

Testimony on HB 1393  
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House Industry Business & Labor Committee

Good morning Chairman Warrey and members of the House Industry, Business & Labor Committee. I'm here today on behalf of the ND Pawnbrokers Association and Catalis LLC to support HB 1393 which establishes a regulatory framework for what has become known as Earned Wage Access. Earned Wage Access is an online financial tool that allows individuals to access their earned but unpaid wages prior to their regular payday. You may view it similarly to a payday loan. The services offer financial flexibility for many workers but the lack of clear regulation has created inconsistencies in operational transparency and a lack of proper consumer protections.

A study from the California, the Department of Financial Protection and Innovation (DFPI) found that borrowers using EWA services took out an average of nine advances per quarter, totaling 36 advances per year. In some cases, borrowers took as many as 25 advances per quarter, illustrating heavy reliance on these products. Furthermore, 29% of borrowers admitted to taking out multiple advances from different providers simultaneously. With no coordination across platforms, this unregulated behavior increases the risk of financial overextension.

HB 1393 will:

- Prevent consumers from becoming overextended on Earned Wage Access advances.
- Require Earned Wage Access providers to submit information on every transaction to a statewide database, similar to the database that has been in North Dakota for payday loans for over 15 years.
- Require business entities offering the Earned Wage Access product to submit information on each transaction as required by state law.
- Create a database that uses transaction information to ensure compliance with state law. To meet legal requirements, the database must track a borrower's status at a specific point in time, allowing providers to determine whether they are eligible to offer another Earned Wage Access advance.
- Establish licensed providers who have access to the database making unlicensed activity easier to identify and enforce
- NOT create reporting of information about a consumer's payment history or transaction history to credit or collections agencies.
- NOT provide a credit score or any indication of borrower creditworthiness.
- Empower regulators to protect consumers from overextending themselves.

- Be a Self-funding program. Provides for the use of fees, on each database transaction, to pay for the database system.

This legislation will track all EWA transactions in real time, preventing borrowers from taking out more than the allowed number of advances, even if they use multiple platforms. Additionally, it would allow regulators to monitor consumer protection and promote a safe and healthy marketplace.

Additionally, this legislation will also provide this legislative body, as well as the Department of Financial Institutions with valuable data on borrower behavior and industry practices, enabling them to make more informed decisions around consumer protections. By addressing the issue of overextension and reducing the need for frequent borrowing, states can help ensure that EWA remains a tool for financial relief, not a source of ongoing debt.

I urge the committee to support HB 1393 to protect workers, foster innovation, and promote accountability in the Earned Wage Access industry.