

**DELIVERING FOR AMERICAN CONSUMERS:
A REVIEW OF FINTECH INNOVATIONS
AND REGULATIONS**

HEARING
BEFORE THE
SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL
TECHNOLOGY, AND ARTIFICIAL INTELLIGENCE
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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DELIVERING FOR AMERICAN CONSUMERS: A REVIEW OF FINTECH INNOVATIONS AND REGULATIONS

Tuesday, January 13, 2026

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL
TECHNOLOGY,
AND ARTIFICIAL INTELLIGENCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:08 a.m., in room 2128, Rayburn House Office Building, Hon. Bryan Steil [chairman of the subcommittee] presiding.

Present: Representatives Steil, Hill, Huizenga, Davidson, Rose, Timmons, Downing, Haridopolos, Moore, Lynch, Waters, Sherman, Foster, Pressley, Torres, Garcia, and Liccardo.

Chairman STEIL. The Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

Today's hearing is titled, "Delivering for American Consumers: A Review of FinTech Innovations and Regulations."

Without objection, all members will have 5 legislative days within which to submit additional material for the chair for inclusion in the record.

Chairman STEIL. I now recognize myself for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. BRYAN STEIL, CHAIRMAN OF THE SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL TECH- NOLOGY AND INCLUSION, A U.S. REPRESENTATIVE FROM WISCONSIN

Technology continues to revolutionize our financial system, from payments to newer applications, like earned wage access. Digitalization, cryptography, and artificial intelligence give consumers faster, cheaper payment, flexible access to earned income, and new ways to manage everyday purchases. These innovations have the potential to improve Americans' financial well-being by making their day-to-day finances more practical, predictable, and affordable.

Historically, workers were paid when they earned wages, yet today, many workers in our economy go home without their earnings. Holding an employee's pay until the end of a payroll cycle is

a relatively modern practice. Earned wage access helps restore this link between work and pay by allowing workers the flexibility to access their wages as they earn them. This flexibility can help families deal with unexpected expenses, from medical bills to car repairs, or simply pay recurring bills timelier. By providing timely access to earned income, Earned Wage Access (EWA) can help Americans achieve their financial goals and help businesses improve worker satisfaction, retention, and overall productivity.

Importantly, innovations, like EWA and buy now, pay later options, often coexist and intertwine with traditional financial institutions. Banks and other lenders are vital partners with financial technology (fintech), providing liquidity and credit as well as access to infrastructure like payment rails. These partnerships provide more efficiency and options for consumers and create new products to enhance competition. Our financial institutions can also benefit from partnering with fintech companies by enhancing their offerings and allowing small and community institutions to deploy cutting-edge tools.

As we explore the benefits of fintech innovation, we must make sure that our regulatory framework is fit for purpose. A well-functioning framework for fintech should focus on risks posed by specific activities, not the identity or business model of the provider. Fintech products that meet consumer demand and improve Americans financial lives should have clear, practical legal pathways for operation and strong consumer protections. By supporting thoughtful and balanced regulation, we can encourage innovation while ensuring consumer protection and promoting financial well-being for American households and businesses alike. Today's hearing will inform these efforts, and I thank our witnesses for their upcoming testimony.

I will now recognize the ranking member of the subcommittee, Mr. Lynch, for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. STEPHEN LYNCH, RANKING MEMBER OF THE SUBCOMMITTEE ON DIGITAL ASSETS, FINANCIAL TECHNOLOGY AND INCLUSION, A U.S. REPRESENTATIVE FROM MASSACHUSETTS

Mr. LYNCH. Thank you very much, Mr. Chairman. I also would like to thank our witnesses for your willingness to come forward and help the committee with its work. This hearing continues our committee's work to examine fintech innovation, including the use of fintech liquidity products, such as buy now, pay later services and earned wage access. This is an area of great promise and potential to overcome preexisting barriers and to expand economic opportunity if we include proper guardrails that assure necessary consumer protections. This hearing continues our work, and these products present an attractive source of capital liquidity to help people meet short term needs. However, some consumer advocates and other stakeholders have pointed to multiple consumer protection concerns associated with fintech business models that incorporate hidden fees, lack meaningful underwriting and are not subject to adequate oversight, and they may target vulnerable consumers with deceptive claims about credit building.

With the use of these products surging since the beginning of the coronavirus disease 2019 (COVID-19) pandemic, our committee's work on this issue has become increasingly vital to ensure that the proper oversight and adequate consumer protections are in place. As ranking member of this subcommittee, I participated in multiple hearings to examine the proliferation of fintech-powered earned wage access services that enable employees to receive a cash advance on their paycheck prior to payday, often at an inflated fee or at the cost of a voluntary so-called tip. Whether offered through an employer or through a direct-to-consumer provider, this on-demand pay market has grown rapidly with employers and providers now advancing billions of dollars in wages to millions of employees annually.

As reported by the Harvard Kennedy School in a recent study on the proliferation of earned wage access products, 40 percent of the people who have access to an earned wage access application through their employer use it at least once a week. Over 75 percent of respondents indicated that they were using their money to pay for regular bills rather than emergency expenses, with one typical user noting, "It just turned into a cycle of always taking money out." Moreover, the rush fees, tipping options, and other hidden charges associated with certain business models—not all—collectively amounted to an estimated annual percentage rate of more than 300 percent in some cases. Similarly, a growing number of consumers are now relying on buy now, pay later services to make ends meet. With Federal Reserve data indicating that nearly a hundred million Americans used buy now, pay later at least in 2025. These services, which allow consumers to pay for purchases over multiple partial payments, are now widely available at check-out both online and in person, where a customer can opt into services and receive approval in minutes without a hard credit check.

Despite purporting to offer free services, some buy now, pay later loans, especially longer-term loans, can ultimately be more costly than using a traditional credit card. The Federal Reserve reports that nearly one-fourth of buy now, pay later users did not make payments on time and faced later fees. Considering the proliferation of buy now, pay later, earned wage access, and other fintech liquidity products, the consumer protection and enforcement mission of the Consumer Financial Protection Bureau is more important than ever.

Unfortunately, President Trump does not agree. The Trump Administration has undertaken unprecedented and unlawful efforts to dismantle the very agency that should be protecting consumers against fraud and exploitation in this very area, including the issuance of cease work orders that halted virtually all Consumer Financial Protection Bureau (CFPB) enforcement supervision and enforcement functions, the abandonment of dozens of pending enforcement cases, and the attempted termination of about 90 percent of CFPB Agency staff. I urge my colleagues to defend the CFPB in the face of these attacks. It will help with the innovation that we all desire to see in this wage space. Thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman STEIL. The gentleman yields back. I now recognize the chairman of the full committee, Mr. Hill, for 1 minute for an opening statement.

STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS

Chairman HILL. Thank you, Chairman Steil, for your great leadership of our subcommittee. This hearing is really deeply personal for me. For the past 4 decades as a former community banker and investor, I have seen how technology has expanded across banking, sharpened competition, and broadened choices for consumers and financial products. Earlier, as a payment system innovator, I witnessed banks' strong demand for modern tools and how meeting that demand delivered real benefits for our customers across the board. This committee has long championed innovation and responsible partnership between traditional financial institutions and technology companies. That commitment is now more important than ever. We should encourage regulators to foster those partnerships, unlock innovation, and reduce unnecessary regulatory burdens. I look forward to the discussion today on how we can work together to promote innovation, strengthen competition, and expand consumer choice. Thank you Mr. Chairman, and I yield back.

Chairman STEIL. The gentleman yields back. Today, we welcome the testimony of Jodie Kelley, chief financial officer of the Electronic Transactions Association; Mr. Kevin Lefton, global general counsel at Stream; Mr. Ram Palaniappan, founder and chief executive of EarnIt; Todd Zywicki, law professor at George Mason University at the Antonin Scalia School of Law; and Delicia Reynolds Hand, senior director of digital marketplace at Consumer Reports. We thank each of you for taking the time to be here. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony.

