



Earned Wage Access: Fact vs. Fiction

Earned Wage Access (EWA) opponents are spreading misinformation about EWA services. Outdated facts, product misperceptions, and bias threaten workers' ability to find the information they need to make intelligent choices for their families. The IPA believes employees should play a role in deciding when and how they receive the money they have earned. It is critically important that policymakers understand leading research and the facts about the wide variety of EWA users, providers, business models and review before creating any legal or regulatory frameworks for EWA. Giving workers more control over their personal financial lives is always the right thing to do, particularly in these challenging economic times.

Fiction 1: EWA is a loan, a form of credit, or a payday loan by another name.

Fact 1: EWA is not a loan, a form of credit, or a payday loan. Simply stated, EWA services provide users with access to some portion of their earned, but yet, unpaid wages. Thus, EWA recipients are accessing only their own money.¹ Credit products require underwriting, which EWA providers do not perform. Additionally, the Consumer Financial Protection Bureau's 2020 EWA Advisory Opinion states Regulation Z applies when four conditions are met,² none of which apply to EWA services. Lastly, after years of extensive research, the CFPB in 2017 *exempted* EWA services from the agency's [Payday Lending Rule](#). It is clear that EWA services do not share any fundamental similarities with payday loans.

Fiction 2: Employees should not have the right to receive their earned wages before payday.

Fact 2: The reality is many Americans lack access to low-cost credit. EWA empowers employees to take control of their day-to-day financial lives, especially when emergencies arise, by smoothing out income volatility. According to the [Financial Health Network](#)'s 2023 report, "many (EWA) participants noted that they used EWA to pay bills that were due ahead of their paycheck or cover some other shortfall in paying for daily expenses." EWA users also "described emergency situations or unexpected expenses as reasons for using the product. These situations included unexpected car and home repairs, as well as medical expenses."

Fiction 3: EWA traps people in a cycle of debt like payday loans.

¹ The CFPB's 2020 [EWA Advisory Opinion](#) (see page, 9), "like the accrued cash value of a consumer's insurance policy or pension account, the accrued cash value of an employee's earned but unpaid wages is the employee's own money.

² Ibid, See page 7.

- Fact 3:** Simply stated, EWA services do not create debt for users. EWA providers do not perform underwriting or report information to the credit bureaus, and the services do not meet the CFPB’s four part test outlined in its 2020 Advisory Opinion. In addition, most EWA providers place guardrails around how much of their earned wages (generally 50%) employees can access. Moreover, EWA services are non-recourse, which means that if the provider does not get paid, it has no legal recourse against the employee. It is well known that payday loans are rolled over to the detriment of the user, accumulate, and get referred to debt collection if they are not paid back.
- Fiction 4:** EWA services are expensive, and employees should not have to pay to access their own funds before the arbitrary payday set by their employers for their own protection.
- Fact 4:** First, almost all of the EWA providers make a free option available to their users. Next, EWA services are significantly less expensive than alternatives in the marketplace today, including payday loans, title loans, and overdraft services.³ Some EWA providers have *optional* services they make available to their customers for a limited fee, which still costs less than the alternatives outlined above. In addition to core EWA services, many providers integrate EWA with financial literacy resources, such as budgeting and savings tools, to help workers from overspending on the assumption that they have more money than they have earned.
- Fiction 5:** Customer confusion exists in the EWA marketplace, and many consumers do not understand how EWA services work and have numerous complaints about EWA.
- Fact 5:** While EWA services are relatively new, EWA services have been used by over 55 million Americans.⁴ According to a survey by the Financial Health Network, most EWA users “felt that using EWA has improved their financial health.” Additionally, EWA users thought faster access to wages “was helpful in covering both regular and unexpected expenses,” allowing users to resolve their own financial challenges with a “[sense of dignity](#)”.

To learn more about the benefits of Earned Wage Access please visit: www.earnedwageaccess.info or the IPA’s homepage at: www.ipa.org.

³ April 2021, [Financial Health Network](#): Earned Wage Access and Direct-to-Consumer Advance Usage Trends

⁴ Ibid, pg. See page 4.