



City of West Hollywood

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November 27, 2023

Attn: Araceli Dyson
Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, California 95834

RE: Concerns with Revised PRO 01-21

To Whom It May Concern:

As a representative of the City of West Hollywood, I am writing to share concerns held by many regarding the recent proposal by the Department of Financial Protection and Innovation (DFPI) to classify Earned Wage Access (EWA) as a loan under California law.

While well-intended, many believe this proposal will create negative consequences for California consumers and disrupt a service that has helped thousands of our constituents maintain their financial wellbeing.

As you are aware, EWA has a proven track record of diverting consumers away from predatory products like payday loans. It has also saved consumers from paying millions in excessive overdraft fees. Is it perfect? No. But, there are ways to improve it for consumers without regulating it in the lending space, which would eliminate access to the service for many and add many unnecessary and burdensome requirements.

Rather than attempting to fit EWA into existing lending regulations, it would be more beneficial for consumers if California developed tailored regulations that preserve the advantages of EWA while installing guardrails that prevent the actual harms that may be present.

I understand that DFPI's reading of the law may require it to classify the product as a loan. If that is the case, perhaps the Department can consider offering an exemption from lending law to those providers that register with DFPI and commit to offering consumers protections that are appropriate for the product. This approach would have the benefit of putting safe guardrails around the product while also preserving access.

Thank you for your consideration.

Sincerely,

John M. Erickson
Mayor Pro Tempore