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Chairman Steil, Ranking Member Lynch, and members of the Subcommittee, thank you for the opportunity to submit this written testimony. My name is Ram Palaniappan, and I am the founder and Chief Executive Officer of EarnIn, a company that helped pioneer direct to consumer earned wage access. I am grateful to return to this Subcommittee to discuss how innovations like earned wage access, when thoughtfully regulated, can help Americans better navigate the realities of their financial lives.

I want to express my appreciation to Representative Steil and Representative Torres for their leadership on bipartisan legislation to create a clear federal framework for earned wage access. Their work is an example of how members from both parties can come together around practical solutions that help working families avoid unnecessary fees and financial stress while preserving room for responsible innovation.

Paying bills and managing expenses is top of mind for people every day. Innovation helps when it solves real problems, like making pay more efficient and timely. Innovations endure only if they actually make people’s lives better. Earned wage access is an example of an innovation that’s growing because of the real impact it has on people’s lives.

EarnIn started as an Earned Wage Access company and now also offers a modern payroll platform used by over 10,000 companies, along with consumer tools that improve how people experience pay. Today, about 1% of the people who get a paycheck in the US use EarnIn to access all or a part of their pay.

The idea for EarnIn started when I was at another company and learned that some of my employees were struggling between paychecks. That surprised me, because we were all paid well. When I spoke with one of them, she said she needed money the next day and couldn’t wait till payday, which was the following Friday. The issue wasn’t how much she earned – it was when she got paid. She had already worked the hours, but payday was still days away.

I couldn't get the payroll system to pay her for the hours she had already worked. So, I gave her the money she had already earned, and we settled it when payroll ran. I continued helping her and other employees this way, just as so many other small business owners do. What began as a one-time solution became so much more - a way to pay bills on time and avoid expensive fees.

In this testimony, I organize my remarks around seven central themes. First, I describe the fundamental problem: the friction caused by outdated pay cycles in a real-time economy. Second, I summarize what the evidence shows regarding earned wage access and worker outcomes, emphasizing recent economic research. Third, I explain the mechanics of how direct-to-consumer earned wage access works in practice. Fourth, I examine consumer behavior, particularly regarding overdrafts and the role earned wage access plays in managing liquidity. Fifth, I detail the operational realities of repayment, recourse, and the meaning of "risk borne by the provider." Sixth, I address the debate over APR versus "true cost" and the necessity of a level regulatory playing field. Finally, I conclude with observations on the policy implications and the compelling case for a federal regulatory framework.

I. The Problem: Outdated Pay Cycles in a Real-Time Economy

To understand why earned wage access exists at all, it is helpful to start with a simple observation: for many workers, the challenge is not only how much they earn, but when they are allowed to receive it. Payroll systems in the United States were designed decades ago, before the creation of the internet, let alone direct deposits and online banking. They were based around paper-based processes and batch calculations and largely remain anchored to fixed schedules, every two weeks or monthly, even though the rest of the economy now operates in real time.

Most workers incur expenses continuously: groceries, gas, childcare, transit, utilities, and co‑pays do not wait for the Friday after the pay period ends. When a bill arrives a few days before payday, the core problem is often not that they haven't earned money; it is that their cash flow is out of sync with the payroll system's rigid schedule.

Today, most employees are paid digitally. But these digital dollars move slower than any other digital product. You work every day and then are paid every 2 weeks or maybe once a month. Imagine other digital products working that way. If your phone asked you to type your texts every day and it would send them out every 2 weeks, you wouldn't use it.Yet this is essentially how many payroll systems still function in a world where everything from media to transportation to communication has moved to on‑demand models. Earned wage access is, at its core, an attempt to modernize the timing and frequency of pay so that it better reflects the way people actually live and spend.

When workers cannot bridge this timing gap, they often resort to what is available: overdrawing their bank account and paying a hefty fee, delaying a bill and incurring a late charge, turning to a payday or deposit‑advance lender, or borrowing informally from friends and family. Each of these options can solve a short‑term problem, but frequently at the cost of making the next pay period even harder. This is the context in which earned wage access products emerged; a context defined not by a lack of wages but by an outdated schedule for their delivery.

