May 8, 2025

Senator Patricia Miller
Representative Jason Doucette
Connecticut Banking Committee

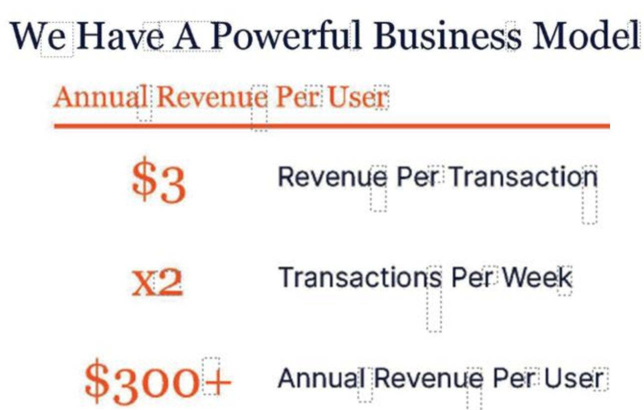
Re: SB 1396, An Act Concerning Earned but Unpaid Wage or Salary Income Advance–OPPOSE

Dear Co-Chairs Miller and Doucette,

I write to express the strong opposition of the National Consumer Law Center (NCLC) to SB 1396.[1] The serious concerns and proposed amendments of consumer advocates were never discussed, let alone considered. Under SB 1396, instead of being the gold standard of protection against new forms of payday loans, Connecticut would join a list made up of states that allow abusive payday lending.

The recent New York Attorney General lawsuits against DailyPay and MoneyLion confirm that many low-wage workers are **paying hundreds of dollars a year** for disguised payday loans that leave them in a debt trap with less money for expenses. Providers use various techniques to push people to take out multiple loans a week and to pay fees and so-called "tips." **SB 1396 would legitimize these high costs.**

This excerpt from a DailyPay presentation to investors says it all:



At the $5 per transaction authorized by SB 1396, that $300+ a year average could be **$500**. And that is just an average. New York found one DailyPay user who paid **nearly $1,400 over two years** and another

[1] NCLC uses the tools of advocacy, education, and litigation to fight for economic justice for low-income and other vulnerable people who have been abused, deceived, discriminated against, or left behind in our economy.

paid an average of **$2 every single day for nearly two years.** SB 1396 would only cap total monthly fees for subscription-based models, and at $30/month that could still be hundreds of dollars a year.

Reviewing several years of data, New York discovered:

- About **nine out of ten advances** from both DailyPay and MoneyLion have fees.
- Over 55% of the workers in DailyPay's most recent data obtained **two or more advances/week,** making up 75% to 80% of DailyPay's revenue.
- Forty percent of MoneyLion users pay fees for **ten or more advances a month**,.
- About half of MoneyLion's fees and tips come from people who take out advances **every other day.**
- Nearly 2 million DailyPay advances were to users who took out an advance **minutes earlier.**
- MoneyLion "regularly receives complaints" about **overdraft and other bank fees**, even as it instructs employees to "**retry payments every day until repaid**" and if "there is not enough in the customer's accounts, we may take a partial repayment and try again the next day."

As lenders perfect their techniques, daily pay and daily fees could become the norm.

The debt trap of these costly advances leaves people with less liquidity, not more. People may feel that the advances help them pay expenses,[2] but they are short because their paycheck was short. A "new Paycheck Advance is not providing new funds—it is filling a hole left by the prior Paycheck Advance," with repeat fees for "the one-time benefit received from the first Paycheck Advance."[3] Put differently:

> "Facing fresh shortfalls, Instacash users go back for more, piling up new amounts owed, more fees, and higher tips each time, until they are utterly dependent on regular and repeat access to MoneyLion's high-cost Paycheck Advances."[4]

The "protections" in SB 1396 are illusory.

- Providers would have to offer up to 75% of available earned wages, but that **would not stop multiple loans a day**. DailyPay pushes people to take out advances each time hours are updated, and one home health aide got stuck regularly paying fees twice a day, once after each of her two shifts, costing her up to $35 a week.

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[2] The report from the University of Connecticut fails to discuss the finding that more DailyPay users thought that the 2024 Connecticut law change had a positive change on their financial situation (33.23%) than those who thought it had a negative impact (31.75%). We do have several criticisms of the survey, including: people were not asked about their use of payday loans or other alternatives before the law change; the survey offered suggestive answers without the option to say that loans were used to repay the hole in the paycheck or that the expenses they cut back on were discretionary, not needed; and the survey was conducted more than a year after the law change, straining memories.

[3] Verified Petition, People of the State of New York v. Dailypay, Inc. at 24 ¶ 113 (Supr. Ct. N.Y. Apr. 14, 2025).

[4] Complaint, People of the State of New York v. MoneyLion, Inc. at 4 ¶ 8 (Supr. Ct. N.Y. Apr. 14, 2025).

- **Loan stacking from multiple providers would still be common.** SB 1396 only has weak, unenforceable efforts to stop people from taking the "same" earned wage from different companies, not from using multiple providers at different times in the week (or even day).
- Providers would have to offer a no-cost option, but they do so today, and those options are slow (delaying the advance) or inconvenient (not into the consumer's own bank account) and are **hardly used** by consumers. Cash advance apps push fast cash for people who don't want to wait for payday, and the vast majority of consumers pay for expedited funds.
- Lenders would only have to repay overdraft and nonsufficient funds (NSF) fees triggered by a debit made contrary to fine print disclosures, **not every overdraft or NSF fee triggered by a premature debit**. Pledges to repay overdraft fees do not work today as people cannot get through to customer service or are often rebuffed when they do.
- The prohibition of credit reporting is meaningless. Traditional payday lenders do not use or report to traditional credit bureaus either.
- Fine print claiming that consumers have no obligation to repay advances or that the advances are "non-recourse" is meaningless, as people expect they need to repay and lenders have powerful methods to collect. New York found that DailyPay **collects 99.99%** of advances and that MoneyLion **collects about 98%** from legitimate users (excluding likely fraudsters with five accounts on the same device), so they have no need to turn to debt collectors, lawsuits, or debt buyers.

Allowing out of state payday lenders with an app to make themselves wealthy by extracting wealth from people struggling to get by is not the answer for Connecticut working families.

Respectfully,

Lauren Saunders
Associate Director