

# EARNED WAGE ACCESS

## Myth vs. Fact

American Fintech Council | Setting the Record Straight

Opponents of federal Earned Wage Access (EWA) legislation have made claims that misrepresent how EWA works, distort research-based evidence, and ignore the real harm caused by regulatory inaction. The American Fintech Council has addressed these claims directly before state legislatures, federal agencies, and Congress under both Democratic and Republican administrations. This document sets the record straight.

<b>Myth #1</b>	<i>EWA is just a payday loan by another name.</i>
<b>Fact #1</b>	<p>Payday loans charge interest, create debt, and can be sent to collections. EWA provides access to wages already earned by the worker, carries no interest, no late fees, no credit impact, and no recourse. The provider bears all the risk - not the worker. EWA is more like an ATM: a source of cash you have already earned that is there when you need it. Simply put, EWA gives access to the money you are owed for the work already completed. 75% of users access EWA to cover bills or rent. 56% use it for emergency expenses, not luxuries.</p> <p><i>AFC Americans for EWA FAQ; AFC Letter to CRL/NCLC, Oct. 2023; CFPB Advisory Opinion, 90 FR 60069, Dec. 2025</i></p>
<b>Myth #2</b>	<i>14 courts have ruled EWA is a loan.</i>
<b>Fact #2</b>	<p>Courts interpret existing laws; they do not create new ones. The cited cases applied existing state lending statutes – the patchwork federal legislation is intended to replace. The “14 out of 14” claim also omits contrary rulings. In 2025, a D.C. trial court dismissed most of the Attorney General’s core claims against an EWA provider, holding that whether EWA is a loan is a question for the District’s financial regulator, not enforcement litigation. The D.C. Court of Appeals allowed that ruling to stand. The CFPB’s December 2025 Advisory Opinion likewise concludes that Covered EWA is not credit under Regulation Z.</p> <p><i>William &amp; Mary Law Review, Hawkins, 2026; CFPB Advisory Opinion, 90 FR 60069, Dec. 2025; D.C. Court of Appeals, Feb. 2026</i></p>
<b>Myth #3</b>	<i>EWA carries a 330% APR.</i>
<b>Fact #3</b>	<p>The 330% APR claim is misleading because it converts small transaction fees into an annualized interest rate, even though <b>EWA has no interest and no compounding. What matters to workers is the actual dollar cost.</b> A \$3 expedited transfer fee on a \$75 transaction used 36 times per year costs <b>\$108 annually</b>. Voluntary tips average approximately \$1.25 per transaction, adding about \$45 annually. By comparison, <b>workers without EWA pay an average of \$660 annually in overdraft fees and \$624–\$930 in payday loan fees.</b> Applying APR to EWA is like calculating an APR on an ATM fee: mathematically possible, but not useful for consumers. The federal bill instead requires clear upfront disclosure of actual dollar costs before every transaction.</p> <p><i>AFC Americans for EWA FAQ; AFC Letter to CRL/NCLC, Oct. 2025 &amp; Oct. 2023; Bipartisan Policy Center, March 2023</i></p>
<b>Myth #4</b>	<i>EWA increases overdraft fees.</i>
<b>Fact #4</b>	<p>The most rigorous independent study, a peer-reviewed University of Oregon analysis of more than one million EarnIn users, found no statistically significant increase in overdraft fees after EWA adoption. By contrast, the frequently cited CRL study focused on a chronically vulnerable subset of users, excluded occasional and short-term users, and failed to distinguish correlation from causation. Peer-reviewed research finds that well-designed EWA programs improve household liquidity stability and can reduce overdraft frequency over time. Responsible providers also reimburse overdraft fees they cause.</p> <p><i>Davis, University of Oregon, Nov. 2025; AFC Letter to CRL/NCLC, Oct. 2025; AFC Americans for EWA FAQ</i></p>