Without objection, your written statements will be made part of the record.

Ms. Kelley, you are now recognized for 5 minutes for your oral remarks.

STATEMENT OF JODIE KELLEY, CHIEF EXECUTIVE OFFICER, ELECTRONIC TRANSACTIONS ASSOCIATION

Ms. KELLEY. Thank you. Chairman Hill, Chairman Steil, Ranking Member Lynch, and members of the subcommittee, thank you for the opportunity to testify today. My name is Jodie Kelley, and I am the chief executive officer of the Electronic Transactions Association, or ETA, the leading trade association representing the global payments industry. Our members, from banks and networks to fintech innovators, process more than \$57 trillion in transactions annually and power commerce for millions of American consumers and businesses. Today, I would like to make three points. First, digital payments are essential national infrastructure, delivering enormous value to consumers and small businesses. Second, this innovation already operates within a robust regulatory framework. Third, targeted Federal leadership, especially on fraud and artifi-

cial intelligence, can strengthen that framework without slowing innovation.

Payments have evolved from cash and checks into a secure digital ecosystem that underpins daily economic life. Payments are how Americans get paid, pay bills, run businesses, and manage emergencies. Digital payments enhance affordability by expanding consumers' effective spending power. Credit cards, buy now, pay later options, and cash back rewards help families manage unexpected expenses and smooth cash-flow. In 2024 alone, consumers received more than \$43 billion in cash back rewards. Those are real dollars returned to real household budgets. For small businesses, digital payments are now table stakes. Entrepreneurs can start businesses with a smartphone and accept payments instantly. Embedded payments integrated directly into business software allow small firms to manage sales, payroll taxes, and compliance all in one place.

Businesses that accept digital payments see sales increase by 8 to 10 percent, and the efficiency gains are significant. In 2024, faster checkout and back office automation saved small businesses an estimated 806 million labor hours and generated \$34 billion in incremental sales. At the national level, the payments ecosystem contributes more than \$350 billion annually to gross domestic product (GDP) and directly supports approximately 2 million U.S. jobs: high-quality, good-paying jobs across every State.

The industry continues to evolve through mobile wallets, peer-to-peer payments, embedded finance, and AI-driven fraud prevention. Artificial intelligence is now central to payment security. AI systems detect sophisticated fraud in real time, often before consumers are harmed, while reducing false declines and improving customer experience. Looking ahead, agentic commerce, where AI agents transact on behalf of consumers and business, offers real promise, but trust, authorization, and accountability must remain foundational.

Now, this payments innovation does not occur in a regulatory vacuum. Payments providers operate under a comprehensive framework of Federal and State laws covering consumer protection, anti-money laundering sanctions, privacy, cybersecurity, operational resilience, and licensing. In addition, the industry has developed strong self-regulatory standards, including Payment Card Industry Data Security Standard (PCI DSS), Europay, Mastercard, and Visa (EMV) specifications, and network-level rules. This activity-based approach has protected consumers while allowing innovation to flourish.

While new legislation is largely unnecessary, two areas do stand out for Federal leadership. The first is fraud and scams. Fraudsters increasingly rely on social engineering and AI-driven deception. The payments industry invests billions of dollars annually to combat fraud, but payments are often the final step in scams that begin elsewhere on social media, through text messages, or over the phone. ETA supports enhanced cross-sector collaboration and legislation, like the bipartisan Taskforce for Recognizing and Averting Payment Scams (TRAPS) Act, to disrupt scams at their source. The second area is artificial intelligence. AI in payments is already governed by Federal consumer protection and safety and soundness

rules. However, a growing patchwork of State AI laws threatens to fragment national payment systems. ETA urges Congress to establish a uniform, risk-based, technology-neutral AI framework that builds on existing laws.

The digital payments industry delivers extraordinary benefits to American consumers, small businesses, and the broader economy. We look forward to working with Congress to help ensure payments innovation continues to deliver secure, affordable, and innovative financial services. Thank you, and I look forward to your questions.

[The prepared statement of Ms. Kelley follows:]



**Testimony of Jodie Kelley, CEO of ETA
Before the House Financial Services Committee
Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence
Hearing: “Delivering for American Consumers: A Review of FinTech Innovations and Regulations.”**

January 13, 2026

Chairman Steil, Ranking Member Lynch, and members of the Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence, my name is Jodie Kelley, and it is my privilege as Chief Executive Officer of the Electronic Transactions Association (ETA) to submit this written statement on how the digital payments industry is driving innovation by providing consumers and businesses with safe, competitive, convenient, innovative, and cost-effective financial services. On behalf of ETA and its members, thank you for the opportunity to participate in this important discussion.

ETA is the world’s leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments companies, from the largest incumbent players to fintech innovators in the U.S. and in more than a dozen countries. ETA members facilitate commerce by processing approximately \$57 trillion annually in purchases and peer-to-peer (P2P) payments worldwide by developing and deploying payments innovations to merchants and consumers alike.

The digital payments industry is one of the most innovative, dynamic, and competitive industries, leveraging a sophisticated, interconnected infrastructure to deliver financial products and services that benefit consumers, businesses, and the American economy. Access to payments technology enhances affordability by increasing consumers’ effective spending power and by enabling entrepreneurship -- driving tens of billions of dollars in incremental sales to new businesses and providing efficiency gains of hundreds of millions of labor hours. These benefits provided by the payments industry translate directly into small business success.

I. The Evolution of the Payments Industry: Innovation, Security, and Collaboration

Over the past several decades, the payments ecosystem has undergone a profound transformation, driven by advances in technology, changing consumer expectations, and increased economic interconnectedness. What was once a largely invisible function of the banking system has become critical national infrastructure - supporting household financial stability, small business growth, job creation, and economic resilience.

At the same time, the industry has taken on expanded responsibilities, particularly in combating fraud, protecting consumers, and safeguarding the integrity of the financial system. Today’s payments industry reflects a collaborative model in which banks, fintech companies, payment



networks, and technology providers work together to deliver secure, efficient, and inclusive financial services.

A. From Cash and Checks to Electronic Payments

For much of the twentieth century, payments in the United States were dominated by cash and paper checks. While effective for local commerce, these methods were slow, costly, and vulnerable to theft and fraud. As the economy grew and commerce became more national and global, the limitations of paper-based payments became increasingly clear.

Indeed, the modern payments era arguably began with a forgotten wallet. In 1949, dining out in Manhattan, financier Frank McNamara realized he had no cash and therefore no way to pay. The embarrassment led him to found Diners Club in 1950. It was the first "general purpose" charge card, acting as a third-party guarantor between diners and restaurants. Debit cards followed just over a decade later.

The introduction of credit and debit cards in the 1950s and 1960s marked a major shift. Card-based systems allowed consumers to access funds and credit at the point of sale while providing merchants with faster settlement and reduced risk. Banks and the payment networks that emerged invested heavily in authorization, clearing, and settlement infrastructure, laying the groundwork for the modern payments system.

Even in these early stages, fraud prevention was embedded into the payments system. Transaction monitoring, account verification, and spending controls became standard features, reflecting an understanding that trust is foundational to any payment system.

B. The Internet and E-Commerce

The rise of the internet and e-commerce in the late 1990s and early 2000s accelerated the evolution of payments. Credit and debit cards were (and remain) the primary form of payments as consumers moved online.

This same era also saw the rise of new entrants. For example, fintech companies facilitating payments online – including Adyen and Stripe – emerged that reduced checkout friction and provided easier access to more payment systems.