II. What the Evidence Shows: Earned Wage Access and Worker Outcomes

As the use of earned wage access has grown, researchers have examined whether improving pay timing meaningfully affects workers' financial and labor outcomes. That research consistently finds that when workers have more control over when they are paid, they are better able to manage cash flow, avoid high cost financial products, and sustain participation in the labor market.

Economist Jonathan Davis's June 2025 paper, "*The Economics of Earned Wage Access: How Giving Workers More Control Over Pay Timing Improves Outcomes*," provides one of the most comprehensive analyses of earned wage access to date. Drawing on empirical studies from direct-to-consumer services, employer-integrated programs, and other flexible pay models, Davis finds that improving pay timing can meaningfully reduce financial stress, support smoother consumption, and increase work effort and earnings for many workers. When pay timing improves, those pressures ease.[1]

The research shows that access to earned wages reduces reliance on overdraft fees, payday loans, and revolving credit, which often serve as substitutes for timely pay. This is not because workers lack income, but because their earnings are temporarily inaccessible. Timely access to pay solves this problem for everyday working Americans.

Davis highlights several consistent findings. First, aligning cash flow more closely with expenses helps workers smooth consumption and better handle routine shocks. For individuals who live close to the margin, the difference between having access to wages today versus waiting another week can determine whether they pay rent on time, keep utilities connected, or avoid a costly overdraft. Second, in multiple contexts, access to flexible pay is associated with increased labor supply. When workers know that taking an extra shift or extra hours will translate into accessible earnings soon, rather than at the end of a long pay cycle, they are more likely to pick up that opportunity.

In follow-up research using account-linked data on more than a million users of EarnIn's direct-to-consumer earned wage access product, Davis finds that workers with access to this tool experienced a sustained 11 percent or $335 increase in monthly earnings [2]. These gains persist over time and are driven primarily by increased hours worked and greater employment stability. Academics at UCLA, examining a different data set, reported similar patterns, with incomes rising by roughly 10 to 20 percent for many participants.[3] While the exact estimates vary across studies and providers, the broad message is consistent: giving workers timely access to earned wages tends to encourage work, not discourage it.

Several studies also suggest that earned wage access can substitute for more expensive and less transparent forms of liquidity. Workers with access to EWA rely less on payday loans and other high-cost credit products, and they have fewer overdrafts and fewer instances of accounts falling deeply negative relative to similar workers without such access.[4] This is an important point for regulators and policymakers: a world without EWA users is not a world in which workers simply wait patiently for payday, but one in which they turn to less consumer-friendly options to bridge the gap.

The research underscores the necessity of EWA as a tool for this segment of the workforce to cover essential expenses like rent and emergency medical bills. A recent public opinion survey of nationwide voters further highlights that EWA enjoys overwhelming support, with users, including union members, praising its transparency and stating it "takes the embarrassment out of things" compared to borrowing from friends. This strong positive perception suggests that EWA acts as a crucial, well-received financial tool that prevents this core working population from resorting to "harmful alternatives" such as high interest loans and overdraft fees.[5]

Taken together, this evidence shows that earned wage access functions more as a pay-timing infrastructure that supports work, stabilizes consumption, and offers an alternative to higher-cost short-term credit. Earned wage access does not replace wages or reduce incentives to work; it helps workers fully realize the value of the work they have already done.

III. How Direct-to-Consumer Earned Wage Access Works

How Americans access direct-to-consumer earned wage access products typically follow a common pattern: a worker learns about the service, often through word of mouth or online search, downloads an app, and connects a bank account through a secure data-sharing network. The provider then estimates the amount of wages that have already been earned but not yet paid, and applies daily and pay-period caps so that only a portion of expected earnings is accessible at any time.

When the worker faces a timing gap, say a bill is due a few days before the paycheck arrives, they can open the app and choose to access a portion of their earned wages. In most models, the customer is presented with at least two options: a standard transfer that is free but may take a day or more to settle, and an expedited transfer, similar to a wire transfer, that arrives in under a minute for a flat fee. The cost of each option is displayed in simple dollar terms rather than as a percentage or an interest rate. The worker can then decide, transaction by transaction, whether the speed is worth the cost.

