



## OPPOSE HB 3827:

# EXEMPTS WAGE ADVANCE PRODUCTS FROM KEY CONSUMER PROTECTIONS, LEAVING TEXANS VULNERABLE TO ABUSE

## Tech-Enabled Wage Advances

Wages are the lifeblood of most Texas families. With so many families living paycheck to paycheck, we must give the highest level of scrutiny to financial products that skim profits off the top of hard-earned paychecks. **Texans shouldn't have to pay to get paid.**

HB 3827 creates a new legal structure for tech-enabled wage advance products, marketed as “earned wage access.” In doing so, it allows these services to bypass the most basic consumer protections, including rate and fee limits under Title 4, Finance Code, and Chapter 151, Finance Code, governing money transmission and the associated anti-money laundering laws. **As it stands, the bill is ripe for abuse by bad actors.**

### WHAT ARE TECH-ENABLED WAGE ADVANCES?

Tech-enabled wage advances, also marketed as “earned wage access,” are a new take on an old product. A hundred years ago, salary lenders were the scourge of low-income Texans, extracting huge fees to advance wages as a way to lend money without complying with usury restrictions. In more recent decades, many employers have provided advances on wages at no charge. These apps are new entrants into this old market.

They offer a familiar service, but in new ways. There are two main models these apps use to operate:

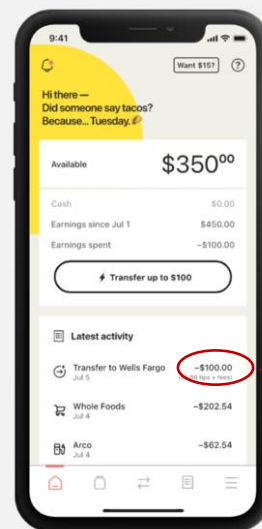
1. Employer-based model, where the company partners with an employer and offers pay advances that are later repaid through payroll deduction; and
2. Direct-to-consumer model, where the app tracks location data, monitors bank accounts, and collects timesheet data to estimate wages on the next payday. They are later repaid through taking money from a deposit account or debit card, similar to a payday lender.

Many highlight free options, but what is presented as “free” often includes add-on fees.

### WHAT WAGE ADVANCE COMPANIES SAY YOU'RE GETTING:

# It's easy—and free:

- 01 Add your bank and employment info, and we'll verify your paycheck.
- 02 Transfer up to \$100/day [up to \$750/pay period] to a linked bank.
- 03 It's free, and you have an option to tip (if you like).<sup>2</sup>



Source: <https://www.earnin.com/>. This product is advertised as “free” but the image shows \$8.99 plus additional fees for a \$100 advance. This is from one company, but many advance apps have similar practices, charging additional fees.

**-\$100.00**  
(**\$8.99 tips + fees**)

## WHAT YOU'RE ACTUALLY GETTING:

| Type of EWA        | Average fees paid for \$100 advance | Average repayment term | Average APR | Average times used per year |
|--------------------|-------------------------------------|------------------------|-------------|-----------------------------|
| Direct-to-Consumer | <b>\$9-\$10</b>                     | <b>10.1 days</b>       | <b>334%</b> | <b>36 times</b>             |
| Employer Based     | <b>\$9-\$10</b>                     | <b>9.1 days</b>        | <b>331%</b> | <b>36 times</b>             |

Source: 2021 Earned Wage Access Data Findings, available at: <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/2021-Earned-Wage-Access-Data-Findings-Cited-in-ISOR.pdf>

## WHY HB 3827 IS BAD POLICY FOR TEXAS

HB 3827 puts the income of wage-earning Texans at risk. It gives free rein to a new wage advance product, based not on independent data, but solely on what the companies say is true. Without any independent Texas-based data about how these products are working out, it is dangerous to create so many exemptions from basic consumer protections. HB 3827:

- Exempts tech-enabled wage advances from state usury laws under Title 4, Finance Code, laws designed to ensure that advances are priced fairly;
- Exempts them from money services business and anti-money laundering laws under Chapter 151, Finance Code;
- Permits uncapped fees, similar to troubling standards for payday and auto title loans in Texas; and
- Enables invasive data collection without clear protections from the sale of data by third parties associated with the tech-enabled wage advance provider.

The promise of a “free” advance option embedded in a contract that few users may read, does not balance the concerning provisions in the bill.

## WHAT WOULD GOOD REGULATION LOOK LIKE FOR THESE PRODUCTS?

- ✔ **Collect transaction data for these products in Texas and study their impacts on the financial health of those who use them, as the basis for creating a future regulatory framework;**
- or
- ✔ **Regulate tech-enabled wage advance products as loans under Chapter 342 of the Texas Finance Code.**



**Ann Baddour**, Director  
Fair Financial Services Project  
abaddour@texasappleseed.org  
512.473.2800 ext. 104 (office)  
512.203.3556 (cell)

**Briana Gordley**, Policy Analyst  
Fair Financial Services Project  
bgordley@texasappleseed.org  
512.473.2800 ext. 117 (office)  
737.900.9445 (cell)