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HB 25-1020

Earned-Wage Access Service Provider

Andrea Kuwik, Director of Policy and Research, January 30, 2025

Thank you Madam Chair and members of the committee. My name is Andrea Kuwik. I'm the Director of Policy and Research with the Bell Policy Center. We provide policymakers, and the public with reliable resources to develop a practical policy agenda that promotes economic mobility for every Coloradan.

Respectfully, we are here in an amend position. We appreciate the sponsors' work to regulate Earned Wage Access lenders. However, we believe that, as currently written, the bill lacks necessary consumer protections and threatens the important progress our state has made over the past several years.

Since 2018 alone, Colorado has capped the APRs of payday - and other payday loan-like products - at 36 percent. This body has passed legislation to prevent out-of-state lenders from circumventing our lending laws. We've also done work to proactively support Coloradans' financial well-being by creating the first statewide Office of Financial Empowerment and a new Household Recovery Loan program to offer better alternatives to high-cost lending products.

Concerningly, we believe that HB 1020 jeopardizes this progress. We see earned wage access products - in both structure and outcomes - as being incredibly similar to payday loans. In both cases, consumers are borrowing against their future pay, assessed high fees and charges, and - just like with payday loans - research has shown that earned wage access consumers are at-risk for falling into cycles of debt.

Given their tremendous similarities, we would like to see this bill amended to regulate earned wage access providers the same as other high-cost lenders. Most importantly, we believe that earned wage access products should be classified as loans and their

regulation should fall under existing lending statutes within Colorado's Uniform Consumer Credit Code. We believe these changes are necessary for two reasons.

First, by exempting these products from our state's lending statutes they evade Colorado's hard-won APR caps. For a \$100 earned wage access loan, repaid in 10 days - which is the average loan amount and duration according to research from the Consumer Financial Protection Bureau - with the \$7 fee allowed in the bill, the APR comes to over 250 percent. This is obviously far higher than what is allowed for payday and other high-cost loans.

Additionally, we are concerned that by creating an alternative structure to regulate these products, we are opening the door to unintended consequences that could harm Coloradans. Long-standing state and federal lending structures exist to protect consumers. Their work regulates allowable APRs, but also imposes consistent and recognized transparency, reporting, and disclosure requirements. We are concerned that the alternative regulatory structure posed in this bill limits the robust consumer protections that already exist.

Our state has a long history of implementing policies and programs that support the financial well-being of Coloradans. We believe that by making several changes to this bill, we can continue this long, well-recognized history in our state.

Thank you again for the opportunity to testify, and I'm happy to answer any questions.