Some direct-to-consumer providers, including EarnIn, also offer a tipping feature that allows customers to leave an optional tip in addition to, or in place of, a fixed fee. In these models, the tipping interface explicitly and clearly allows a customer to choose not to tip. While some customers choose to leave a small voluntary tip on some transactions, many do not. Tipping is never required to use the service, and it is not tied to any differential treatment such as larger limits or faster access; instead, it is an optional mechanism that allows customers the flexibility to choose when and how they support the product as providers look to recover costs and fund operations.

Repayment of the accessed wages generally occurs via a pre-authorized debit scheduled on or shortly after the worker's regular payday. At the time of the transaction, the customer sees the exact amount to be debited, the debit date, and the account from which it will be drawn. This authorization is also revocable, and customers can choose to cancel it through the provider or their financial institution. If, on the scheduled date, there are insufficient funds in the account, the repayment attempt fails but does not trigger automatic late fees or penalty interest from the earned wage access provider.

In responsible models, like those allowed in the Steil Torres draft, workers retain meaningful control at each step. They decide whether and when to access earned wages, how much to access within the caps, whether to pay for speed or rely on a free option, whether to tip, and whether to maintain or revoke a repayment authorization. The provider is not imposed by an employer as a condition of employment; it is adopted voluntarily by workers who find it useful as a budget and cash-flow tool. Because the product is separate from any particular employer, it can travel with workers as they change jobs, and is an added layer of flexibility on top of whatever payroll systems their employers use.

IV. Consumer Behavior, Overdrafts, and the Role of Earned Wage Access

Industry-wide, transaction-level data and customer surveys paint a remarkably consistent picture of how workers actually use earned wage access. Contrary to some early skepticism, these tools are not predominantly used for discretionary or luxury spending. Instead, the vast majority of accessed wages are directed toward basic, essential needs and obligations—groceries, rent and utilities, transportation to and from work, childcare, healthcare costs, and helping friends or family members in need. While small-ticket discretionary purchases certainly occur, because life includes those as well, but they do not dominate usage. This pattern is corroborated by self-reported reasons for using earned wage access: customers most commonly cite paying bills on time, keeping food on the table, avoiding overdrafts, and dealing with minor emergencies such as car repairs or medical co-pays.

A second recurring pattern concerns overdraft behavior. Longitudinal analyses of workers who adopt earned wage access and then remain active for at least a year show overdraft fees tend to decline over time, even as these workers continue to use earned wage access. This is because when a worker can access some of their earned wages just before a bill or payment would push their account negative, they can avoid incurring an overdraft fee altogether. From the consumer's standpoint, this is often a choice between paying a predictable, transparent fee, or sometimes no fee at all, for access to wages versus paying a much larger, less transparent bank penalty for a short period of negative balance.

Empirical work also suggests that earned wage access can play a stabilizing role in households' broader financial lives. By reducing the frequency with which accounts fall deeply negative, and by mitigating the need to resort to payday loans or other high-cost products, earned wage access can help workers maintain basic banking relationships and avoid the downward spiral of fees and negative marks that sometimes follows a single missed bill. For many workers, the realistic alternative to earned wage access is not a pristine, fee-free waiting period, but a set of more costly and less flexible tools.

V. Repayment, Recourse, and the Meaning of "Risk Borne by the Provider"

Critics of earned wage access sometimes point to high repayment rates and the use of automatic debits as evidence that these products are, in substance, recourse loans, even if providers do not pursue formal collection remedies. It is important to take this concern seriously and to be precise about how repayment works and what happens when it does not.

In many direct-to-consumer models, repayment is made via a pre-authorized debit from the customer's bank account on or shortly after payday. The customer authorizes that debit at the time of the transaction, with full visibility into the amount and timing, and may revoke that authorization through the provider or their bank. This arrangement is similar to the way many households pay utility bills, subscription services, or student loans: through automatic payments that are convenient precisely because they reduce the cognitive load of remembering due dates and help avoid accidental missed payments.