However, remote transactions introduced new vulnerabilities. Card-not-present fraud increased as physical verification disappeared, requiring the industry to adapt quickly. In response, payments providers deployed encryption, secure authentication protocols, and centralized monitoring systems. Digital wallets and online payment platforms reduced the need for consumers to repeatedly share sensitive financial information, while tokenization replaced actual account numbers with secure digital substitutes.



These innovations helped ensure that the growth of online commerce did not come at the expense of customer trust. They also demonstrated how industry-wide coordination could reduce systemic risk by identifying fraud patterns across millions of transactions.

C. Mobile Payments and the Emergence of Peer-to-Peer

The widespread adoption of smartphones further transformed payments. Mobile wallets, contactless payments, and peer-to-peer transfer services have integrated payments into everyday digital activity.

In 2009, Jack Dorsey and Jim McKelvey launched Square. Major mobile wallets including Google Wallet/Google Pay and Apple Pay launched in 2011 and 2014, respectively. Square enabled small and casual merchants to accept credit and debit cards from mobile phones instead of dedicated point-of-sale terminals, and streamlined direct merchant onboarding, and branded acceptance. This enormously expanded the number and kinds of small merchants that could accept electronic payments. For their part, Apple Pay and Google Wallet/Google Pay enabled payment credentials to be securely managed and used from mobile phones in lieu of swiping or inserting a piece of plastic.

Peer-to-peer payment platforms also expanded rapidly in this timeframe, particularly for small-dollar transactions and informal commerce, reshaping how people move money outside traditional banking channels. Venmo, founded in 2009 and later acquired by PayPal in 2013, helped proliferate mobile P2P transfers, especially for splitting bills and social payments; by the early 2020s it was handling hundreds of billions in annual transaction volume and serving tens of millions of users with integrated social features. Cash App, launched by Block (then Square, Inc.) in 2013 as “Square Cash,” expanded beyond money transfers to include banking features, debit cards, stock and bitcoin investing. Zelle, built by Early Warning Services and launched nationally in 2017, integrate directly into the apps of over 2,000 financial institutions; in 2024 it processed 3.6 billion transactions totaling over \$1 trillion.¹

At its core, mobile provided consumers with the ability to make and receive payments anywhere anytime. Consumers could now pay bills, send money to friends, shop online, and make in-store purchases using a single device. Today any American with a smart phone and an internet connection has access to digital payments.

With new innovation came new security elements. Mobile payments commonly rely on biometric authentication, such as fingerprint or facial recognition, combined with device-level encryption and dynamic transaction credentials. These layers make mobile transactions among the most secure forms of payment available today. In the peer-to-peer arena, to address risks

¹ Zelle, *Zelle® Shatters Records with \$1 Trillion Sent in a Single Year* (Feb. 12, 2025), <https://www.zelle.com/press-releases/zelle-shatters-records-1-trillion-sent-single-year>



such as account takeovers and social engineering scams, providers implemented behavioral analytics, transaction limits, real-time alerts, and consumer education initiatives.

D. Embedded Payments

Around this same time, another shift emerged with the rise of application programming interfaces (APIs). These tools allow software companies to integrate payments directly into their platforms. Large platforms began embedding payments not merely as a convenience, but as a core business line. Ride-hailing apps processed driver payouts internally. Software companies bundled payments with subscriptions.

The result was the emergence of what we now call embedded payments: payment systems that are technically operated by regulated financial institutions, but functionally controlled by non-financial platforms.

Most platforms offering embedded payments do not hold banking licenses. Instead, they partner with regulated banks and payment processors that handle compliance obligations such as anti-money-laundering checks, sanctions screening, and settlement.

Typically, the platform controls the user experience, pricing and fees, and transaction rules, while the regulated partner controls licenses, formal compliance processes, and movement and custody of funds.

This model is now widespread across the economy. It is common in online marketplaces, business-to-business payments, and payroll services. One of the most important, and least visible, drivers of embedded payments today is the rise of vertical software-as-a-service platforms, often referred to as vertical SaaS.

These are software companies that serve a single industry or profession, such as restaurants, medical practices, property managers, contractors, or fitness studios. Unlike general-purpose software, these SaaS platforms combine scheduling, billing, payroll, inventory, compliance workflows, and payments into a single system tailored to the day-to-day operations of a specific business.

The adoption of embedded payments is expected to continue. Eighty-one percent of small businesses surveyed by U.S. Bank in 2025 reported that they would prefer a single source of banking, payments, and operational digital tools and 90% of small businesses view embedded payments as essential for growth.



E. Artificial Intelligence

Artificial Intelligence has the potential to positively impact the payments industry, consumers, businesses, and banks.

a. AI as a Core Capability

Artificial intelligence and machine learning are now central to how the payments industry fights fraud and manages risk. Unlike static rules-based systems, AI models continuously learn from new data, allowing them to adapt as fraud tactics evolve.

AI enables the detection of sophisticated threats, including coordinated fraud rings, synthetic identities, and previously unseen attack patterns. It also improves accuracy, reducing false declines that can frustrate consumers and harm legitimate commerce. AI-powered systems analyze transaction patterns to block fraudulent purchases and identify money laundering schemes that may evade traditional rule-based detection.

Beyond fraud prevention, AI is increasingly used to personalize security alerts and authentication, optimize payment routing and settlement, and enhance customer service and dispute resolution. AI-based customer service systems can provide 24/7 support, helping consumers navigate dispute processes and account inquiries without waiting for human representatives during business hours. These capabilities allow the industry to deliver both greater security and better consumer experiences.

Small businesses benefit from AI-enhanced payment acceptance and working capital products. AI systems analyze real-time sales data to identify cash flow patterns, helping businesses optimize their operations. These capabilities are particularly valuable for smaller businesses operating with fewer resources.

b. Agentic Commerce

Agentic commerce is a new type of digital commerce in which software agents – powered by artificial intelligence – act on behalf of individuals and businesses to make purchasing decisions and execute transactions autonomously.

In traditional e-commerce, a human decides what to buy, selects a merchant, and completes a checkout process. In agentic commerce, that process changes fundamentally. A consumer or business sets goals and constraints – such as budget limits, delivery requirements, or compliance rules – and an AI agent continuously monitors markets, compares options, negotiates terms, and completes purchases when conditions are met.



Agentic commerce promises efficiency gains, cost savings, and broader access to services. Many existing principles – authorization, consent, liability, auditability – apply in the agentic context. Ensuring clarity on the application of these principles in the agentic context will be critical to ensuring the promise of this technology is realized.

II. The Payments Industry Delivers Enormous Value to Consumers and is Critical to Entrepreneurship and Small Business Success

The innovation that is the hallmark of the payments industry is a key economic driver. As a recent PwC² study found, the industry generates more than \$350 billion annually for the U.S. economy, supporting more than two million high-paying jobs, and acting as a catalyst that unlocks massive downstream economic activity that spurs entrepreneurship and allows small businesses to compete.

A. Digital Payments and Credit Enhance Consumer Affordability

Digital payments companies play an increasingly central role in making everyday life more affordable for consumers in the United States. Through expanded access to spending power, flexible financing options, and rewards such as cash back, these companies help households manage expenses, respond to financial shocks, and stretch limited budgets.

One of the most significant ways digital payments enhance affordability is by increasing consumers' effective spending power. Modern payment tools – particularly credit – cards provide consumers access to capital when they need it, rather than restricting purchases to available cash on hand. This access is critical for managing unexpected expenses, such as emergency car repairs or medical bills, as well as during planned but financially demanding periods like back-to-school shopping or the holiday season. By allowing consumers to smooth spending over time, credit cards help households avoid more disruptive financial tradeoffs, including delaying essential purchases.

In addition to traditional credit cards, newer payment options such as Buy Now, Pay Later services have expanded consumer choice and affordability. BNPL allows consumers to divide purchases into smaller, predictable payments, often with little or no interest. This structure can make necessary purchases—such as household goods, electronics for work or school, or essential services—more manageable while offering an alternative to revolving credit balances.

