The Affordability Problem of Earned Wage Payday Loans

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Payday loan apps take **hundreds of dollars a year** from people struggling to make ends meet. The apps exacerbate affordability problems, leaving people with **depleted paychecks**, trapped in a **vicious cycle of reborrowing**, and facing manipulations that **multiply fees**:

- **90% of earned wage payday loans have fees.** Apps drive workers into paying fees by making free options slow, inconvenient, and difficult to access.
- DailyPay promotes “tremendous benefits to the employer … all for a price tag of $0 to the business” but boasts to investors about the **$300+ a year** it extracts from low-wage workers. One worker paid almost **$1,400 on 450 loans** over two years.
- 80% of DailyPay’s most recent revenue comes from workers who took out **over 100 loans a year.** Nearly half of all fees are paid by workers who, on average, take out a loan **every other day**.
- One in five MoneyLion borrowers regularly incurs fees and tips totaling **$57 a month**.
- MoneyLion limits loan size to $100 or less, forcing workers to take out **multiple loans within minutes, with multiple fees**, to get instant access to the advertised $500. MoneyLion planned interface changes to push the average loan down to $50 to increase the tip proportion.
- EarnIn required users to make **14 additional clicks and suffer through 17 messages** about why they need to tip in order to get an advance without a fee.
- **Overdrafts and payday loans** increase for most people after they start using payday loan apps, and **loan stacking** is common.

Annual percentage rate limits or low, comprehensive monthly fee caps are the only way to prevent exploding, unaffordable fees. Yet Congress is considering a bill to exempt payday loan apps from **Military Lending Act’s** 36% rate cap for service members and to **preempt** state payday loan rate caps and laws. The bill would substitute only disclosures and vague, weak protections that **do nothing to prevent exploding costs**. States are considering similar bills. Beyond the high costs workers are already paying, these bills are dangerous because:

- **Traditional payday lenders** could become “earned wage access” as long as the consumer “represents” that they have earned wages.
- Freed from the Military Lending Act, state limits and the APR disclosures that apply to high-fee loans, fees could escalate **even higher**.

Congress Should Oppose a National Payday Loan Law.

State Lawmakers Should Reject Bills That Make Workers to Pay to be Paid.

The nonprofit National Consumer Law Center ® (NCLC ®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training.