High repayment rates in this context are not, by themselves, evidence of coercive recourse. They are the predictable result of certain design features. First, advances are tied to earned income and are typically capped to limit the fraction of a paycheck that can be accessed in advance. This is different from a traditional loan that may far exceed a single pay period's earnings. Then, because many workers use earned wage access to avoid overdrafts and late fees, they have a strong reason to keep the tool available; Maintaining authorization for the debit so that the product remains accessible is rational behavior, not an indication of hidden pressure. The value workers place on the product, reflected in continued usage, positive reviews, and survey responses, show that many see it as a helpful, not predatory, part of their financial toolkit.

By contrast, what traditionally defines recourse in consumer credit law is not the mere fact that many borrowers repay, but the set of legally contracted consequences that follow non-repayment: late fees and penalty interest, collections activity, negative credit-bureau reporting, lawsuits, and even wage garnishment. In responsibly structured earned wage access models, these levers are absent. If a scheduled repayment attempt fails because the consumer does not have funds in the account, the provider does not layer on late fees or increase a contractual interest rate; instead, it pauses access to new advances. The consumer may lose access to the service going forward, but they are not pursued through the courts or the credit reporting system. And, there are no-cost and no-penalty means for the user to return to use of earned wage access.

It is therefore more accurate to describe earned wage access as a pay timing tool in which providers absorb real risk that some advances will not ultimately be repaid. Providers do, of course, have strong incentives to design products that keep that risk within manageable bounds. But in the absence of penalty fees, collections, access to collateral, or negative credit reporting, they do not have an arsenal of recourse mechanisms that characterize traditional credit products – in fact, responsible earned wage access providers like EarnIn expressly disclaim these tools used by lenders for risk mitigation. The presence of preauthorized debits, on its own, does not change that legal and practical reality.

VI. APR, "True Cost," and the Need for a Level Regulatory Playing Field

A related policy debate concerns how best to communicate the cost of earned wage access to consumers and regulators, and whether traditional measures such as the annual percentage rate, or APR, are well suited to this purpose. APR has long served as a central disclosure metric for installment loans and revolving credit, where it helps consumers compare long term borrowing costs across products. But when APR is mechanically applied to small, short duration access to earned wages, it can produce numbers that are misleading to consumers trying to evaluate their options across products.

What matters most to working people is how many dollars leave their bank account, not an annualized percentage they never actually pay. When someone uses earned wage access, the cost is clear and limited: they see a small, flat dollar amount in the app and can decide whether it's worth it, including the option to wait until payday at no cost. If the clearly disclosed fee is converted into an annualized APR over just a few days, it can appear artificially high, even though the person never pays anything close to that amount in dollars. By contrast, other types of short-term liquidity options, including late fees, credit card cash advance fees, overdraft, and wire transfer fees; which are typically charged and understood in dollar terms, not APRs, despite involving higher actual costs.

A worker choosing between a small, clearly disclosed fee for access to earned wages and a much larger, less transparent overdraft fee should be able to compare those options on the basis of how many dollars they will pay and what the consequences of non-payment will be. Any disclosure regime that obscures that comparison does a disservice to the people it is meant to help.

A more balanced approach would shift the focus to simple, dollar-based disclosures across the board. Several states have included these requirements, as does the Steil-Torres discussion draft. For earned wage access, that would mean ensuring that consumers can easily see, before every transaction, how much of their earned wages they are accessing, how much they will pay in any fees or optional tips, and when the repayment will occur.

VII. Policy Implications and Case for a Federal Framework

Evidence from multiple independent researchers, combined with the lived experience of millions of workers who use earned wage access, points toward a few important policy takeaways. First, it's important to recognize how earned wage access differs from traditional credit. When structured with clear guardrails, it functions primarily as an adjustment to pay timing, not the creation of new, open ended debt. There is no compounding interest, no late fees, no collections, no credit reporting, and access is limited to wages already earned.

That doesn't mean earned wage access should operate without oversight, guardrails, or even constraint. It does mean that applying existing credit frameworks does not reflect how these products actually work or how people experience them.