Rewards programs are another important component of consumer affordability. Cash-back rewards provide immediate, tangible value by returning a portion of spending directly to consumers. These rewards effectively lower the net cost of purchases and help households

² Contribution of the Payments Industry to the US Economy in 2024, PwC (January 2026)



manage rising costs. In 2024 alone, U.S. consumers received an estimated \$43.5 billion³ in value from cash-back programs, underscoring the role of rewards as a meaningful source of household savings rather than a discretionary perk.

The benefits of expanded consumer spending power extend beyond individual households. Enhanced consumer spending enabled by digital payments and credit supports approximately 1.7 million jobs and contributes an estimated \$199 billion to U.S. GDP⁴, driving demand across retail, services, manufacturing, and logistics while reinforcing overall economic resilience.

B. Digital Payments Enable Entrepreneurship and Small Business Growth, and are Transforming the Efficiency of Small Business Operations

Digital payments play a vital role in enabling entrepreneurship and supporting small businesses – the backbone of the American economy. Acceptance of electronic payments is now table stakes for any new business. Consumers expect to pay digitally, and businesses that cannot meet that expectation are immediately disadvantaged.

Today, entrepreneurs can begin accepting digital payments quickly and affordably, often using nothing more than a smartphone. This accessibility lowers startup costs, accelerates time to market, and expands opportunity across income levels, regions, and communities. Digital payments also allow small businesses to compete with large corporate retailers by expanding their reach. A local store, restaurant, or sole proprietor can sell online to customers nationwide or globally. Embedded payments integrated into software platforms have leveled the playing field, enabling growth without costly infrastructure investments.

The impact on sales is direct and measurable. Small businesses that accept digital payments experience sales increases of approximately 8 to 10 percent, driven by higher conversion rates, increased average transaction size, and reduced friction at checkout.⁵

That translates directly into small business success. Expanded access to electronic payment acceptance has generated an estimated \$33.9 billion in incremental sales for new merchants, supporting approximately 301,200 jobs, \$16.4 billion in labor income, and \$28.2 billion in GDP.⁶

Digital payments also help small businesses operate efficiently and compete with larger enterprises. Small businesses do not have teams devoted to operations, accounting, or compliance. Owners and employees often perform multiple roles, making time one of their

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.



most constrained resources. Payments technology embedded directly into business software automates transaction processing, reporting, and reconciliation, reducing administrative burdens and minimizing errors.

Faster digital checkout improves customer experience while reducing staffing pressure at the point of sale. Back-office automation enables real-time visibility into cash flow and simplifies recordkeeping. These efficiency gains are extraordinary: faster digital checkout and back-office automation saved an estimated 806 million labor hours in 2024 alone, equivalent to roughly 365,000 full-time employee equivalents.⁷ For small businesses, these savings translate into lower operating costs and more time devoted to growth, innovation, and customer service.

In addition to enhanced customer experience and reduced costs, embedded payments allow for increased efficiencies, better cash flow management, ease of tax and accounting processes, regulatory and tax compliance, access to enhanced data, and enhanced security.

C. Digital Payments Support the Broader Economy

The economic impact of digital payments extends far beyond individual consumers and small businesses. The payments ecosystem functions as foundational economic infrastructure, enabling commerce at scale, increasing productivity, supporting high-quality employment, and strengthening economic resilience across all regions of the country.

At the national level, digital payments support approximately 2.0 million jobs across all 50 states.⁸ These jobs span a wide range of sectors, including retail, technology, logistics, cybersecurity, customer support, data analytics, and professional services. This broad employment footprint reflects how deeply payments are integrated into nearly every industry that participates in modern commerce.

These are high-quality, high-paying jobs, with average compensation more than twice the national average. The income generated by these jobs supports local economies, increases tax revenues, and drives demand for housing and services, ensuring that the benefits of payments innovation are widely distributed across communities.

Digital payments also play a central role in driving economic output. The payments ecosystem directly contributes an estimated \$354 billion to U.S. gross domestic product and contributes \$210 billion to labor income.⁹

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.



Digital payments also enhance economic resilience. During periods of disruption – whether driven by public health emergencies, natural disasters, or economic shocks – businesses and consumers with access to digital payments are better positioned to adapt. Electronic payments support remote commerce, contactless transactions, rapid disbursement of funds, and continuity of economic activity.

Never was this more obvious than during the pandemic. As public health restrictions limited in-person commerce, small businesses moved to e-commerce with over 70% of small businesses either adopting new digital payment tools or expanding existing ones.¹⁰ This kept business going; U.S. e-commerce sales grew by approximately 32% in 2020, representing over \$240 billion in additional online spending in a single year.¹¹

The payments industry also helped address the liquidity constraints that were among the most immediate threats to business survival. At the height of the pandemic, over 40% of small businesses reported having less than three weeks of cash reserves.¹² Payments providers responded, expanding same-day and instant settlement, and offering short-term working capital.

Finally, digital payments promote competition, innovation, and transparency. Lower barriers to entry encourage innovation in pricing, security, and consumer protection. Electronic records improve accountability, reduce fraud, and support compliance – benefiting consumers, businesses, and governments alike.

Taken together, these effects demonstrate that digital payments are not merely transactional tools, but a core driver of economic performance and resilience.

III. Payments Are Highly Regulated

All of this innovation and the benefits it brings take place in the context of a highly robust and multi-faceted regulatory framework. Indeed, the payments industry is one of the most highly regulated sectors in the global economy. The industry is subject to a comprehensive legal and regulatory framework at both the state and federal levels, in addition to significant industry-led requirements.

A. Public Laws and Regulations

¹⁰ Craig Parker, Scott Bingley, & Stephen Burgess, *The nature of small business digital responses during crises*, 33 *Information and Organization* 100487 (Dec. 2023), <https://doi.org/10.1016/j.infoandorg.2023.100487>

¹¹ Pattern, *Ecommerce Trends for 2021*, Pattern (2021), <https://www.pattern.com/blog/ecommerce-trends-for-2021>

¹² JPMorgan Chase Institute, *Small Business Cash Liquidity in 25 Metro Areas* (Apr. 2020), <https://www.jpmorganchase.com/institute/all-topics/business-growth-and-entrepreneurship/small-business-cash-liquidity-in-25-metro-areas>



In the United States, payments companies are subject to the following laws and regulations:

1. Consumer Protection: Electronic Funds Transfer Act, as implemented by Regulation e; Truth in Lending Act; the Credit Card Accountability and Disclosure (CARD) Act; the Unfair, Deceptive, or Abusive Acts or Practices standard.
2. Anti-Fraud: Anti-Money Laundering Act of 2020; the Bank Secrecy Act (BSA), enforced by FinCEN requires registration as Money Services Businesses (MSBs) mandatory AML/KYC controls, suspicious activity reporting; Office of Foreign Assets Control Sanctions Regulations (OFAC).
3. Privacy, Information Security & Data Protection: Graham-Leach-Bliley Act (GLBA), Federal Trade Commission Act; California Consumer Protection Act/ California Privacy Rights Act; other states' privacy statutes.
4. Operational Resilience & Risk Management: GLBA Safeguards Rule; Interagency Guidelines on Information Security; state cybersecurity regulations
5. Cross-Border Payments: Bank Secrecy Act, FinCEN Cross-Border Guidance, and OFAC Regulations, Interagency Guidance on Cross-Border Funds Transfers.
6. Licensing and Market Entry: Nearly every state requires businesses that transmit money – whether through digital wallets, exchanges, peer-to-peer apps or bill payment services – to obtain a state-specific money transmitter license via the Nationwide Multistate Licensing System (NMLS) or direct application, with requirements including surety bonds, minimum net worth, AML/KYC compliance, and ongoing reporting.

Taken together, these laws impose comprehensive requirements on the activity of the payments industry.

B. Industry Self-Regulation

In addition to the policy framework, the payments industry and its members have led in self-regulatory efforts, including the development of technology and self-regulatory programs designed to protect the integrity of the payments ecosystem and the consumers and businesses that rely on it with every transaction.

The major card networks all have rules designed to promote efficiency, ensure security, protect consumers, and foster trust. Among other things, these rules cover chargeback thresholds, fraud monitoring programs, data security mandates, and merchant underwriting standards.

The industry also participates in the Payment Card Industry Security Standards Council which, has created the PCI Data Security Standard (PCI-DSS). The PCI-DSS is focused on the security of



cardholder data and sets forth requirements designed to ensure that companies that process, store, or transmit credit card information maintain a secure environment for such data. In addition, the PCI-DSS establishes a framework for implementation of the data security standards, such as assessment and scanning qualifications for covered entities, self-assessment questionnaires, training and education, and product certification programs.

Similarly, the industry created and participates in EMVCo. EMVCo engages and collaborates with hundreds of industry stakeholders, technical bodies and regulators to develop specifications that support innovation and address marketplace needs. The work results in specifications used across the payments industry to create products and services that deliver trusted and convenient payments for merchants and consumers around the world.

In addition, ETA members have developed due diligence programs to prevent fraudulent actors from accessing payment systems, to monitor the use of those systems, and to terminate access for network participants that engage in fraud. Working with its members and industry and government stakeholders, for example, ETA has published and subsequently updated various guidelines that provide underwriting and diligence best practices for merchant and risk underwriting, including the “Guidelines on Merchant and ISO Underwriting and Risk Monitoring” and “Payment Facilitator Guidelines.”

IV. Regulating for the Present and the Future

As the payments industry rapidly evolves, the regulatory framework that exists continues to be highly relevant. The comprehensive system in place, covering market entry, consumer protection, fraud, privacy, and operations applies in full force to the industry as it exists today as it did to the payments industry of the past.

Although technology evolves – and will continue to evolve at a rapid pace – regulation that focuses on activity (as opposed to the technology itself) will continue to be relevant and timely. Maintaining that focus – applying the existing legal framework to activity – will ensure that consumers remain protected, institutions remain sound, and innovation continues to deliver on its promise.

Although new legislation is largely unnecessary, there are two areas in which Congress could act to strengthen the existing framework. The first is in the area of frauds and scams – an intense area of focus for the payments industry and an area in which federal partnership could strengthen existing efforts. The second is by creating a uniform national standard in the area of artificial intelligence - where inconsistent legal frameworks in the states threaten to derail the promise of the technology before it fully takes off.

A. Fighting Fraud and Scams



Willie Sutton said he robbed banks because that’s where the money was. Throughout the history of the movement of money, bad actors have tried to intervene, although frauds and scams in payments have changed and evolved as technology evolved. Each major shift in how we pay has created new attack surfaces, pushing fraudsters to adapt faster, become more organized, and increasingly exploit human behavior rather than technical flaws alone. Fighting payments fraud and scams has always been an integral part of the digital payments ecosystem - as the threats become more sophisticated and increase at an alarming pace, education must be combined with technology to effectively fight back.

1. The Evolving Threat Landscape

Payments fraud and scams are rising not just in volume but in sophistication – posing an increasing threat to consumers and the payments industry. Leveraging sophisticated tech like AI and deepfakes, synthetic IDs, texts that mimic trusted sources, and sophisticated phishing and traditional social engineering, fraudsters are searching for technological vulnerabilities and exploiting human vulnerabilities. Authorized Push Payment (APP) fraud, Realtime payment scams, First-party fraud, and synthetic identity fraud are increasingly outpacing traditional card-based fraud.

a. Fraud

While fraud has always existed in payments, today it is increasingly driven by identity and account compromise rather than traditional card misuse. According to Euromonitor, during 2025 in the U.S. the payments industry saw an estimated \$24.2 billion in fraud; globally payment card fraud topped \$35 billion.¹³

In the U.S. last year, over 20% of consumers faced fraud threats. Most of those came through digital commerce. Approximately 92 percent of card fraud occurs in online or remote transactions, and card-not-present fraud accounts for roughly 81 percent of all card fraud cases worldwide, according to Euromonitor. At the same time, account-based fraud is growing faster than card fraud, particularly across real-time payments and peer-to-peer platforms.

Synthetic identity fraud, which combines real and fabricated personal data to create new identities, represents a significant share of unsecured credit losses and often remains undetected for years. First-party or “friendly” fraud and new account fraud further contribute to rising losses across e-commerce and digital banking.

¹³ 2025 Global eCommerce Payments & Fraud Report, Visa



The financial impact is substantial. In the United States, consumers reported more than \$12.5 billion in fraud losses in 2024, a 25 percent increase year over year¹⁴, and U.S. merchants are estimated to have lost approximately \$7.5 billion to credit card fraud in 2025, driven largely by e-commerce transactions.¹⁵

Fraud attempts are even more widespread. Seventy-nine percent of U.S. organizations experienced attempted or actual payments fraud in 2024¹⁶, with business email compromise cited by 63 percent as the most common fraud vector. On the consumer side, approximately 41 percent of U.S. adults report having lost money to fraud, and globally, a fraudulent card transaction now occurs roughly every fourteen seconds.¹⁷

b. Scams

We are also seeing a dramatic rise in scams, as bad actors exploit human vulnerability. In a typical scam, the thief pretends to be someone trusted – such as the IRS or Social Security, your bank, a tech-support agent, or a loved one – to pressure consumers into sending money or giving personal information. In 2025, Americans collectively lost \$64 billion to scams with over 70% of adults reporting exposure and affected individuals losing an average of \$1,000 per scam event.¹⁸ Worldwide, scams cost an estimated \$400 billion.¹⁹

The most common scams are a) imposter scams, b) identity theft & account takeover where scammers steal personal information (SSNs, credit card, or banking info) via phishing, mail theft, or breaches, then assume your identity to open accounts or make transactions and c) Phishing (email) and smishing (text) where scammers use fake emails or texts that mimic banks, retailers, employers, or government agencies, prompting you to click malicious links or share credentials and d) high-return investment scams, especially utilizing digital assets.

Financial scams succeed largely because they exploit fundamental aspects of human psychology and behavior, focusing on fear, greed, and empathy. The actual payment is typically the last step in the scam. At this point, the victim is committed to sending money to the scammer, convinced by the deception perpetrated on them.

¹⁴ Federal Trade Commission, New FTC Data Show a Big Jump in Reported Losses to Fraud to \$12.5 Billion in 2024 (Mar. 10, 2025), <https://www.ftc.gov/news-events/news/press-releases/2025/03/new-ftc-data-show-big-jump-reported-losses-fraud-125-billion-2024>

¹⁵ Navarrete, J., \$15 Billion in Chargeback Fraud Looms Over Businesses in 2025, GetVMS (Oct. 13, 2025), <https://www.getvms.com/15-billion-in-chargeback-fraud-looms-over-businesses-in-2025/>

¹⁶ AFP Payments Fraud and Control Survey Report, April 15, 2025

¹⁷ Ianzito, C., 4 in 10 Americans Have Lost Money to Fraud, AARP Survey Finds, AARP (Apr. 21, 2025), <https://www.aarp.org/money/scams-fraud/fraud-awareness-survey-2025/>

¹⁸ Feedzai & Global Anti-Scam Alliance, *Global State of Scams Report 2025* (2025), <https://www.feedzai.com/resource/global-state-of-scams-report-2025/>

¹⁹ Ibid.



