EARNED WAGE ADVANCE

THE ADVANCE *THAT KEEPS YOU BEHIND*

WHAT IS IT?

Earned Wage Advance (EWA) lets workers take an advanced loan from their paycheck before payday.

The EWA industry is trying to get a carve-out in state law that would allow them to be regulated differently than traditional loans, which would exempt them from interest rate caps and important consumer protections. ***EWA lenders are already operating in Michigan without these consumer protections.***

EWA products are used most often by low-wage workers trying to make ends meet. Many users take out advances to pay for food, rent, or transportation.

While marketed as a safer alternative to payday loans, credit card debt, and overdraft fees, EWA products often lead to similar patterns of financial strain.

Many charge fees, pressure for tips on top of those fees, and rely on repeat use, creating costly cycles that resemble the debt traps they claim to avoid.

WHAT SHOULD MICHIGAN LEADERS DO?

219% **The APR that the average consumer pays on their advance loan after fees and gratuity**

Regulate Earned Wage Advance providers under existing consumer lending laws! Don't create legislation with new rules and exceptions.

This is the most effective way to ensure these products truly serve workers.

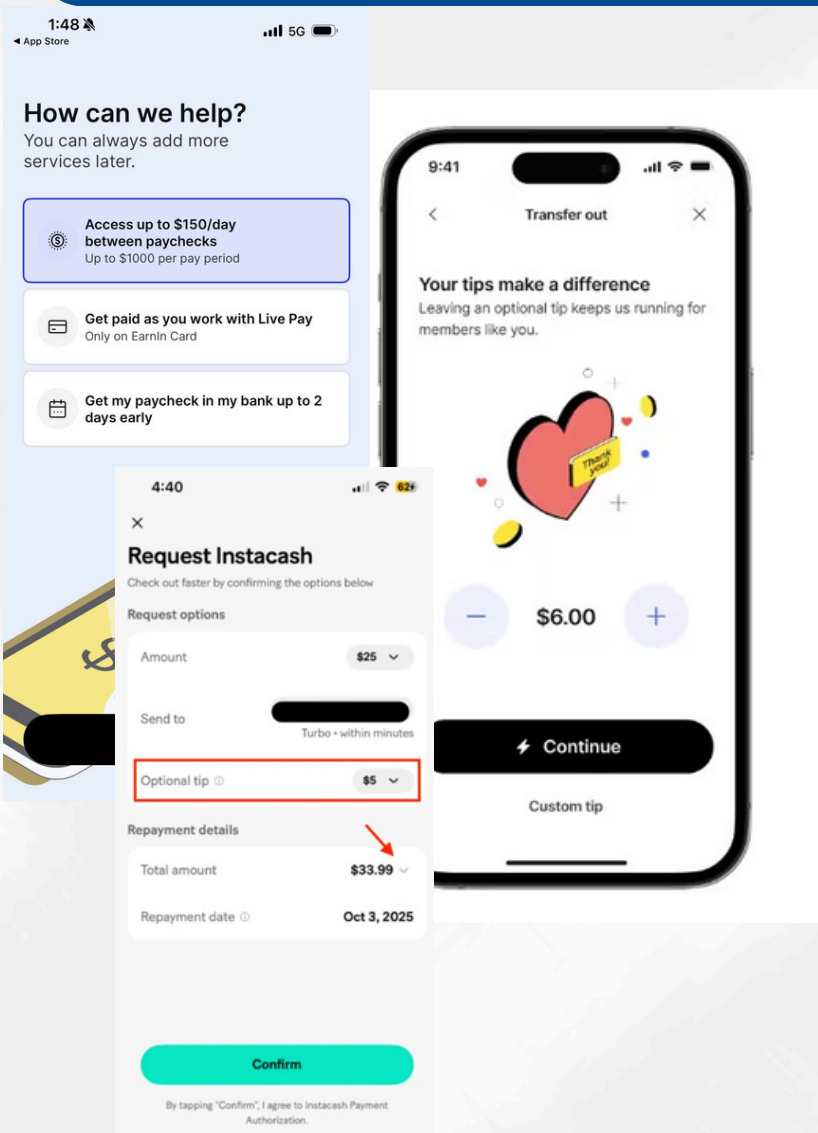
Getting Paid Early Isn't Cheap: EWA vs. Credit Card

Amara, a medical student, who has a low credit score faces an unexpected medical emergency She needs $1,500 before payday to cover her bills.

She could use a new credit card to get the full amount in one simple, low-cost transaction.

Alternatively, she could turn to an Earned Wage Advance app, but that would require 10 separate withdrawals. Each withdrawal comes with fees, making the total cost higher and the process more cumbersome. This calculations do not include gratuities.

	Credit Card	Earned Wage App
Amount accessed	$1,500	$1,500
Number of transactions	1	10
APR	**25%**	**~170%**
(Proposed) Transaction Fee Cap	0	$7
Total fees / interest	**$30**	**$70**
Total repayment	$1,530	$1570



EWA service providers rely on small-dollar, frequent transactions to generate profit.

Many use interface design tactics to pressure consumers into tipping, often by suggesting or pre-setting tip amounts and repeatedly prompting at cash-out.

Combined with fees and low daily limits, these services can be significantly more expensive than traditional lending options that are regulated under the Michigan Regulatory Loan Act.