Any federal framework should promote transparent, dollar-based disclosures that help consumers make informed choices among real alternatives. Workers deciding whether to use earned wage access are effectively choosing among several ways of solving a timing problem: waiting until payday, incurring a bank fee, turning to a traditional lender, or accessing some portion of earned wages early. They should be able to compare those options on the basis of how much they will pay and what risks they assume, rather than on the basis of technical calculations that can obscure the practical trade-offs.

Regulation should ensure that strong consumer-protection guardrails are consistently in place across earned wage access products. That includes clear disclosure of a free or low-cost access option, such as a standard transfer with no fee; explicit, revocable repayment authorizations; and firm prohibitions on late fees, penalty interest, collections, or negative credit reporting tied to earned wage access. Where providers use tipping models, rules should make clear that tipping must be genuinely optional and not a condition of access.

Workers should be able to carry access with them as they move between jobs, without that access being contingent on a single employer or benefit decision. The portability of the direct-to-consumer earned wage access enables this.

Finally, Congress can help avoid a patchwork of inconsistent state approaches by establishing a coherent federal framework that gives regulators clear authority and gives providers clear expectations. The bipartisan efforts led by Representatives Steil and Torres reflect an understanding that earned wage access is already part of many workers' financial lives and that the right question is not whether it should exist, but under what rules. Thoughtful legislation can ensure that earned wage access remains a safe, transparent tool that complements other consumer-finance protections.

Conclusion

Earned wage access grew out of what I saw firsthand - people were doing the work, but the timing of their paychecks often left them exposed to fees, stress, and missed opportunities. Over the past decade,it has evolved into a widely used tool that gives millions of workers more control over the timing of their income. Academic research now provides credible evidence that earned wage access can increase earnings, reduce reliance on high-cost credit, and help households manage volatility more effectively.

Anecdotally, I hear stories from customers regularly about how earned wage access has improved their financial wellbeing. One customer, a government employee, has a side business making custom candles. Once he got an order, he used to wait till payday to order supplies. Now he uses EarnIn and orders supplies as soon as he gets an order. This has let him do many more orders a month, increasing his income.

Another EarnIn customer, Rae, a Southern California mother and retail supervisor undergoing cancer treatment, shared how on some days she feels better than others. Payday doesn't always align with when she's feeling better, but EarnIn gives her flexibility and peace of mind—allowing her to take her daughter out on good days, without being restricted by paycheck timing.

The stakes for consumers are real. That is why clear, thoughtful regulation matters. A federal framework that recognizes the distinctive features of the different models of earned wage access, insists on strong consumer protections, and places it on a level playing field with overdrafts and other short-term products can help ensure that this innovation fulfills its promise rather than creating new problems. I am grateful to this Subcommittee, and in particular to Representatives Steil and Torres, for engaging seriously with these questions in a bipartisan way.

Thank you again for the opportunity to provide this testimony. I look forward to continuing to work with the Subcommittee, other members of Congress, and regulators to ensure that earned wage access and other financial technologies genuinely serve the interests of American workers.

Notes

[1] Davis, "The Economics of Earned Wage Access: How Giving Workers More Control Over Pay Timing Improves Outcomes," June 2025.
https://drive.google.com/file/d/1w1W0n3HtasA87AVu97a2oz2iSUmTJTiW/view

[2] Davis, "The Impacts of Earned Wage Access: How Giving Workers More Control Over Pay Timing Can Increase Income and Boost Financial Stability," November 2025,
https://drive.google.com/file/d/1odvS0dYIpnniUPc6g8Jj9pC1_P3u9RJ/view

[3] Chen, Feinerman, Haggag. Flexible Pay and Labor Supply: Evidence from Uber's Instant Pay,
https://www.nber.org/papers/w33177

[4] Ibid, (Davis June 2025) and related studies document reductions in payday-loan usage, overdrafts, and severe negative balances among workers with access to earned wage access or similar pay-timing tools

[5] A recent public opinion survey of 1,500 nationwide voters – conducted from August 9 to 15, 2024 by Mercury Analytics.