2. Industry's Continuous Vigilance

The payments industry recognizes the severity of the threat posed by fraud and scams and has responded with massive investments in prevention. In 2025 alone, the payments industry spent billions on fighting fraud and scams through a multi-layered, holistic approach. This includes heavily leveraging tokenization, encryption, biometrics, artificial intelligence, real-time analytics for advanced detection, boosting industry-wide collaboration and data sharing, enhancing employee and consumer awareness training, and strengthening controls across all channels.

Across the industry, merchants and financial services organizations collectively spend an estimated \$9.3 billion annually²⁰ on fraud detection and prevention tools. Global expenditures on emerging AI technologies for fraud and risk management are projected to reach \$50 billion by 2026²¹, reflecting the imperative for more sophisticated defenses. One system alone blocked over 20.9 million fraudulent transactions during Black Friday and Cyber Monday in 2024, with an estimated value of \$917 million prevented in fraudulent charges.²²

These investments demonstrate the industry's recognition that addressing fraud and scams is core to consumer trust and the integrity of payment systems. However, it is clear that a holistic set of solutions is needed to adequately address this challenge.

3. The Need for Coordinated Collaboration

Combating increasingly sophisticated, well-resourced criminals, including state-sponsored actors, requires a collective effort beyond just financial institutions, involving telecom companies, social media platforms, policymakers, and law enforcement to disrupt fraud and scams at their source. Consumers share in the responsibility and must also be educated on red flags, suspicious links, and the importance of securing personal information, recognizing that knowledge and vigilance are key defenses against the common threat of fraud and scams.

The payments industry already works regularly with federal and state governments, including FinCEN, and OFAC, as well as law enforcement to fight fraud and scams. Through these efforts, payments industry participants share millions of data points, emerging technologies, and best practices. The collaboration allows industry participants to deploy risk-based frameworks and transaction-level monitoring, enabling early detection and deterrence of fraud and scams.

²⁰ Juniper Research, *Online payment fraud detection spend to reach \$9.3 billion by 2022, driven by IoT and 3-D Secure* (July 25, 2017), <https://www.juniperresearch.com/press/online-payment-fraud-detection-spend-to-reach-93-billion-by-2022-driven-by-iot-and-3-d-secure/>

²¹ Sydorenko, I., *Agentic AI in Financial Services: A Research Roundup for 2026*, Neurons Lab (Dec. 30, 2025), <https://neurons-lab.com/article/agentic-ai-in-financial-services-2026/>

²² Stripe, *Businesses Processed More Than \$31 Billion on Stripe from Black Friday Through Cyber Monday* (Dec. 3, 2024), <https://stripe.com/newsroom/news/bfcm2024>



Even with these efforts, more can be done. Although collaboration exists, it is frequently siloed. ETA supports strengthening coordinated collaboration between policymakers and industry to combat fraud and scams. Any effort must be guided by principles of shared, cross-sector responsibility; the need for technology-neutral standards that can adapt as threats evolve; and collaboration between domestic and international law enforcement.

To operationalize this approach, ETA supports targeted legislation, like the bipartisan, bicameral *Task Force for Recognizing and Averting Payment Scams Act* (“TRAPS”) that formalizes cross-sector collaboration, strengthens information sharing, and enhances national coordination to prevent and disrupt payment scams. It is clear that a holistic, collaborative approach to fighting fraud and scams is needed to continue to strengthen resilience against scams and fraud across all payment networks, while preserving agility for innovation.

B. A Uniform National Standard for Artificial Intelligence in Payments

1. Artificial Intelligence in Payments

The use of artificial intelligence in payments is subject to an extensive and well-established federal regulatory framework. Payments providers must comply with federal consumer protection statutes, including the Electronic Funds Transfer Act, Truth in Lending Act, Equal Credit Opportunity Act, and Fair Credit Reporting Act, as well as the prohibition on unfair, deceptive, or abusive acts or practices.

Supervised financial institutions are also required to manage model risk through documented development, validation, and ongoing monitoring, regardless of whether decision-making systems rely on traditional models or advanced AI techniques.²³ When payments companies rely on third-party AI vendors, existing guidance requires robust oversight across the full vendor lifecycle.²⁴ In addition, payments providers remain subject to federal rules governing data security and privacy under GLBA and to anti-money laundering and sanctions requirements under the Bank Secrecy Act. As a result, AI-supported payments activities are already meaningfully regulated at the federal level.

2. State-Level AI Legislation Is Creating Regulatory Fragmentation for National Payments Providers

²³ Federal Reserve SR11-7, Guidance on Model Risk Management (Apr. 4, 2011); OCC Bulletin 2011-12, Sound Practices for Model Risk Management (Apr. 4, 2011); FDIC FIL-22-2017, Adoption of Supervisory Guidance on Model Risk Management (June 7, 2017).

²⁴ Interagency Guidance on Third-Party Relationships: Risk Management, 88 Fed. Reg. 37916 (June 9, 2023); CFPB Bulletin 2016-02, Service Providers (Oct. 31, 2016).



Nonetheless, states have begun to enact AI legislation outside of existing federal financial regulatory frameworks. In 2025 alone, all 50 states introduced AI-related bills, reflecting a decentralized approach to regulating AI technology that varies widely in scope, terminology, and compliance obligations. Some enacted laws are relevant to payments. For example, Colorado adopted legislation imposing obligations on the use of certain “high-risk” AI systems in consequential decision-making, while California enacted requirements applicable to large AI model developers related to safety planning, critical incident reporting, and whistleblower protections.²⁵

As additional states pursue similar but non-uniform approaches, nationally operating payments companies face a growing patchwork of definitions, reporting standards, risk assessments, and enforcement regimes. This fragmentation increases compliance costs, complicates operations across state lines, and creates uncertainty for consumers and merchants, without clear evidence of improved consumer protection or risk mitigation.

3. ETA Policy Recommendation: Federal Leadership for a Uniform National AI Framework

For these reasons, ETA supports the establishment of a uniform national framework for artificial intelligence that applies consistently across jurisdictions and provides clarity for consumers, merchants, and payments providers. Payment systems operate on a national scale, and effective oversight depends on consistent rules rather than a state-by-state approach.

A federal framework should be risk-based, technology-neutral, and focused on real-world outcomes. It should build on existing federal consumer protection, safety and soundness, and financial integrity regimes, rather than layering new, duplicative compliance requirements on top of them. By establishing a clear national standard, Congress can protect consumers, preserve competition, and enable the responsible deployment of AI in payments. Absent federal action, continued regulatory fragmentation will impede innovation, raise costs, and weaken confidence in the payments system without delivering corresponding public benefits.

Conclusion

The digital payments industry is innovative, dynamic, competitive, highly regulated, and focused on delivering cutting-edge, convenient, safe, and affordable payments and fraud prevention products and services. The payments ecosystem is critical to our nation’s economy, providing the infrastructure that supports financial stability, small business growth, job creation, and economic resilience. The benefits the digital payments industry delivers are

²⁵ Consumer Protections for Artificial Intelligence (Colorado AI Act), SB 24-205, CO Rev Stat §§ 6-1-1701–1707 (2024); Transparency in Frontier Artificial Intelligence Act, Cal. Sen. Bill 53 (2025–2026 Reg. Sess.) (enacted Sept. 29, 2025).



enormous, promoting entrepreneurship, helping small businesses compete, and providing high-paying jobs and access to products and services that help Americans make ends meet when they need it most.

Chairman STEIL. The gentlewoman yields back. Mr. Lefton is recognized for 5 minutes.

