



# DailyPay, Inc. Testimony

**TO:** The House Committee on Commerce & Economic Development  
**RE:** House Bill 99  
**DATE:** January 30, 2024  
**SUBJECT:** Testimony from DailyPay, LLC (*as submitted for the record*)

***Position: Support***

Chairman Marcotte and Members of the Committee,

Good afternoon,

I'm Ryan Naples and I'm from DailyPay and I am testifying in support of House Bill 99. We're the country's largest employer-integrated earned wage access, or EWA company and in Vermont, we've partnered with over 126 in-state businesses to provide over 8,000 of their employees.

As this committee knows, two-thirds of Americans live paycheck to paycheck, which can result in missed or late payments, causing consumer credit scores to drop and leading to penalty fees, higher financing costs and difficulty qualifying for future credit.<sup>1</sup> Most Americans lack the necessary savings to cover emergency expenses between paychecks. Even those making \$100,000 per year prior to taxes are experiencing financial fragility.<sup>2</sup> According to Bankrate, the average American needs to earn \$233,300 to feel financially secure.<sup>3</sup> And with the average annual

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<sup>1</sup> Steele, Jason. "Living Paycheck to Paycheck Statistics." *Bankrate*, [www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/](https://www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/). Accessed 29 Feb. 2024.

<sup>2</sup> Morabito, Charlotte. "Here's Why Even Americans Making More than \$100,000 Live Paycheck to Paycheck." *CNBC*, CNBC, 11 Dec. 2023, [www.cnbc.com/2023/12/11/why-even-americans-making-more-than-100000-live-paycheck-to-paycheck.html](https://www.cnbc.com/2023/12/11/why-even-americans-making-more-than-100000-live-paycheck-to-paycheck.html)

<sup>3</sup> Steele, Jason. "Living Paycheck to Paycheck Statistics." *Bankrate*, [www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/](https://www.bankrate.com/finance/credit-cards/living-paycheck-to-paycheck-statistics/). Accessed 29 Feb. 2024.



salary nationwide falling just shy of \$60,000<sup>4</sup>, consumers are turning to safe and affordable alternative resources to help close the gap when bills and emergencies do not wait every two weeks or once a month for an employer to run payroll.<sup>5</sup>

About DailyPay: At DailyPay, we sign contracts with our clients, who are businesses, we integrate with their payroll systems and then all of their employees are eligible to download our app. For those who do, we pull their net earnings 4 times a day from our partnerships with payroll providers and if they choose, our users can access their own earned pay, before payday. These are verified earned wages.

36% of DailyPay's clients' employees download our app, which includes a host of financial wellness tools, and about 49% on our platform just track their wages and never make a transfer. The other 51% who choose to pay themselves access an average of \$148 per transfer per user in Vermont.

EWA is popular with businesses because it reduces employee turnover, absenteeism, and helps with filling open jobs.

It's popular with employees because Vermont workers today expect life on-demand, including from HR departments and payroll systems.

Almost all EWA companies share a few key characteristics: we are credit invisible, charge no origination fees, late fees, or interest, do not sell unsettled EWA debt, conduct no underwriting but instead base access on wages earned.

Most EWA providers offer instant delivery of earned wages to a bank account for a flat, one-time fee of around \$3, or at "no cost" for a transfer

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<sup>4</sup> *The average annual salary nationwide is \$59,428.* Belle Wong, J.D. "Average Salary by State in 2024." *Forbes*, Forbes Magazine, 8 Nov. 2023, [www.forbes.com/advisor/business/average-salary-by-state/](http://www.forbes.com/advisor/business/average-salary-by-state/).

<sup>5</sup> SecureSave, January 25, 2023, Survey: Americans personal savings are plummeting as 74% are now living paycheck to paycheck (<https://www.prweb.com/releases/2023/01/prweb19128966.htm>).



taking 1-3 business days. An instant transfer at “no cost” to an EWA company’s debit card is also common.

Ours is a voluntary service that is there when you need it and it is not overused. Over two thirds of people take a 4 month to 1 year break after their first transaction.

While EWA does not solve for income insufficiency, it does solve for a frequency of pay problem due to biweekly pay and it is popular with employees because it saves them money.

Specifically, it gives Vermont workers an alternative to a \$35 bank overdraft fee<sup>6</sup>, a \$31 credit card late fee<sup>7</sup>, and other high-cost credit products when they face the possibility of paying a bill late or missing work. In all cases, the alternative to EWA is more expensive than \$3 or no cost and no alternatives are structured like EWA which has no recourse to the consumer.

Independent research sponsored by DailyPay from 2021 specifically found 78% of users who had previously paid bills late, saved money by using DailyPay once gaining access to our platform.

In December 2023 the Financial Health Network found that people used EWA to pay bills due ahead of their paycheck, that these users did not consider it a loan, but did believe it provided them access to the liquidity they needed, while also preserving their dignity.

Both research papers are submitted for the record for your review.

