changes to earned wage access. He also noted that, due to the language of the bill, there may be some fiscal impact on the Department of Labor.

Joseph Chambers, Department of Banking, Chief of Staff and General Council: He expressed three additional concepts that he would like added to this bill. First, he suggested a provision that would prohibit providers from making an advance to a borrower if another provider has already done so. Second, he explained that twelve states currently require payday lenders to submit information to third-party databases, and he requested that the committee consider adopting a similar requirement. Third, he recommended that the committee establish an upper dollar limit for unpaid wage or salary income advances. He suggested that this limit be comparable to existing APR caps or other small loan thresholds.

NATURE AND SOURCES OF SUPPORT:

Kadeem Roberts, Connecticut General Assembly, Representative: He stated that EWA is a stable way for individuals to access their earnings and more effectively manage their finances. He explained that without EWA, individuals are often forced to rely on credit cards with high interest rates or go without essential items. He elaborated that Connecticut residents are at a disadvantage due to the state effectively banning EWAs. He then expressed his belief that EWAs are a necessary financial tool for hardworking families in Connecticut, helping them manage their finances responsibly.

Molly Jones, Payactiv, Vice President of Policy: She stated that Connecticut is the only state where people cannot access their own earned wages. She explained that Payactiv participated in multiple negotiations with the Governor, the Governor's office, and the Department of Banking. She noted that Payactiv raised four concerns. These concerns included: tips being treated as financed charges subject to a fee cap; the wage verification method for direct-to-consumer providers; the 75% accessible balance requirement; and a technical issue that would inadvertently ban non-recourse delays in repayment.

Kevin Lefton, Wagestream, General Council: He stated that earned wage access (EWA) services are not credit or loans and should not be regulated as such. He emphasized the necessity of EWA for frontline workers who rely on these services. He explained that with EWA, employees can access wages they have already earned when they need them. He also noted that EWA often comes with low or no-cost options, unlike high-cost payday loans.

Jane Doyle, Woodstock Institute, Sr Regulatory Policy Associate: She noted the importance of a proper regulatory process for EWA services and emphasized the need to ensure that fees are truly voluntary. She claimed that without proper EWA regulations, workers could be subject to predatory practices like payday and auto title loans with high APRs.

Christopher Fitzpatrick, Coordinated Assistance Network: He noted that EWA's like DailyPay equips workers to manage their finances more effectively via financial literacy tools.

Jason Gwizdala, Immediate, Co-Founder – CTO: He stated how essential EWA services are for meeting basic needs and avoiding predatory practices. He explained that properly establishing regulatory processes ensures consumer protection and financial mobility.

Brianna January, Chamber of Progress, Director: She noted how EWAs are a strong alternative to predatory practices. She explained that a conducted survey shows people who utilize EWAs experience more financial freedom, and that the same users felt these services were the best option available. Brianna also expressed multiple concerns regarding the bill's current wording and would like it amended to address these concerns, including the preservation of consumer choice tipping models, ensuring sensible advance limits, and expanding wage verification options.

Ben LaRocco, Earnin, Senior Director: He stated how EWAs are strong supporters of providing consumers with alternatives to predatory lending practices and unnecessary fees by banks and other money-lending institutions. He noted how earned wage access operates as an agreement between a service provider and an employer and claimed that early wage access is a similar principle. He claimed that while this bill establishes critical regulatory functions, they wish to see it strengthened by a few targeted amendments, such as preserving consumer choice in tipping models, ensuring sensible advance limits, and expanding wage verification options.

Miss Sarah Mamula, Financial Technology Association: She explained that EWAs have multiple employee benefits, including B2B or D2C. She further stated that the FTA supports this risk-based legislation and the framework that creates consumer protective features.

Ryan Naples, DailyPay inc, VP Government Affairs: He noted multiple positive business practices of DailyPay and positive quotes from consumers. He claimed that since designating EWAs as loans, DailyPay can no longer instantly transfer users' wages. Because of this, according to a DailyPay survey, 9 out of 10 users reported accrued late fees, overdraft fees, and credit card interest charges.

Ashley Urisman, AFC, Director of State Government Affairs: She expressed concerns with the 75% earned wages requirement and requested its removal. She also asked that, to ensure EWA providers safely serve customers, the committee amend the bill with the following changes: a voluntary no-cost option should be made available, strong fee disclosures should be presented in a clear, transparent manner, no underwriting or credit checks should be required, and users should have the ability to cancel the EWA service at any time.

