



Thank you for the opportunity to provide comments in response to the Consumer Financial Protection Bureau's (CFPB) Request for Information on "junk fees." Earnin commends the CFPB for considering the myriad of fees that impact people's financial lives.

The traditional financial system does not work well for many people in this country, and generational economic fragility faced by many American households has been exacerbated by the pandemic. Low-income communities often do not have access to the same high quality financial services as those households with higher incomes do. As a result, the people least able to afford high fees are often charged a disproportionate amount of them.¹ Overdraft and non-sufficient fund fees cost Americans an estimated \$15.5 billion, credit card late fees cost \$12 billion,² and small loans from payday, auto title, pawn, rent-to-own, and other small-dollar lenders cost \$30 billion.³ That's an estimated \$58 billion a year in fees and interest American families pay for short term liquidity.

In addition, for hundreds of millions of Americans living paycheck to paycheck, the bill cycle and pay cycle are not aligned. This creates impossible choices where families must choose between paying a bill on time and buying a prescription, groceries, or gas to get to work. At any given time, there are billions of dollars that Americans have earned, but they cannot use to support their families. Earnin was founded to better serve American households facing these challenges.

Earnin was built to enable consumers to avoid junk fees.

Earnin's mission is to build products for a more equitable financial system and a better life. Built for the unique needs of those living paycheck to paycheck, Earnin is designed to free people from the traditional payment cycle and help them take control of their money, starting from when they earn it. Earnin's comprehensive suite of tools include: Cash Out, which provides access to income as it's earned, Balance Shield, a low balance alert to help maintain a positive bank balance, Financial Calendar that helps people budget and schedule payments, and Tip Yourself, an easy way to set aside money to reach savings goals. Earnin is community-supported, with no mandatory fees or hidden costs. People tip what they choose to support the service. The burden of risk is entirely on the company and never falls on the

¹ <https://morningconsult.com/2022/01/11/overdrafted-underbanked-and-looking-for-new-providers/>

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<https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-credit-card-companies-charged-12-billion-in-late-fee-penalties-in-2020/>

³

<https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/02/standards-needed-for-safe-small-installment-loans-from-banks-credit-unions>



consumer. There is no credit check needed to access any Earnin product – only a bank account, direct deposit and verified employment are required. As of September 2021, Earnin has performed more than 125 million transactions and provided access to \$10 billion in earnings for its members.

We were founded to help people with the issue of mistimed pay.

Earnin alleviates the stress and uncertainty of liquidity gaps for workers who have completed work and earned money, but have to wait several weeks for their next paycheck to receive it. Earnin's Founder and CEO, Ram Palaniappan, had the idea to use financial technology to address this issue when he gave a former employee an amount that had been earned but not yet paid from his own pocket because the employee had bills and could not wait another week until payday. While the employee was well paid, the timing of her periodic paydays made it challenging for the employee to meet her financial obligations. Ram realized that a consumer-friendly advance that enables workers to access their earned, but not yet paid, wages could be scaled to help any worker struggling with the timing of their pay.

While the issue of a livable wage continues to be debated in the United States, the real-life impact of paycheck timing is of critical importance to many Americans – especially as inflation is at a 40-year high and prices for food and gas continue to rise. Earnin empowers workers to manage their finances in a manner that is best for their family. Through Earnin's Cash Out product, workers have access to up to \$100 of their earnings per day with no mandatory fees. Buying groceries and paying bills on time no longer have to be stressful for families.

With no mandatory or hidden fees, no credit check, and no recourse, our revenue model is consumer friendly.

In exempting "no-cost advances" from the Payday Rule, the CFPB acknowledged, "Some of these companies are providing advances of funds and are doing so without charging any fees or finance charges, for instance by relying on voluntary tips."⁴ Earnin is a no-mandatory fee, non-recourse, no-interest financial product, and the burden of risk falls on the provider, not the consumer. Earnin does not generate revenue by selling customer data, nor charge any fees for late payments, non-payments, or for restarting the service. Our basic service (standard ACH, receive funds in 1-3 business days) allows workers to access funds for free. They may choose to provide a tip, with over 9% choosing not to tip last year.⁵ Earnin customers have

⁴ https://files.consumerfinance.gov/f/documents/201710_cfpb_final-rule_payday-loans-rule.pdf, 279

⁵ Earnin internal data on 2021 tipping behaviors, data pulled February 2022



the option of paying a small transaction fee between \$1.99 and \$3.99 to transfer their money more quickly (direct-to-debit, receive funds instantly or typically within 30 minutes). There will always be a no-cost option, and one's decision on whether to tip does not impact their access to the service in any way. The CFPB also noted that the consumer-friendly nature of services like that of Earnin's "tip model" is "likely to benefit consumers and unlikely to lead to the risks and harms described [in the preamble to the Payday Rule]."⁶

Earnin maintains a comprehensive compliance program, including policies and procedures related to Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) to ensure that all our communications to customers are clear, accurate, and truthful.

Earnin's voluntary tip model benefits customers.

Earnin intentionally chose a voluntary tip model due to its consumer friendly nature. By allowing people to choose what they pay, our customers are in control of whether and how much to give depending on where they are on their financial and career journeys.