This is notable and it’s why EWA is best regulated as a separate and distinct financial product which codifies industry best practices, encodes

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<sup>6</sup> *Consumer Financial Protection Bureau*, [www.consumerfinance.gov/](http://www.consumerfinance.gov/). Accessed 29 Feb. 2024.

<sup>7</sup> “CFPB Proposes Rule to Rein in Excessive Credit Card Late Fees.” *Consumer Financial Protection Bureau*, 1 Feb. 2023, [www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-rule-to-rein-in-excessive-credit-card-late-fees/](http://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-rule-to-rein-in-excessive-credit-card-late-fees/).



consumer protections, and helps free workers from cycles of debt, not get trapped in these same cycles.

I want to address how we help people get out of debt. From June to December of 2024, we closely tracked our high-frequency users. Our data showed an 80% decline in high-frequency usage of our platform after 4 weeks, a 92% decline by week 8, and within 12 weeks or 3 months, a 96% decline in high-frequency usage. That nets out to less than 1% of people total on our platform being high-frequency users for 3 months.

We have heard countless user stories on how our platform has allowed employees to bridge short-term cash crunches and get through challenging times. Our service is helping everyday workers break the cycle of debt.

As a product and industry created to help solve financial instability, we take accusations that our product could be radically abused or mis-used, seriously. However, in partnering with hundreds of employers across the country, this is simply not the experience that our thousands of employee-users have. It is quite the opposite. We have heard countless stories about how our platform has allowed employees to bridge short-term cash crunches and get through challenging times. For the people that are frequent users, we help them break cycles of debt that have been brought on and perpetuated by traditional lending products.

Clearly, a small percentage of people use our platform frequently when they have an emergency, because it is a low cost or no-cost alternative to all other options available. This accurately depicts how EWA helps people break the debt cycle.

Furthermore, EWA companies like DailyPay where I work do the opposite of how lenders treat consumers. For example, since EWA is not credit, our industry conducts no underwriting and does not base its low transaction fees or access to wages on creditworthiness. We also do not charge these low fees in installments.



Why APR Does Not Fit: For these reasons, an annual percentage rate or APR, which would be misleadingly high even with our low fees, should not be applied to EWA because the calculation is incongruous to how EWA is structured. These rates therefore do not represent the actual cost and potential savings available to EWA users since it obscures the actual cost of a flat, one-time fee of around \$3, compared to credit card interest, late fees, penalty fees and others fees that are far higher in an actual dollar amount despite having a lower APR or no APR assigned to it, like a bank overdraft.

Objecting to CA's +300% APR Calculation: Please note as well that as an industry, DailyPay joins in strongly objecting to the average industry APR assigned by the state of California, due to their flawed methodology for two important reasons. First, the APR calculation does not include the people who paid \$0 in fees per transaction.<sup>8</sup> For an industry that offers access to earned wages for no cost, excluding these no cost transfers provides an inaccurate average cost that consumers actually pay.

Second, this inaccurate number over includes the three companies in our industry that ask for tips and under-includes the 20+ companies that do not. Specifically, California included all 3 companies that ask for tips but only 2 non-tipping companies in their calculation.<sup>9</sup> Since non-tip companies almost always cost consumers less per transaction, this calculation over includes the most expensive companies that under-includes the majority of companies that cost consumers less.

Federal Law Does Not Require APR for Fees as Low as EWA's: Even if the number was calculated correctly, it is still a poor standard for comparison due to the low, actual dollar amount of the industry's standard fee. It is

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<sup>8</sup> See page 5, footnote 7 of CA's 2021 Data Report, accessible at <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/2021-Earned-Wage-Access-Data-Findings-Cited-in-ISOR.pdf>.

<sup>9</sup> See page 7, footnote 13 of CA's 2021 Data Report, accessible at <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/2021-Earned-Wage-Access-Data-Findings-Cited-in-ISOR.pdf>.



purposefully confusing and unhelpful. Unsurprisingly, the federal Truth In Lending Act does not require disclosure of an APR when charging \$5 or less on \$75 or less, or \$7.50 or less on an amount more than \$75.<sup>10</sup>

Conclusion: Compared to our industry's best practices, current in-state and federal lending laws actually permit high or unlimited late fees, debt collection, and other activities that can harm a consumer's credit score and overall financial health. For these reasons, designating EWA as a consumer loan or credit that you will hear about today from others, would bring the very same detrimental debt product practices that EWA is designed to help employees escape.

EWA is best regulated as a separate and distinct financial product which codifies industry best practices and helps free workers from cycles of debt, not get trapped in these same cycles.

DailyPay is supportive of HB 99 for these reasons and looks forward to working together with you all and interested stakeholders on this important legislation.

Thank you for your time this afternoon, and I would be happy to answer any questions.

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<sup>10</sup> See the federal Truth In Lending Act, Regulation Z, § 1026.18(d)(2)(e) or see here: <https://www.consumerfinance.gov/rules-policy/regulations/1026/18/#d-2>