

Department of Legislative Services

Maryland General Assembly

2025 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

House Bill 1294

(Delegates Wilson and Amprey)

Economic Matters

Finance

**Commercial Law - Credit Regulation - Earned Wage Access and Credit
Modernization**

This bill subjects “earned wage access” products to the Maryland Consumer Loan Law (MCLL) and other related statutory provisions that regulate entities that provide consumer credit. The bill explicitly treats certain earned wage access products as loans and establishes new rules for the acceptance of “tips” in connection with the provision of earned wage access products and other credit under MCLL. The bill requires licensing of entities offering earned wage access products. Finally, the bill establishes restrictions and notification requirements regarding the costs and fees associated with obtaining an earned wage access product and modifies the State’s credit licensing structure to account for new products, services, and fees.

Fiscal Summary

State Effect: The bill generally codifies existing practice and is not anticipated to materially affect State finances or operations. The Office of Financial Regulation (OFR) can handle enforcement with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines “earned wage” as salary, wages, compensation, or other income earned (1) on an hourly, project-based, piecework, or other basis or (2) through services rendered as an independent contractor.

“Earned wage access” means “consumer-directed earned wage access” or “employer-integrated earned wage access.” A provider of earned wage access may not, among other things, charge a consumer specified fees, receive interest from a consumer, or obtain a consumer’s credit report as a method of qualifying the consumer for earned wage access.

“Consumer-directed earned wage access” means delivery to a consumer of access to unpaid but earned wages based on employment, income, or attendance data obtained directly from the consumer by a third party with no relationship to the consumer’s employer where the consumer does not pay the provider interest.

“Employer-integrated earned wage access” means delivery of unpaid but earned wages that are (1) provided to a consumer directly by a person the employer has contracted to provide the service; (2) determined based on employment, income, or attendance data obtained directly or indirectly from the consumer’s employer, including a payroll service provider; and (3) where the consumer does not pay the provider interest.

“Fee” means a fee imposed by a provider for delivery or expedited delivery of earned wage access to a consumer or a subscription or membership fee imposed by a provider for a group of services that includes earned wage access.

“Tip” means a voluntary payment by a consumer to a lender or third party who provides (or arranges) a loan:

- made at the time of the transaction in recognition of the lender’s or third party’s provision or arrangement of the loan;
- made at the sole discretion of the consumer; and
- that does not affect the willingness of the lender or third party to provide (or arrange) the loan (or any future loan) or affect the terms of any loan.

“Tip” does not include any payment made by a consumer for expedited processing or disbursement or for a membership, registration, or subscription fee.

The bill prohibits consumer lenders from suggesting to consumers that a tip will influence (1) the lender’s willingness to provide a loan or (2) the terms of the loan. It further requires them to disclose to whom a tip is allocated and that any tip paid by the consumer does not inure to the direct benefit of any specific employee or any other individual.

Regulatory Exemptions

A licensed earned wage access provider is exempted from other provisions of State law relating to lending, credit, or debt including the interest, consumer loan, and revolving and
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closed end credit provisions of the Commercial Law Article. Furthermore, licensed earned wage access services are not considered money transmission, and such services are not considered to be in violation of State law regarding deductions from payroll, salary wages, compensation, or other income or the purchase, sale, assignment, or order for unpaid but earned wages.

Obligations to Consumers

Among other requirements, earned wage access providers must offer consumers a no cost option to receive earned wage access services. Additionally, earned wage access providers must explain to consumers their rights, and inform consumers of any material changes to the service's terms and conditions, before entering into an agreement or implementing any changes.

Current Law: OFR has determined that earned wage access products are extensions of credit that are subject to MCLL.

Maryland Consumer Loan Law

MCLL (Title 12, Subtitle 3 of the Commercial Law Article) applies to a loan or advance of money of \$25,000 or less for personal, family, or household purposes – *regardless of whether the loan or advance is (or purports to be) another type of product*. In addition, a person may not lend \$25,000 or less if interest on a loan exceeds the amount authorized by Maryland law, the transaction violates the federal Military Lending Act, or the person is not licensed (or exempt). Loans made under MCLL generally cap interest at 33% with a balance of \$2,000 or less and 24% with a balance of more than \$2,000.

MCLL does not apply to (1) a plan or loan for which a written election has been made under other provisions of law relating to interest and usury, secondary mortgage loans, revolving credit, and closed end credit transactions; (2) a loan made by an individual who makes three or fewer loans per year and is not engaged in the business of making loans; or (3) a loan between an employer and an employee.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 246, HB 1425, and SB 998 of 2024.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2025
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Commercial Law - Credit Regulation - Earned Wage Access and Credit Modernization

BILL NUMBER: HB 1294

PREPARED BY: Amy Hennen

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES