



Maine Equal Justice

People Policy Solutions

126 Sewall Street
Augusta, ME 04330-6822
TTY/Voice: (207) 626-7058
Fax: (207) 621-8148
www.mejp.org

Frank D'Alessandro
Legal Services Director
(207) 626-7058, ext. 202
frank@mejp.org

**Testimony on behalf of Maine Equal Justice in *Opposition* to LD 1915
“An Act to Regulate Earned Wage Access Services Providers”
May 20, 2025**

Good afternoon, Senator Bailey, Representative Mathieson, and members of the Committee on Health Coverage, Insurance and Financial Services. My name is Frank D'Alessandro, and I am the Director of Legal Services at Maine Equal Justice. We are a civil legal services organization, and we work with Maine people to increase economic security, opportunity, and equity for people in Maine.

Thank you for the opportunity to provide testimony in opposition to LD 1915.

What This Bill Does

This bill would permit lenders to provide Earned Wage Access loans to people who reside in Maine. Earned Wage Access loans are essentially pay day loans. This bill would exempt those who receive these loans from the consumer protections provided by Maine law to all other borrowers.

Part 6200-O(B) of LD 1915 prohibits these loans from being considered a loan, debt or form of credit and prohibits the providers of these loans from being considered a creditor, lender or debt collector.

Part 6200-O (2) prevents any fees, outstanding proceeds, tips, gratuities, or other donations paid to an earned wage access service provider from being considered interest or finance charges.

Why Maine Equal Justice Opposes LD 1915

In 2021 the Legislature took a step to prevent some of the worst predatory lending practices when they passed, and Governor Mills signed Public Law 297. PL 297. This law added important protections for consumers making it a violation in Maine law for lenders to engage in evasive practices to circumvent these protections under the Maine Consumer Credit Code. In particular, the legislature enacted 19-A MRS§ 2-702 to prevent lenders from evading the protections provided by Maine Law to all consumers.

Maine law limits interest rates to protect its residents from predatory lending. Under Maine law a two-year \$2,000 loan is limited to 30% APR. LD 1915 would exempt payday loans from these protections by removing these loans from the requirements of the Maine Consumer Credit Code.

Earned wage advances (EWA) are a form of payday loan. EWAs are loans – an advance on future pay not yet due, repaid on payday. Direct- to-consumer fintech payday loans claim to pay wages but have no connection to payroll and are repaid, like other payday loans, by debiting bank accounts.

They are not wage payments; labor laws prohibit employers from charging fees for paying wages, lending laws explicitly cover payments made for the sale or assignment of wages.

Fees appear small but can pile up in hidden ways and drain low wages. “Tip”-based fintech payday loans with no connection to wages can be even more expensive, 498% APR or higher, and can trigger overdraft and nonsufficient fund fees.¹

Some of the drawbacks of earned wage access loans include²:

1. Overdrafts on consumers’ checking accounts increased 56% on average after use of an advance product.

¹ <https://www.nclc.org/resources/earned-wage-advances-and-other-fintech-payday-loans-workers-shouldnt-pay-to-be-paid/>

² <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-not-free-hidden-costs-apr2024.pdf>

2. Consumers are taking out advances repeatedly, and using multiple lenders is common. Three quarters (75%) took out at least one advance on the same day or day after making a repayment.
3. Consumers taking out small amounts of cash paid a high price. The average APR for an advance repaid in 7 to 14 days was 367%, nearly as much as the APR on a typical payday loan (400%).
4. Many low- to moderate-income consumers are already struggling to meet their expenses and repaying advances makes it harder to catch up or save.

CONCLUSION

Neither employer-based Earned Wage Access loans nor other fintech payday loans should be allowed to evade interest rate limits and other protections that apply to other loans.

MEJ strongly encourages this Committee to vote ought not to pass on LD 1915. I am happy to answer any questions.