



November 27, 2023

VIA Email to regulations@dfpi.ca.gov

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

To Whom It May Concern:

I am writing on behalf of the [Business Group] to express our concerns about the modified regulations for earned wage access (EWA) included in PRO 01-021.

If enacted, these regulations will have unintended consequences for consumers and will disrupt a service that has helped thousands of Californians access their pay when needed. A recent survey found that ninety-three percent (93%) of EWA consumers report a greater sense of financial control after using EWA, and ninety-one percent (91%) feel they understand how the service operates. These figures underscore the real benefits EWA delivers and indicate consumer awareness that should not be disregarded.

As the saying goes, “You cannot fit a square peg in a round hole.” The same applies to DFPI’s attempt to regulate a new product like EWA under California’s lending rules. Classifying EWA products as loans, as PRO 01-021 will do, will put the product out of the reach of many California consumers. Those who still qualify will find the service has additional fees and unnecessary conditions. These higher fees and conditions might send many workers back to payday loans and other less responsible financial products, which is the wrong approach.

Instead of classifying EWA as a loan, California should craft tailored regulations that consider the product’s unique features, benefits, and risks. One idea is to build on the new exemption from a lending license and offer qualified providers an exemption for lending law as long as they agree to provide consumers with appropriate protections. This approach would avoid saddling EWA providers and users with the unnecessary and costly conditions required under the lending framework but still safeguard consumers.

In closing, we kindly urge DFPI to reconsider its approach. We believe a more nuanced regulatory framework can be created for EWA - one that genuinely protects consumers while protecting access.

Thank you for your time and consideration.

Sincerely,

Nancy Hoffman Vanyek, ACE
Chief Executive Officer