

Dyson, Araceli@DFPI

From: Isaac <[REDACTED]>
Sent: Monday, May 15, 2023 6:29 PM
To: DFPI Regulations
Cc: Fairman, Peggy@DFPI
Subject: PRO 01-21

Hello,

I am a data scientist at EarnIn with no personal (financial) stake in the outcome, but a strong opinion about your proposed regulation. I have been working at EarnIn for more than 6 years, and I work here not because I am financially tied to the company, but because I believe strongly in its mission.

I strongly believe that regulation is a net positive for society, and believe regulation ought to exist in the Earned Wage Access (EWA) space. However, it seems that your regulatory body wishes to shove a square box onto a circle hole with this regulation - it doesn't make sense, and it's also not in the best interest of the people who use our app. I will outline the reasons why I feel this way:

1. Earned Wage Access products do not operate in a way that resembles an installment loan. People who use us do not all use us on an ongoing basis as opposed to a periodic basis, and the amount of their paycheck that they need advanced to them varies over time.

Requiring us to advance paychecks in an installment loan format will for some people actually result in them paying **significantly more** under your regulations than they are paying today. (It is true that some people would pay less, but that is because they are voluntarily tipping - not because they are required to, as they would be under your regulations.)

2. Your regulatory body has been doing analysis which suggests that the "APR" on our advances is too high. This is a valid opinion to hold, although the exact calculation method is highly questionable. However, when evaluating our "APR", you should be comparing this APR to the alternative costs people pay, which are realistically much higher. For example, if a customer overdrafts their account by \$100 and pays a \$35 overdraft fee 2 days before their payday, the APR on that is around 6387% APR ($\$35 \times 365 / 2$).

Even if this overdraft fee occurred 7 days before their payday instead of 2 days, that is still 1825% APR. Obviously EWA products are vastly cheaper than overdraft fees, yet there exist no regulations to prevent exorbitant overdraft APR from existing.

Similarly, a late payment penalty on a bill can easily be \$10-15. Again, that is more expensive than what the vast majority of our customers pay.

Finally, one must consider the alternative to any of these options: not being able to buy gas to go to work, and getting written up or pay docked as a result. Obviously these options are by far the worst, and the downside of these scenarios occurring is obviously far worse than the cost our customers pay to use our product.

I hope you will also keep in mind that people who are regular users of our product are generally people in one of the following situations:

1. Estranged from family - hopefully you will agree that this is not a rare scenario among the general public. If people are in this situation, they are not going to ask their family for financial assistance, and will become homeless sooner than they will live with their parents.

2. Family is destitute - also not an uncommon situation. In this case, their family might even be relying on them for financial assistance. My girlfriend is in this situation herself - she grew up in a single parent home, and her mother is destitute - living on food stamps and is physically disabled.

Bearing all this in mind, our customers do not have a reliable network who they can borrow at no cost from - if they did, they would not use our product, or they will choose to not pay anything for it.

I strongly encourage you to consider a different approach to regulating our industry, because this will do far more harm than good for the people you are trying to help.

Thank you,
Isaac Tysanner