<b>Myth #5</b>	<i>The bill strips servicemembers of Military Lending Act protections.</i>
<b>Fact #5</b>	<p>The MLA applies to credit. EWA is not credit, as confirmed by numerous state laws and the CFPB's December 2025 Advisory Opinion. This position is consistent with EWA's nonrecourse, no-interest structure. MLA protections are not being removed. They simply do not apply to a product that has never been credit. Servicemembers who use EWA will continue to have full MLA protections on any actual credit products they access.</p> <p><i>CFPB Advisory Opinion, 90 FR 60069, Dec. 2025; AFC Letter to CRL/NCLC, Oct. 2023</i></p>
<b>Myth #6</b>	<i>The bill preempts state consumer protections.</i>
<b>Fact #6</b>	<p>The bill establishes a federal floor of consumer protections that all providers must meet nationwide. States retain authority to enforce laws against fraud, deception, and unfair practices. What the bill prevents is the state-by-state regulatory patchwork that drove providers out of Connecticut and reduced access for workers. Even Connecticut's 2025 reforms left different rules for employer-integrated and direct-to-consumer providers. Federal legislation creates a consistent framework for all workers.</p> <p><i>Urban Institute, May 2026; UConn EWA User Impact Study, April 2025</i></p>
<b>Myth #7</b>	<i>EWA tips are hidden fees that workers are tricked into paying.</i>
<b>Fact #7</b>	<p>The CFPB's December 2025 Advisory Opinion explicitly concluded that voluntary tips associated with Covered EWA are not finance charges under Regulation Z. Responsible providers display strong tip disclosures in close proximity to the point of decision, explicitly stating that a tip may be zero, that tipping is voluntary, and that access to EWA is not contingent on tip size. The federal bill mandates clear upfront fee and tip disclosure before every transaction. Workers who choose not to tip face no penalty and no reduction in access.</p> <p><i>CFPB Advisory Opinion, 90 FR 60069, Dec. 2025; AFC Americans for EWA FAQ</i></p>
<b>Myth #8</b>	<i>EWA traps workers in debt cycles like payday loans.</i>
<b>Fact #8</b>	<p>EWA does not create debt. It is limited to wages already earned and never based on future income. Because EWA carries no interest, no late fees, and no recourse, costs do not grow over time and unpaid balances are not sent to collections. A University of Oregon study found first-time users experienced a \$334 monthly income increase with no increase in harmful financial behavior. Among prior payday loan users, 81% stopped using payday loans after adopting EWA. Claims about "app stacking" are similarly unsupported; workers typically use multiple EWA apps sequentially based on income cycles, and workers with multiple jobs may need different providers to access earnings from each employer.</p> <p><i>Davis, University of Oregon, Nov. 2025; Bipartisan Policy Center, March 2023; AFC Letter to CRL/NCLC, Oct. 2025</i></p>
<b>Myth #9</b>	<i>The CFPB said EWA is credit.</i>
<b>Fact #9</b>	<p>The CFPB has never taken a single, consistent position that EWA is credit. Instead, the Bureau's views have evolved over time, illustrating why administrative guidance alone is insufficient and federal legislation is needed. The CFPB's most recent and definitive position, its December 23, 2025, Advisory Opinion (90 FR 60069), concludes that Covered EWA is not credit under Regulation Z. AFC advocated for formal rulemaking under both Democratic and Republican administrations.</p> <p><i>CFPB Advisory Opinion, 90 FR 60069, Dec. 2025; AFC Advocacy Letters, Feb. 2024 &amp; Feb. 2025</i></p>

<b>Myth #10</b>	<i>The consumer protections in the bill are not meaningful and only codify what the industry already does.</i>
<b>Fact #10</b>	<p>The bill creates binding federal standards where none exist today. It requires a free transfer option, prohibits debt collection, mandates upfront fee and tip disclosures, bars credit reporting, and establishes federal registration and oversight. Many responsible providers already follow these practices, but not all market participants do. Federal legislation ensures <b>every</b> EWA provider operates under the same consumer-protection standards.</p> <p><i>H.R. 7428, Earned Wage Access Consumer Protection Act, 118th Congress; AFC Americans for EWA FAQ</i></p>

<b>Myth #11</b>	<i>Attorneys General complaints prove that EWA companies engage in predatory and deceptive practices.</i>
<b>Fact #11</b>	<p>An Attorney General complaint is an allegation, not a finding of fact, verdict, or court judgment. None of the cited complaints has resulted in a judgment against an EWA provider. Presenting allegations as proven facts misstates the legal process. More importantly, the existence of enforcement actions supports the case for federal legislation. A national framework with registration, oversight, and uniform consumer protections helps distinguish responsible providers from bad actors.</p> <p><i>H.R. 7428, Earned Wage Access Consumer Protection Act, 118th Congress; AFC Americans for EWA FAQ</i></p>

<b>Myth #12</b>	<i>Independent research proves EWA increases financial harm, overdraft fees, and debt dependency among workers.</i>
<b>Fact #12</b>	<p>The cited research is neither independent nor peer reviewed. The Center for Responsible Lending is an advocacy organization, not an academic institution. AFC has challenged CRL's methodology in both 2023 and 2025, citing four core flaws:</p> <ul style="list-style-type: none"> <li>• Biased sampling: focusing on chronic heavy users while excluding occasional users.</li> <li>• No control group: making causation claims without comparable non-user populations.</li> <li>• Failure to account for external shocks: events like job loss or medical emergencies can increase both EWA usage and financial stress.</li> <li>• No benchmark comparison: failing to compare EWA costs with overdraft fees, payday loans, or late fees.</li> </ul> <p>By contrast, a peer-reviewed University of Oregon study of more than one million users found no increase in harmful financial behavior after EWA adoption.</p> <p><i>AFC Letters to CRL/NCLC, Oct. 2023 &amp; Oct. 2025; Davis, University of Oregon, Nov. 2025</i></p>

**The evidence is clear. EWA works. Workers deserve federal protection.**  
 AFC supports federal legislation that preserves access, ensures transparency, and protects the workers who depend on this essential financial tool.