To exemplify this, one of our customers, Swatenter "Swati" Polce said, "Earnin saved me over \$1,800 in overdraft fees when I was in law school. Now that I am in a place where I can tip more as an attorney, I tip more to support those in the community who used to be where I was. Tipping via the platform gives the consumer total control of their money, and there is never a fee to use the service that you are not aware of."

Below are a small sample of statements from actual customers who love our service and business model:

- "[Earnin] wasn't looking to charge me finance charges, they weren't looking to make more off of me than I asked for, all they ask was that I pay it forward and it's such a small amount...I was so, so, pleasantly surprised." -Andria, Wilmington, Delaware, virtual customer interview
- "Earnin has gotten me out of many sticky situations and it's all up front. 100% no hidden fees or anything like that. I use them all the time. Highly recommended."
- "iXIQUEENIV88", iOS app review

⁶ https://files.consumerfinance.gov/f/documents/201710_cfpb_final-rule_payday-loans-rule.pdf, 279-281



- “Several years using this app and it has continued to be a lifesaver. When you need that little extra to help make it to the next payday. Earnin let's you pay yourself in advance. No hidden fees, you know exactly how much you are getting and exactly how much you'll owe come payday.” -Immanuel, iOS app review

Exceeding customer expectations are critical to our success as a company.

We only succeed if our customers are delighted by our service enough that they will voluntarily reward us with a contribution to the future success of our company. To ensure our mutual success, Earnin evaluates fairness and consumer experience from product design through customer service, judging each step on the following principles.

Understandability: The consumer should be easily able to grasp the concepts of the product. Our model is only as friendly as how well our customers comprehend how everything works. For example, we make sure it is clear that a \$0 option is always available. In 2021, over 90% of Earnin customers chose to tip \$0 at least once.⁷

A May 2021 research study of 4,735 Earned Wage Access (EWA) consumers across Earnin and two other providers showed that an overwhelming majority of consumers (91%) said they understand how the EWA service works and understand the associated fees.⁸

Predictability: The consumer should know what to expect in terms of how the product works whenever they open the app, and the consumer receives advance notice prior to any material change to the product. There should also be no surprises as to when Earnin will debit customer bank accounts. Our team ensures that the Earnin app is free of any surprises that would result in consumers making uninformed choices or misleading consumers as to the product's functionality.

Value: We must provide a real benefit for the consumer. The same May 2021 study cited above showed that a strong majority of EWA users reported a boost in their overall well-being after using the service. 8 in 10 reported feeling less stressed about their financial situation (82%), having higher self-esteem (81%), and an improvement in their mental health (77%).

⁷ Earnin internal data on 2021 tipping behaviors, data pulled February 2022

⁸ Research was conducted online by FTI Consulting's Digital & Insights team, on behalf of Brigit, MoneyLion & Earnin. FTI Consulting researched n=4,735 of Brigit, MoneyLion and Earnin's Direct to Consumer (D2C) Earned Wage Access (EWA) service consumers between the dates of April 21st, 2021 – May 18th, 2021, and results were weighted in equal proportions to ensure equal representation among the consumers of each participating company. <https://www.earnin.com/assets/pdf/earnin-infographic.pdf>.



Earnin is far more consumer friendly than alternatives in the market.

This chart compares Earnin’s Cash Out to market competitors for short term liquidity to illustrate our consumer friendly nature.

Liquidity Option	Associated Fee	What happens if you don't pay
Overdraft	\$30-35 per transaction.	<ul style="list-style-type: none"> • Can be generated multiple times. • Banks can report consumers to credit bureaus and close accounts, causing people to lose access to the banking system.
Payday Loan	\$15-25 per \$100 borrowed, fees and rollovers can add up to hundreds more.	<ul style="list-style-type: none"> • Depends on state law, but generally can be rolled over a certain number of times, generating additional fees and interest each time. • Amount owed could balloon to several times the original amount. • Debt can be sold to a collections agency and will likely be reported to credit bureaus damaging a consumer’s credit score.
Credit Card	Up to \$40 plus interest if minimum monthly payment is not met.	<ul style="list-style-type: none"> • In addition to large fines that quickly add up, a consumer’s credit score can easily be ruined if they fall behind on payments.
Earnin	There is no mandatory payment to access Earnin.	<ul style="list-style-type: none"> • Cash Out service paused until



	The average “tip” is less than an ATM fee. Customers can choose to pay a small fee of \$1.99 to \$3.99 for expedited delivery of funds. \$0 option always available.	repayment. Customer still has access to other Earnin services. <ul style="list-style-type: none">• No late fees, no rollovers or collections, no reports to credit agencies.• Company bears risk of non-payment
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Thank you for the opportunity to weigh in on this important topic. Earnin has been working with lawmakers and regulators on Earned Wage Access issues to ensure clarity on standards, strong consumer protections, and robust competition such that providers can deliver diverse, high-quality, and affordable options to consumers. Although Earned Wage Access is just one part of the larger fight towards a fairer financial system, Earnin remains committed to doing what is fair and right for consumers. Please let us know if we can be of any assistance to the Consumer Financial Protection Bureau.

Sincerely,

Ben LaRocco

Senior Director, Government Relations
Earnin