Geraldo Reyes, Connecticut General Assembly, Representative: He explained how this bill would allow workers to access their pay, which they have already earned, without mandatory fees, interest, or recourse of any kind. He elaborated on how many individuals rely on these services to pay their bills on time and attributed the high cost of living in the state as an example of why these services are necessary.

Jaana Boxley: She explained a situation she faced while relocating for her job, in which her expenses increased. She stated that EarnIn was a tool she used to stay financially afloat, and since these platforms have been restricted, she found herself incurring overdraft fees that she hadn't experienced in the past. She noted that EarnIn benefits consumers by helping them avoid falling behind financially or being charged fees, such as overdraft or late fees.

Deanna Czarsty: She explained a situation she faced while relocating for her job, in which her expenses increased. She stated that EarnIn was a tool she used to stay financially afloat, and since these platforms have been restricted, she found herself incurring overdraft fees that she hadn't experienced in the past. She noted that EarnIn benefits consumers by helping them avoid falling behind financially or being charged fees, such as overdraft or late fees.

Tanisha Gilbert: He noted that EarnIn helped her pay for an unexpected car payment, which, if missed, would result in the loss of her only method of transportation—crucial for her employment and the care of her child. She also expressed that platforms like EarnIn provide

her with a sense of flexibility and financial stability, allowing her to stay on top of her bills and other financial obligations without having to wait for her next pay period.

Harry Jackson: He stated that EarnIn was a platform accessible to him during his time of financial need and that the overall structure of the platform was beneficial. He noted that EarnIn did not charge a subscription fee, and there was no requirement to "tip" the platform, though it was an optional choice. He also expressed that the restrictions placed on earned wage access platforms like EarnIn had created additional financial strain for him.

Tenisha James: She noted that earned wage access has positively impacted her financial situation during times when she was struggling with unexpected costs, ensuring that her family was provided for and allowing her to manage her finances more effectively. She also stated that although some consumer groups have claimed that earned wage access platforms tend to be misleading, she never felt that way. Instead, she felt a greater sense of control over her finances, which helped keep her out of further debt and avoid negative financial impacts.

Donisha Risby: They expressed that EarnIn had a positive impact on her financially, as it allowed her to access the funds she needed. She explained that because of EarnIn, she was able to have flexibility with her paycheck, which made it possible for her to pay her bills on time, afford necessities such as groceries, and provide her family with a happy and well-gifted Christmas. She also noted that if Earned Wage Access platforms like EarnIn were accessible to Connecticut residents again, those who are struggling could become more financially stable and avoid unnecessary costs, such as overdraft and late fees.

Paulette Venditti: She stated that EarnIn allows her to cover unexpected financial costs without facing overdraft fees or feeling the need to obtain a credit card with a high interest rate, which could potentially make her more financially unstable.

Tominica Beach: She explained that since Earned Wage Access platforms, such as EarnIn, have been restricted in the state, her financial situation has been negatively impacted. She noted that although she has stable income from unemployment, she has faced financial hardship due to the rising cost of living in the state. EarnIn was a resource she relied on during difficult times, especially when she had to choose between avoiding electricity disconnection and purchasing necessities for her family, such as groceries. She also explained that without access to EarnIn, as in the past, she was unable to provide her family with Christmas gifts and had to rely on family and friends to help fulfill her other financial obligations.

Rayon Cohen: He discussed the impact EarnIn had on him when it was accessible to residents in the state. Due to his bi-weekly payroll, he was able to use EarnIn to cover any financial obligations between pay periods. He noted that having access to EarnIn provided him with financial stability and flexibility, allowing him to avoid alternative options, such as loans, that could have negatively impacted him further.

Steven Rivas: He explained that EarnIn was a useful tool he could access during financial hardships, such as needing gas or covering unexpected expenses between payroll periods.

He noted that Earned Wage Access serves as a resource for those in need, helping them avoid additional financial burdens, such as overdraft fees charged by banks.

Tara Rider, Brigit, Vice President of Policy and Government Relations: She explained that the platform she works for, Brigit, allows consumers to access their paychecks earlier than scheduled without needing to go through a credit check or deal with credit reporting agencies. She stated that Brigit not only offers paycheck advances to eligible consumers but also provides services such as credit protection, monitoring, and a builder loan that does not come with an Annual Percentage Rate (APR) like traditional loans. She expressed concern that, under Section 2 (3) of S.B. 1396, Brigit would be required to cap consumers' paycheck advancements, even though a \$250 maximum is already imposed through their service. She noted that with such a burden placed on the company, Brigit would struggle to operate under its usual circumstances, potentially posing a financial risk to both consumers and the platform. She explained that through Brigit's platform, consumers are required to periodically verify their incoming funds by connecting their paychecks without feeling that their security or privacy with their employers is at risk. To illustrate both the positive and negative impacts of Brigit on consumers, Ms. Rider provided a survey conducted with Connecticut residents.

