



Earned wage advances (EWA) are a form of payday loan, an advance on future pay secured by wages that have been earned but are not yet due. Fees appear to be small, but they pile up in hidden ways and can reach as high as \$36/month or equate to a 365% APR. EWAs should not be allowed to evade interest rate limits and other protections that apply to other loans.

Some employers offer free EWAs, but fee-based EWAs just leave workers paying to be paid.

## EXEMPTING EWAS FROM LENDING LAWS WILL PERMIT EVASIONS BY PAYDAY LENDERS

EWAs are loans, they are not payments of wages under labor laws. The funds are an advance on future pay not yet due. Labor laws also prohibit employers from deducting fees from wage payments. In many states, including California, lending laws explicitly cover payments made for assignments of earned wages.

Any efforts to exempt EWAs from lending laws will be exploited by predatory lenders, who will claim that their loans, too, are based on earned but unpaid wages.

## FEES LOOK SMALL BUT ADD UP AND DRAIN LOW WAGES

Most EWA models charge fees of \$1 to \$2 per advance, plus 90% or more of workers also pay \$1 to \$2 “expedite” fees to receive the advances quickly. These fees equate to 365% APR or more. A worker who took three advances a week at \$3 per advance would pay more than \$36/month – likely several hours wages – a lot for someone already teetering on a financial precipice.

Fake EWAs, which have no connection to wages or payroll and automatically take payments by debiting bank accounts, are even worse. Workers are steered into paying purportedly voluntary “tips” that can be \$10 per advance or more, plus additional expedite fees up to \$4. Bank account debiting when the advance is repaid can also trigger overdraft or nonsufficient funds fees.

## RECOMMENDATIONS FOR EMPLOYERS AND POLICYMAKERS

Free options for early pay are growing, and policymakers and employers should not endorse services that merely result in added fees for low-wage workers. Instead:

- **Pay a living wage and offer regular work schedules.**
- **Regulate earned wage advances as credit and supervise providers.** At most, for employer-based EWAs only, exempt the smallest fees, \$5/month, from usury limits.

*For more information, contact National Consumer Law Center Associate Director Lauren Saunders ([lisaunders@nclc.org](mailto:lisaunders@nclc.org), 202-595-7845).*