



MARYLAND COMMISSIONER OF FINANCIAL REGULATION CONSUMER ADVISORY



August 1, 2023

Understanding Earned Wage Access Products

The [Maryland Office of Financial Regulation \(OFR\)](#) is issuing this advisory to describe Earned Wage Access products and the potential risks of using them.

WHAT IS AN EARNED WAGE ACCESS PRODUCT?

Employer or Third-Party Provider

Earned Wage Access (EWA) allows consumers to obtain access to wages that they have earned prior to their scheduled pay date. These products come in two varieties: products employers offer as an employee benefit or products offered by independent third parties. In both circumstances, the amount the consumer is offered is limited to the amount they've earned, but not yet been paid.

Employers offering EWA may use a third party to deduct the amount the consumer receives and any associated fees or costs from the consumer's next paycheck. When offered by an independent third party, the consumer is typically required to provide the third party with a copy of a previous pay stub and their bank account information. The consumer repays the independent third party with a direct debit from the consumer's bank account at the time of their next paycheck. Both employers and third parties provide EWAs using either direct deposit, check, or debit card.

One-time or Subscription Earned Wage Products

EWA can also be divided into one-time transactions or subscription based depending upon the fees charged and how frequently the consumer obtains the advance. In a one-time transaction, the employer or third party provide the advance on a non-recurring basis. A subscription product provides a consumer with an advance on a recurring basis.

WHAT ARE THE COSTS OF EARNED WAGE ACCESS?

The cost of an EWA can vary and take different forms. Some employers may offer an EWA without any costs. In other cases, the costs can include fees for providing the service, a "tip" that an independent third-party may request, or transaction fees if the EWA is provided via a debit card. Consumers should be aware that the costs associated with an EWA can be excessive (in some cases the equivalent of an annual interest rate of 300% or more) and possibly illegal under Maryland law. Consumers who have used an EWA may wish to contact OFR to have the terms

of their EWA reviewed. As noted below, a consumer who wishes to contact OFR regarding their EWA may do so by contacting the Consumer Services Unit.

WHAT ARE SOME OF THE RISKS OF USING EARNED WAGE ACCESS?

For a consumer an EWA can be a tempting means of meeting an unexpected financial cost or receiving early access to pay. However, using an EWA presents at least the following risks:

- **Increased reliance on EWAs to make ends meet.** Because EWAs are repaid at the time of the consumer's next paycheck they can create another shortfall for the consumer. To fill that shortfall, consumers may feel compelled to obtain another EWA, setting the consumer in a cycle of EWAs.
- **Incomplete understanding of the cost of an EWA.** Because the costs associated with an EWA may not be immediately apparent the consumer may not completely understand the total cost of the EWA. As a result, the consumer may end up paying more for the funds they've received when other less expensive alternatives might be available.

WHAT SHOULD I DO IF I AM CONSIDERING AN EARNED WAGE ACCESS PRODUCT?

If you are considering obtaining an EWA, you should consider the following before accepting one:

- **Who is providing the EWA and how?** You should carefully consider if you are receiving the EWA directly from your employer or from a third party and whether they are providing it as a direct deposit or via a debit card. Different options come with different costs, and you should carefully consider which option is more expensive.
- **Consider the total cost of the EWA.** Including fees, tip, and potential transaction charges, will the cost of the EWA significantly reduce the total amount of wages you receive? Would it cost less to obtain the funds from an alternate source?
- **The long-term impact of the EWA.** Will accepting the EWA to meet a short-term financial cost result in a longer-term reliance on EWAs to make ends meet?

OFFICE OF FINANCIAL REGULATION

The Office of Financial Regulation oversees entities that extend credit to Maryland consumers, including advances. If you have questions regarding an EWA that you have obtained, please contact OFR's Consumer Services Unit by email at CSU.Complaints@maryland.gov or by phone at 410-230-6077.

The Office of Financial Regulation, a division of the Maryland Department of Labor, is Maryland's consumer financial protection agency and financial services regulator. For more information, please visit our website at www.labor.maryland.gov/finance.



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