



October 22, 2025

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Re: Methodological and Policy Deficiencies in Recent CRL “Payday Apps” Analysis

Thank you for the opportunity to engage constructively on the evolving dialogue surrounding Earned Wage Access (EWA) and the proper regulatory framework for new liquidity solutions. The pace of innovation in financial technology continues to generate both opportunities and policy challenges, particularly for workers who have historically relied on high-cost options such as payday loans or overdraft fees. In this quickly-changing environment, our organization has remained committed to supporting evidence-based policy, consumer protection, and effective oversight that distinguish responsible products from those that perpetuate cycles of debt.

Millions of American workers now use EWA products to address short-term financial needs, accessing wages already earned to pay bills or bridge pay periods. The rapid adoption of EWA demonstrates not only demand for flexible pay options but also the growing recognition that technology can be harnessed to avoid the high fees and penalties linked with conventional payday lending. We believe that reducing access to such transparent, lower-cost alternatives by imposing unsuitable regulatory barriers risks exacerbating hardship for vulnerable workers, while minimizing the positive impact of innovation.

Our goal is to help clarify the key differences between EWA and payday lending, and to emphasize that empirical policymaking is paramount. We encourage all stakeholders, including

consumer advocates and regulators, to separate anecdotal concerns from robust evidence, and to engage with the nuanced reality of how liquidity solutions can both empower and protect consumers. Sound methodology, practical benchmarking, and an openness to collaboration are essential for advancing financial inclusion without sacrificing worker choice or market competition.

Unfortunately, as with previous reports from the Center for Responsible Lending (CRL) and the National Consumer Law Center (NCLC), your latest report entitled “Escalating Debt: The Real Impact of Payday Loan Apps Sold as Earned Wage Advances (EWA)” suffers from fundamental methodological flaws that ultimately undercut the findings portrayed by the authors.¹ By continuing to promulgate research that is fraught with these issues does a severe disservice to advancing the policy conversation in a productive manner and decimates the credibility your organizations have sought to build. Below, I have detailed our specific concerns with the EWA report and its recommendations for your consideration.

I. Flawed Sampling and Upward Bias

The CRL report’s most significant methodological flaw lies in its unrepresentative sampling. Its focus on a chronically vulnerable subset of users, while excluding occasional and short-term participants, dramatically overstates claims of dependency and usage escalation. Without adjusting for external shocks such as job loss or medical emergencies, the analysis mistakes correlation for causation—misinterpreting temporary increases in EWA use as evidence of structural harm. This biased sampling obscures the reality that most EWA users engage intermittently, not chronically, and that responsible design practices—such as withdrawal caps and payroll integration—actively minimize risk of habitual use.

II. Borrowing Patterns: Context and Causality

Even in cases where repeat use occurs, the report fails to demonstrate any causal linkage between EWA access and consumer financial stress. Research consistently indicates that EWA services, such as those offered by AFC members, reduce reliance on payday loans and help workers manage predictable income shortfalls.² By ignoring product differentiation and not controlling for socioeconomic variance, the report inappropriately generalizes EWA—conflating responsible products with predatory ones.

III. App Stacking and Financial Inclusion

The notion of “app stacking” is similarly overstated. Aggregated usage data show that workers with multiple EWA apps often use them sequentially based on fluctuating income and bill

¹ AFC has previously drawn significant issue with research from CRL and NCLC due to methodological flaws, see, American Fintech Council, “Federal: Advocacy Letter to CRL and NCLC in Opposition to Misleading Statements and Flawed Methodology in Earned Wage Access Report,” Oct. 23, 2023, *available at* <https://www.fintechcouncil.org/advocacy/response-to-misleading-statements-and-flawed-methodology-in-center-for-responsible-lendings-report-on-earned-wage-access-and-national-consumer-law-centers-endorsement>.

² See, Donner and Siciliano, “The Impact of Earned Wage Access on Household Liquidity and Financial Well-being,” SSRN, Dec. 9, 2021, *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4007632; Harvard Business School, “FinTech to the Worker Rescue: Earned Wage Access and Employee Retention,” Mar. 27, 2022, *available at* https://www.hbs.edu/ris/Publication%20Files/FinTech%20to%20the%20Worker%20Rescue%20-%20Earned%20Wage%20Access%20and%20Employee%20Retention_2d9994e9-705d-499c-8d27-6ffb98d5ee14.pdf; and Financial Health Network, “Exploring Earned Wage Access as a Liquidity Solution,” Dec. 2023, *available at* <https://finhealthnetwork.org/wp-content/uploads/2023/12/EWA-Users-Report-2023.pdf>.

cycles, not to layer debt obligations. Empirical studies find no evidence that stacking leads to over-indebtedness or default—outcomes that are common in payday lending but rare in regulated non-credit EWA programs.³ Some EWA systems further limit stacking through built-in payroll verification and withdrawal frequency controls.

IV. Fee Structure and Cost Misrepresentation

The CRL analysis mischaracterizes EWA costs by annualizing one-time or voluntary fees into misleading APR equivalents. This approach distorts comparisons to payday loans, where interest compounds and repayment obligations often trigger new borrowing. Most EWA solutions charge flat, nominal fees—or none at all when subsidized by employers—amounting to 90–99% lower effective costs than short-term loan alternatives. The failure to benchmark these fees against alternatives such as overdrafts or late-payment charges paints a distorted picture of relative affordability.

V. Overdraft Claims and Structural Risk Controls

Claims that EWA products increase overdraft events are not supported by controlled data. Peer-reviewed research finds that integrations through 3rd party systems mitigate repayment timing mismatches—the principal driver of overdrafts in payday borrowing.⁴ Rather than acting as a source of debt amplification, well-designed EWA systems improve household liquidity stability, thereby lowering overdraft frequency over time.

VI. Policy and Regulatory Implications

The CRL’s policy recommendations risk harming the very populations they aim to protect. For example, classifying nonrecourse wage advances as “loans” would extend lending regulations designed for credit markets to a fundamentally different product category, restricting access to workers most in need of liquidity smoothing. Instead, regulatory policy should strengthen transparency requirements and ensure voluntary, low-cost participation. Such an approach would align with the empirical record and ongoing bipartisan efforts to preserve consumer choice while promoting responsible innovation.

* * *

EWA represents one of the most promising financial inclusion tools available to American workers today. However, realizing its full potential requires clear-eyed evaluation rooted in sound methodology, not selective datasets or ideological framing. Simply put, promulgating misguided and fundamentally flawed research has no place in pragmatic policy discussions. We respectfully urge CRL and NCLC to reconsider the conclusions drawn in their recent analysis and join industry leaders, regulators, and academics in advancing a shared goal: a financial system that protects consumers without penalizing innovation.

³ See, Level Financial Technology, "Earned Wage Access vs Payday Loans," Nov. 19, 2024, *available at* <https://www.levelft.com/blog/earned-wage-access-vs-payday-loans>; TCW Global, "Earned Wage Access vs. Loans: Why the Future of Pay Is About Timing, Not Credit," Sep. 1, 2025, *available at* <https://www.tewgglobal.com/blog/earned-wage-access-vs.-loans-why-the-future-of-pay-is-about-timing-not-credit>; and Congressional Research Service, "Earned Wage Access Products," Dec. 31, 2023, *available at* <https://www.congress.gov/crs-product/IF12727>.

⁴ Ibid.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Goldfeder", with a stylized, sweeping flourish at the end.

Hon. Phil Goldfeder
CEO
American Fintech Council