**STATEMENT OF KEVIN LEFTON, GLOBAL GENERAL COUNSEL,
STREAM**

Mr. LEFTON. Thank you. Chairman Steil, Ranking Member Lynch, and distinguished members of the committee, thank you for your time today and for the invitation to speak about earned wage access and its importance to consumers everywhere. My name is Kevin Lefton, and I am the global general counsel of Stream. In this capacity, I oversee the legal and regulatory functions for our organization. Stream is an employer-integrated, earned wage access provider operating across the United States, United Kingdom, EU, and Canada. In addition to EWA, we provide a comprehensive suite of financial well-being resources designed to enhance the financial health of our users.

Stream, alongside many of our industry peers, remains a staunch advocate for thoughtful regulation that prioritizes consumer protection. We stand as an important non-credit alternative to the high-cost products that trap consumers in a cycle of debt. It is a fundamental premise of my testimony today that EWA services do not constitute credit, are not loans, and should not be regulated as such. EWA is a critical tool for frontline and hourly workers in all industries, including healthcare, hospitality, manufacturing, education, and many others. By allowing employees to access wages they have already earned but have not yet been paid due to traditional biweekly or monthly payroll cycles, EWA provides a low-to no-cost alternative to the high interest rates and high-cost fees of other financial products.

We cannot talk about EWA without talking about the essential consumer-focused benefits and consumer protections of EWA's benefits and protections that are absent in credit and other high-cost products. EWA lacks all the hallmarks of traditional credit and loan products. Specifically with Stream, there is always a free option to use our service, and the nominal fee for instant access should a consumer choose to use that feature is typically lower than a standard automated teller machine (ATM) withdrawal fee. There is no interest. There is no underwriting. We do not pull credit reports or base access to EWA services on creditworthiness. There is no debt collection. We do not report to the credit bureaus or engage in collection activity of any kind. The service is truly nonrecourse, and no debt is ever incurred. If there is ever an issue, Stream does not go after the consumer. We do not sue them, and we do not report them to debt collections.

The arguments that are often presented against earned wage access are flawed because they conflate a nonrecourse financial wellness tool with a high-cost lending product. Labeling EWA as credit ignores the basic reality that workers are simply accessing capital they have already earned. Applying a traditional credit framework, like an interest rate, to a non-credit product is misleading and, ultimately, harmful to the millions of hardworking Americans who simply want the option of having access to their own wages so that they can manage their own money when they see fit. Applying a traditional credit framework, like an annual per-

centage rate (APR), to a flat, nominal, transparent fee is also misleading and creates a false protection that would effectively ban a low-cost or free service. These arguments do not protect consumers. They limit consumer options and force them back toward the very high-interest and high-cost fees that EWA was designed to eliminate.

A lot has been written about EWA, and there is a lot of misleading information out there, but here are the key takeaways I would like to leave you with about EWA. EWA is either free or has a nominal fee. There is no interest. There is no debt collection. There is no underwriting. EWA is a nonrecourse service, and, most importantly, there is nothing wrong with allowing American consumers to decide how and when they can access their money through a product and service they want and like. EWA represents a shift toward a more equitable financial system for hourly and frontline workers, allowing them to better plan for the future and manage life's emergencies with dignity. We urge this committee to support a framework that recognizes EWA as a critical non-debt solution for the American worker.

Thank you for your time and I look forward to your questions.

[The prepared statement of Mr. Lefton follows:]



**Written Testimony of Kevin Lefton
Global General Counsel of Stream
Before the Subcommittee on Digital Assets,
Financial Technology and Artificial Intelligence**

January 13, 2026

Chairman Steil, Ranking Member Lynch, Chairman Hill, Ranking Member Waters and distinguished members of the Committee, thank you for your time today and for the invitation to speak about Earned Wage Access and its importance to consumers everywhere.

My name is Kevin Lefton, and I serve as the Global General Counsel of Stream. In this capacity, I oversee the legal, regulatory, compliance, and risk functions for our organization. Stream is an employer-integrated Earned Wage Access (EWA) provider operating across the United States, United Kingdom, the EU and Canada. In addition to EWA, we provide a comprehensive suite of financial well-being resources designed to enhance the financial health of our users.

I would like to thank the Committee for your leadership on this vital issue and for the opportunity to engage in a transparent dialogue regarding the benefits of EWA for both the American workforce and the employers who offer it.

The Distinction Between EWA and Traditional Credit

Stream, alongside many of our industry peers, remains a staunch advocate for thoughtful regulation that prioritizes consumer protection. We stand as an important, non-credit alternative to high-cost financial products that trap consumers into a cycle of debt.

It is a fundamental premise of my testimony today that EWA services do not constitute credit, are not loans, and should not be regulated as such. EWA is a critical tool for frontline and hourly workers in all industries, including healthcare, hospitality, manufacturing, and education, among many others.



By allowing employees to access wages they have already earned but have not yet been paid due to traditional bi-weekly or monthly payroll cycles, EWA provides a low-to-no-cost alternative to the high interest rates and high-cost fees of other financial products.

Employer-integrated EWA allows users to manage their financial lives more effectively. Specifically, the value proposition of employer-integrated EWA is twofold:

- For the Employee: EWA offers a non-recourse, interest-free mechanism to access their already earned wages on their timeline. It empowers workers to meet emergency expenses without resorting to high-cost alternatives.
- For the Employer: EWA is a powerful tool for recruitment and retention. Employers report increased shift-fill rates and enhanced worker productivity when employees have peace of mind that their earned wages are accessible on a same-day or next-day basis.

In order to ensure that Stream is providing a service that best serves all consumers, we routinely conduct both internal and external research. A 2025 survey of over 7,000 Stream users underscores the importance of EWA in maintaining financial stability. According to the data, Stream's tools prevented over 30% of users from incurring late fees and credit damage. More significantly, nearly 25% of respondents avoided a dire choice between basic nutrition and essential utility services because they were able to use Stream's services.

Earned Wage Access is Not Credit and is Not a Loan

We cannot talk about EWA without talking about the essential consumer-focused benefits and consumer protections of EWA – benefits and protections that are absent in credit and other high-cost products. EWA lacks all the hallmarks of traditional credit and loan products. Specifically, with Stream there is:

- Always a “free” option to use our service, and the nominal fee for instant access, should a consumer choose to use that feature, is typically lower than a standard ATM withdrawal fee, around \$3.00 - \$4.00;
- There is no interest;



- There is no underwriting - we do not pull credit reports or base access to EWA services on creditworthiness;
- There is no debt collection – we do not report to credit bureaus or engage in collections activity; and
- The service is truly non-recourse to the consumer, and no debit is ever incurred. If there is ever an issue, Stream does not go after the consumer. We do not sue them, and we do not report them to debt collections.

The arguments that are often presented against Earned Wage Access are fundamentally flawed because they conflate a non-recourse financial wellness tool with high-cost lending products. Labeling EWA as "credit" ignores the basic reality that workers are simply accessing capital they have already earned. Applying a traditional credit framework like an interest rate to a non-credit product is misleading, inaccurate, and ultimately not helpful to the millions of hard-working Americans who simply want the option of having access to their own wages so that they can manage their own money when they see fit.

Applying a traditional credit framework like APR to a flat, nominal transparent fee is misleading and creates a "false protection" that would effectively ban a low-cost or free service. These arguments do not protect consumers; they limit consumer options and force them back toward the very high-interest and high-cost fees of products and services that EWA was designed to eliminate.

Furthermore, the assertion that EWA harms consumers is not supported by the real experience of millions of employees. Unlike high-cost alternatives, Stream is integrated directly into the employer's payroll with built-in guardrails—such as fees caps and access caps—and is bundled with free tools such as a savings account and financial coaching. Restricting access to EWA services denies workers the right to financial liquidity and forces them to adhere to an arbitrary pay cycle that harms consumers every day.



Conclusion

In conclusion, a lot has been written about EWA, and there is a lot of misleading information out there, but here are the key takeaways I would like to leave you with about EWA as I close out my testimony:

- EWA is either free or has a nominal fee
- There is no interest
- There is no debt collection
- There is no underwriting
- EWA is a non-recourse service
- And most importantly, there is nothing wrong with allowing consumers to decide how and when they can access their money through a product and service that they want and like.