The following individuals submitted testimony expressing that DailyPay is a beneficial platform that allows those who are struggling to balance their expenses, whether they are recurring or emergency related. Earned Wage access services allows for those who find themselves in a negative financial situation to have flexibility in being able to help manage their financial obligations or emergency situations without having to fall further behind with areas such as missed or late payments, high-costing loans, and potentially being charged an overdraft fee by their banking institution.

- [Alima Richidi](#)
- [Daniella McIvery](#)
- [James Almerino](#)

NATURE AND SOURCES OF OPPOSITION:

Charles Bell, Consumer Reports, Programs Director: He explained how lower-wage workers in Connecticut are paying significantly higher fees compared to those in other states. He stated that this legislation would require providers to be licensed by Connecticut's banking department and would allow early wage advance providers to charge fees higher than Connecticut's usury limits. He also claimed that in September 2023, the Connecticut Department of Banking (CT-DOB) issued guidance, clarifying multiple details about EWA. He elaborated that Connecticut has never offered "predatory" payday loans, and with such loans, working individuals who utilize EWA products lose important protections.

John Erlingheuser, AARP CT, Senior Director of Advocacy: He stated that employers have an obligation to help manage their employees' finances. He explained how authorizing a \$5 fee instead of Connecticut's 36% interest rate places no limit on how many advances could be charged if a fee is not paid. He elaborated on how the protections offered by the legislation are largely illusory, and while the proposed fees are small, they could reduce already low wages.

Raphael Podlosky, Connecticut Legal Services, Attorney and Policy Advocate: He stated that the continued use of the service would result in continued fees being charged to individuals. He vocalized that the CT-DOB deemed EWAs as short-term loans, where the fees and collateral costs are part of the interest charge. He also expressed multiple concerns, outlining issues to address, including price caps and usage limitations, both employer-integrated and direct-to-consumer models that do not require verification, and the lack of disclosure of an APR.

Tom Swan, Connecticut Citizen Action Group, Executive Director: He stated that Connecticut's current payday lending laws were put in place to encourage companies to offer a similar service and protect consumers from predatory practices. She vocalized her opinion that these laws should be strengthened instead of putting consumers at greater risk.

Amy Bos, NetChoice, Director: She noted that EWA's are a powerful tool to promote financial flexibility among Connecticut workers. Without EWA's, workers are placed at risk of predatory practices like payday loans, which can have 400% APRs. With EWA's categorized into a small loan regulatory framework, legal uncertainty is created, placing workers at greater risk. This legislation's operational requirements would cause Connecticut's providers to be placed in an unviable position.

Monica Burks, Center for Responsible Lending, Policy Council: She noted that CRL's research of EWAs showed that EWAs replicate the same harms as payday loans and several other concerns. She stated that the National Consumer Law Center and the Center for Responsible Lending collaborated to create recommendations for the regulation of EWAs. These recommendations pertain to enforcing current credit laws and clarifying and strengthening them as necessary.

Ed Hawthorne, CT-AFL-CIO, President: He claimed that the proposed legislation "undermines" CT-DOB's statutes as it facilitates hidden costs and high fees, encourages a cycle of debt, and weakens consumer protections by sidestepping Connecticut law. He vocalized that, instead of passing legislation that undermines current statutes, the root causes of the problem should be addressed, such as fair wages, paid leave, and work protections.

Alice Jacobsohn, PayrollOrg, Director of Government Relations: She stated that the APR of EWA's is not a viable method of measurement for consumer cost, as they are paid back on the employee's next payday. She elaborated that the fees present in the bill are inaccurate, as the data is limited and does not reflect how APR works.

Lauren Saunders, National Consumer Law: She stated that this bill would carve EWA's out of Connecticut's current interest rate cap. He explained how many of the limits this bill offers are illusory and would like to see additional protections included. They requested that providers offer a no-cost option, lenders disclose that tips are optional, and the removal of credit reporting, as she said it is meaningless.

Reported by: Tucker Carroll

Date: 03/14/2025