



Testimony of Alain Xiong-Calmes  
Director of State and Local Public Policy, Northeast Region  
Chamber of Progress  
Re: VT H 87 “An act relating to regulating earned wage access services”

**February 14, 2023**

**ORAL TESTIMONY**

Good afternoon Chair Marcotte and members of the Committee:

My name is Alain Xiong-Calmes and I serve as Director of State and Local Public Policy in the Northeast Region, for the Chamber of Progress, a tech industry coalition committed to ensuring all Americans benefit from technological leaps. Our corporate partners include companies like Earnin and Chime, but our partners do not have a vote on or veto over our positions.

We urge your committee to support H 87, if amended, which will provide reporting requirements and enforcement provisions for earned wage access services.

Earned wage access helps workers bridge the gap from today to payday, freeing workers from dependency on the payroll cycle and predatory lending practices. EWA services can be a benefit to Vermont residents, as many customers are able to stretch their dollar farther than the standard two-week pay cycle. Generally, the EWA provider allows users to access anywhere between 50-100% of their earned wages at any given time, with frequency and consecutive usage limits placed by the provider.<sup>1</sup>

A recent survey of consumers showed that EWA is mostly used to pay bills on time, buy groceries and avoid late fees. 8 out of 10 EWA consumers feel these services are the best available options to help manage their spending, and 80% of users say their life has significantly improved after using these services.

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<sup>1</sup> Id.

Based on customer feedback<sup>2</sup>, EWA is helping people make ends meet by providing a safer alternative to paying bills late or using credit cards with high annual percentage rates that could cause a backslide into debt. According to a study by Experian, the average credit card balance in Vermont is \$5,466, under the national average of \$6,194.<sup>3</sup> Because EWA is not a credit product, nor does it extend credit to its customers, increased usage of these services by residents could lead to this state average dropping significantly.

Additionally, in this post-COVID, inflationary economy, the usage of EWA has increased across the country. From 2018 up until now, EWA services tripled in usage, primarily in response to consumers adapting to a financial environment where they have household expenses that cannot wait until payday.<sup>4</sup>

The recent version of the bill includes setting a default for the amount of any tip or gratuity at zero dollars. This could imply that these services provided to the consumer have no value at all, which could potentially harm all fintech business models that are using innovation and technology to fulfill customer demands that traditional financial services are unable (or unwilling) to provide. A zero default for tips should not be implemented for EWA companies only, considering that many other leading tech companies, websites and small businesses, such as ActBlue, GoFundMe, or Uber, have introduced tip prompts at their respective points of sale. As more businesses adopt digital payment methods, customers are automatically prompted to leave a tip<sup>5</sup>, and often provided options that do not include a zero dollar default. At least for EWA customers, they are informed that tips are voluntary. Furthermore, the customer's ability to tip has no effect on the ability to use the service. Because of this, and other reasons stated before, we encourage the omission of the zero default tipping requirement on page 5, under section (3, ii).

From single moms, to the average 9-5 worker, EWA has been and will continue to be a game changer for people looking for options to manage their expenses better. Like many innovations in fintech, EWA gives consumers a new alternative

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<sup>2</sup> Earnin App Store Customer Reviews - accessed 2/13/23

"Hey, sometimes life happens and I'm grateful to have this app" - Earnin App Store Review

"Game changer! - I personally had times where I just needed some extra cash to hold me over till my next payday and the only option was to get a rip-off payday loan" - Janice, Earnin App Store Review

<sup>3</sup> <https://www.cnbc.com/select/average-credit-card-balance-by-state/>

<sup>4</sup>

[https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA\\_D2C\\_Advance-\\_s age\\_Trends\\_FINAL.pdf](https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA_D2C_Advance-_s age_Trends_FINAL.pdf)

<sup>5</sup> <https://apnews.com/article/tipping-fatigue-business-c4ae9d440610dae5e8ff4d4df0f88c35>

to access financial services that works for their families and budgets. We applaud the state of Vermont for putting guardrails around EWA to establish clear regulations for service providers. With this in mind, we encourage you to support and pass H 87, if amended. Thank you for your time.