



Earned Wage Access (EWA): EWA services have quickly emerged as a valuable tool to help American workers manage financial strain and budgeting. Working Americans are in the best position to determine when they need to access money that they have earned but have not been paid due of the employer’s chosen wage payment cycle. EWA allows employees to gain greater control over their own financial lives without having to rely on more costly alternatives like payday loans or overdraft programs.

At present, EWA providers have developed a variety of business models, fee structures, and solutions to try to reduce the gap described above – many of which are free to the consumer. According to the [Financial Health Network’s](#) April 2021 report on EWA, many EWA services (notwithstanding the available free options) cost consumers on average between \$2.59 to \$6.27 per transaction, which is significantly less than alternative products available to consumer’s today. For example:

- the average overdraft fee is \$35;
- title and payday loans fees range from \$15 to \$100; and
- pawn loan fees range from \$75 to \$100.¹

The need for EWA is demonstrated by research that shows that income volatility can lead to poverty for families. EWA can help smooth out income flows as demonstrated by a survey from the Financial Health Network. It found that 37% of low-wage workers say they “worry about running out of food before getting money to buy more.”

IPA Supports the CFPB’s 2020 Advisory Opinion²:

The EWA [Advisory Opinion](#) provides sufficient clarity with respect to the definition of "credit" under Regulation Z in connection with EWA services outlined in accordance with the Opinion. There could be far reaching consequences and negative impacts for consumers and industry if the AO is revised or amended without public notice and comment.

The AO’s highlights are:

1. **Employer Based:** EWA must be provided through the employer;
2. **Access Only to Earned Wages:** The amount of the EWA does not exceed the cash value of wages earned;
3. **No Fee for Access:** Employee makes no payment, voluntary or otherwise, for access to the EWA program;
4. **Recovery Via Payroll Deduction:** The EWA provider recovers the amount only through an employer-facilitated payroll deduction;
5. **No Legal Recourse:** The provider retains no legal or contractual recourse for a failed recovery;
6. **Clearly Disclose:** Providers must clearly and conspicuously disclose to employee they will not be charged fees to access wages, no legal recourse, and no debt collection.
7. **No Credit Risk:** The Provider will not directly or indirectly assess the credit risk of individual employees, including through obtaining and reviewing credit reports or credit scores about the individual employees.

The CFPB’s 2020 EWA AO clarifies that a “**Covered EWA Program**” meeting seven specific criteria is not an extension of “credit” for purposes of Regulation Z. Although some EWA programs do not meet each and every criteria set forth by the AO, the AO suggests that such programs may not automatically be considered credit under TILA. The AO does not conclude that programs that are not a “Covered EWA Program” are *per se* credit.

¹ 2021 Financial Health Network Report - Earned Wage Access and Direct-to-Consumer Advance Usage Trends

² 2022 IPA Letter to CFPB: https://www.ipa.org/uploads/1/3/1/4/131403368/ipa_letter_-_response_to_cfpb_request_for_public_input_on_regulatory_approach.pdf