
OLR Bill Analysis

sHB 5140

AN ACT CONCERNING EARNED WAGE ACCESS.

SUMMARY

This bill establishes an exemption from the small loan law's annual percentage rate (APR) and finance charge requirements for advances of funds that an employee would have received as income or wages in an upcoming paycheck, subject to certain restrictions (i.e., an "employer-integrated advance"). In doing so, the bill allows for these transactions though they may exceed the law's APR cap.

The bill relatedly exempts from the small loan licensure requirement payroll service providers that, on behalf of an employer or someone who has a small loan lending license, verify available earnings related to an employer-integrated advance and perform activities related to the verification. For the exemption to apply, the providers cannot provide the funds for the advance or control the licensed lender's activities (e.g., by directing management or policies).

Lastly, the bill (1) makes conforming changes and (2) explicitly exempts a wage that an employer directly pays to an employee before a regular pay day from the small loan lending law's scope.

EFFECTIVE DATE: Upon passage

EMPLOYER-INTEGRATED ADVANCE

The state's small loan lending law generally applies to loans, extensions of credit, or the purchase of, or an advance of money on, a borrower's future source of money (e.g., future pay or salary) of up to \$50,000 and with an APR exceeding 12%. In calculating the APR, it includes charges and fees assessed to a borrower as part of the transaction, including voluntarily provided amounts from the borrower (e.g., finance charges).

The bill exempts an “employer-integrated advance” from the law’s provisions on APR and finance charges (e.g., the 36% cap). This is an advance of money to a consumer that is (1) less than \$5,000 and (2) made by a licensed small loan lender that has a contract with the consumer’s employer that allows for these advances to the consumer. But the amount advanced cannot exceed 50% of the amount of income or wages the consumer earned in a particular pay period, which the licensee must verify with the consumer’s employer before providing the funds.

The bill also caps the amount of any “expedited transfer fee” at \$4 per advance and \$16 per 30-day period (i.e., fees offered or paid by a consumer as part of an employer-integrated advance to complete the funds transfer at the same time or on the same day the consumer asks for it). The expedited transfer fee is the only finance charge, fee, payment, or cost the bill allows the licensee to assess or receive for completing the advance.

Additionally, the bill (1) restricts the consumer’s method of repaying the advance and the expedited transfer fee to a payroll deduction and (2) prohibits the licensee from charging or receiving an additional charge, fee, payment, or cost, such as a late fee, if repayment is late.

COMMITTEE ACTION

Banking Committee

Joint Favorable Substitute

Yea 10 Nay 2 (03/12/2024)