WAGESTREAM

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My name is Kevin Lefton, and I am the Global General Counsel for Wagestream. Wagestream is an employer-integrated Earned Wage Access provider similar to other providers speaking today. I would like to thank everyone here today for working on this important issue and allowing us to have an open dialogue about the benefits of Earned Wage Access, to both employees ***and*** employers.

Like many other providers in this space, we are supportive of regulations that help protect consumers, and like so many other Earned Wage Access providers, we oppose payday loans and other predatory financial products. However, it is critical to understand that ***Earned Wage Access services are: (1) not credit, (2) not a loan, and (3) not pay-day-loans, and therefore EWA should not be viewed or regulated as such***. Employer-integrated Earned Wage Access services are critical to many users, many of whom are in the hospitality, healthcare, manufacturing, and education industries, as well as many other important industries that have hourly and frontline workers.

The benefits to users of employer-integrated Earned Wage Access services are that they are paid for wages they have already earned when ***they*** need it and have a low or ***no*** cost option that is an alternative to a high-cost payday loan or excessive overdraft charges that many consumers face if they don't have access to this service.

With employer-integrated Earned Wage Access services, the benefit to employers is that they have an easier time filling shifts when workers know they can be paid the same or next day. Further, studies have shown that it is easier to attract and retain new talent with Earned Wage Access as an employee benefit.

It is critical to understand how the employer-integrated earned wages access works:

1. First, the earned wage access provider (such as Wagestream) enters into a contract with the employer. This allows the Earned Wage Access provider to obtain accurate employee time and attendance data. ***We are not estimating earned wages - we see actual data***.

2. Second, unlike credit or loan products:
    a. Earned Wage Access services are provided at either <u>low or no cost</u> to the user (low cost would typically be less than an ATM fee);
    b. Providers <u>do not</u> charge interest;
    c. Providers <u>do not</u> pull credit reports on the user;
    d. The service <u>is not</u> based on creditworthiness;
    e. The service <u>is non-recourse</u> to the user; and
    f. There are <u>no reports to collections or creditors</u> at any time!

In summary, Earned Wage Access services are an excellent financial tool for employees, and a great benefit for employers to offer. This service should not be considered to be credit or a loan, because Earned Wage Access services are based on wages that have already been earned and do not share any of the same characteristics of a loan. I have attached to my testimony a document meant to assist you with understanding the "misinformation" that many organizations state about earned wage access. I would be happy to discuss this information in further detail at any time.

Earned Wage Access is a financial well-being tool that helps its users, many of whom are hourly and frontline workers. Using this tool will help them to better plan their finances and manage future expenses and emergencies.

Thank you all for your time on this important issue.

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Earned Wage Access (EWA)
Misinformation

Misinformation #1: "EWA is a loan."

1. EWA is absolutely NOT a loan. Almost every definition of a loan is similar in that a loan has two key components: 1) a debt is incurred and 2) there is interest or a finance charge. Neither of these two components are present with EWA:
   a) First, no debt is incurred because this is a non-recourse product and there is no obligation to pay anything back; and
   b) Second, EWA is either free or has a low flat fee and therefore does not have interest or a finance charge. The low flat fee is a service charge for same day service (similar to an ATM fee, which is not considered a finance charge or interest).

Misinformation #2: "The nominal flat fee equates to a huge APR."

1. The low flat fee is a service fee, not an APR. Anyone can use the service for free by selecting "next day" or having the money put on a debit card. The flat fee is only applicable for "instant transfers" if you request the money the same day. This is no different than an ATM, PayPal, or even Venmo.
2. Using an APR calculation for EWA is misleading and inaccurate because: 1) APR is a calculation for a loan and this is not a loan, 2) EWA does not have an interest component, which is used to calculate APR, and 3) you cannot attach an APR (which is an annualized methodology) to a one-time flat fee.
3. This is no different from using an out-of-network ATM where the owner of the ATM is charging a flat fee and giving you their money which they recoup at a later time from you through your banking institution.

Misinformation #3: "EWA creates a cycle of debt."

1. EWA has nothing to do with debt…EWA only changes the timing or frequency of the user's pay and not the amount of available pay.
2. Data shows that EWA users actually spend LESS and save MORE.
3. EWA does not charge interest, require minimum payments or rollover loans, which are all factors that truly create a cycle of debt.

Misinformation #4: "Employers should pay for this service and not employees."

1. Our service absolutely supports the ability for employers to cover the minimal costs, however, as an employee benefit, this decision is between the employer and the employee.

Misinformation #5: "It only costs $0.05-$0.08 for an EWA provider to conduct an instant transfer so why are you charging $3.50."

1. This is a false and misleading statement. This cost, which is not even accurate, does not take into account the provider's cost of creating and operating the technology, cost of supporting their own employees, and the costs of operating a business. Further, and again much like an ATM fee, we are able to offer the FREE option because we also offer a paid option that some people choose to utilize.