EWA represents a shift towards a more equitable financial system for hourly and frontline workers, allowing them to better plan for the future and manage life's emergencies with dignity.

We urge this Committee to support a framework that recognizes EWA as a critical, non-debt solution for the modern American worker.

Thank you for your time today and I look forward to your questions.

Chairman STEIL. Thank you. Mr. Palaniappan, you are now recognized for 5 minutes.

[No response.]

Chairman STEIL. You may want to check your microphone.

Mr. PALANIAPPAN. Better now? Okay.

**STATEMENT OF RAM PALANIAPPAN, FOUNDER AND CHIEF
EXECUTIVE OFFICER, EARNIN**

Mr. PALANIAPPAN. Thank you. Chairman Steil, Ranking Member Lynch, and members of the subcommittee, thank you for the opportunity to testify today. My name is Ram Palaniappan. I am the founder and CEO of EarnIn, and I am honored to return and contribute to the discussion on how financial innovation can improve the lives of American consumers. Paying bills and managing expenses is top of mind for people every day. Innovation helps with that by making pay more timely and efficient. Innovations last only if they actually make people's lives better and earned wage access is an example of such innovation. Its use is growing because of the real impact that it has on people's lives. EarnIn started as an earned wage access company and now also offers a modern payroll platform that is used by over 10,000 companies, along with consumer tools that make the way people experience their pay better. Today, about 1 percent of the people in the U.S. who get a paycheck use EarnIn to access all or part of their pay.

The idea for EarnIn started when I was working at another company. I heard that some of my employees were struggling between paychecks. That surprised me because they were paid well. I spoke with one of them. She said she needed money the next day, and could not wait until the following Friday, which was payday. She had already worked the hours, she had earned the money, but payday was still days away. The issue was not how much she earned; it was when she got her pay. I could not get the payroll system to pay up for the hours that she had already worked, so I gave her the money that she had already earned, and we settled it when payroll ran, and I continued helping many other of my employees the same way, just as happens with many other small businesses. What began as a one-time solution has become a reliable way for people to pay their bills on time and avoid expensive fees. EarnIn started with the simple idea that people should have access to the money that they have already earned when they want it, not when payroll decides.

Today, most employees are paid digitally, but these digital dollars move more slowly than any other digital product. You work every day, and then you are paid once in 2 weeks or maybe once a month. Just imagine if other digital products worked the same way. If your phone said type your text messages every day and it would send them out every 2 weeks, you would not use that, but that is how payroll still works today. The biweekly or monthly pay cycle is a relic of an outdated era that is holding back the benefits of efficiency and today's technology from the people who need it the most. By shortening the work-to-pay gap, EarnIn helps people manage everyday expenses, like groceries, rent, utility and transportation. We are proud to do this in a way that puts the worker first without mandatory fees, interest, or credit checks.

Multiple independent research studies have confirmed that workers are better off when they have access to their pay when they need it. A study by researchers at the University of Oregon on over a million EarnIn customers found a sustained monthly increase of 11-and-a-half percent in incomes. That is about \$335 on average. Users work more shifts, miss work less, and manage their finances better. Another study from University of California, Los Angeles (UCLA) on a dataset from a different provider found similar results. Incomes went up over 10 percent. Liquidity acts as upward mobility with reduced overdrafts and no debt cycles.

Behind the data are millions of real people. One customer, a government employee, has a side business making custom candles. He used to wait until payday once he received an order to buy his supplies. Now he uses EarnIn, and as soon as he receives an order, he buys his supplies. That has let him do more orders a month and increased his income. Another EarnIn customer, Rae, a Southern California mother and retail supervisor who is undergoing cancer treatment, shared that on some days she feels better than others. Payday does not always align with when she is feeling better, but EarnIn gives her the flexibility and peace of mind, allowing her to take her daughter out on good days without being restricted by paycheck timing.

Earned wage access can be delivered in different ways, including through employer-integrated programs or directly to workers. The direct-to-consumer model means employees can access the benefits wherever they work. Today, EarnIn serves over 2 million customers, including many in public service, healthcare, education, and small businesses across the country. Notably, about 1 percent of House staffers use EarnIn.

I appreciate Chair Steil and Representative Torres for their bipartisan leadership to establish a clear Federal framework for earned wage access, and I look forward to continued collaboration in expanding access to these innovations to workers anywhere. I am happy to answer questions. Thank you.

[The prepared statement of Mr. Palaniappan follows:]

**Written Testimony of Ram Palaniappan
Founder and Chief Executive Officer, EarnIn**

**House Subcommittee on Digital Assets, Financial Technology, and Artificial
Intelligence**

**Hearing: “Delivering for American Consumers: A Review of FinTech Innovations
and Regulations”**

JANUARY 13, 2026

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/1w1W0n3HtasA87AVu97a2oz2iSUmTJTtW/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.

Chairman STEIL. Thank you very much. Mr. Zywicki, you are now recognized for 5 minutes.

STATEMENT OF TODD ZYWICKI, LAW PROFESSOR, ANTONIN SCALIA LAW SCHOOL, GEORGE MASON UNIVERSITY

Mr. ZYWICKI. Thank you. Chairman Hill, Chairman Steil, Ranking Member Lynch, and members of the subcommittee, I am Todd Zywicki. I am the George Mason University Foundation Professor of Law at Antonin Scalia Law School, the former chair of the CFPB Task Force on Federal Consumer Law, and co-founder and co-director of the Institute for Consumer Financial Choice at the Scalia Law School.

The modern American consumer finance system is really a miracle if you think about it. You can walk into a car dealership today and walk out an hour later with a car. I mean, just think about how transformative that has been for the world. As Ms. Kelley mentioned, we can make payments anywhere in the world 24 hours a day—day, night, online, in person—anywhere in the world. As Congressman Lynch mentioned in his opening statement, I think very notably, just think about the way in which access to innovation and financial services helped us to deal with the disruptions of the COVID pandemic and the ability of people to bank online, pay online, do all these sorts of things, as well as the alternative underwriting models that were developed for data when people were not getting paid and the like.

Above all, it is really democratized access to financial services. Innovation, more than anything, has been a vehicle for including people who traditionally have been underincluded by the traditional finance system, and how did this happen? Choice, competition, innovation is, basically, what has happened: new entry, often obstructed, often blocked by old incumbents, but new innovative technologies. Thinking back to the development of the Fair Isaac Corporation (FICO) score and the introduction of computers, which reduced discrimination, which opened competition. Think about even the telephone and the way in which telephones allowed credit cards to be marketed across State law. Think about payments. Just think about the way in which technology enabled us to go from knuckle busters on credit card processing to always on instant verification at a checkout, and most recently, of course, the development of the internet.

Some of these innovations were really just developments of a better way of delivering an older product, such as buy now, pay later (BNPL), which replaces old installment loans, or EWA as we have heard about, which helps consumers or employees get money from their employers. Sometimes they are totally new, such as alternative data and underwriting systems and some of the payment systems we see today. Regardless of what they are, one thing they have in common is they must have a regulatory regime that supports innovation and that does not block it.

An obvious point is that the regulation must reflect the technology, as we said, whether it is the Supreme Court's decision, the Marquette decision, that allowed credit cards to be marketed across State lines more effectively, whether it was debt collection rules that dealt with the telephone and the fact that you could then

make phone calls across State lines, but second, it always also requires the right jurisdiction to deal with things. We went from a period of local credit to a period of national credit driven by department stores and the like, to what we have today, which is nowhere and everywhere via the internet. We have to have the right jurisdictional bodies acting on a lot of these things.

So, we saw in the 1960s and 1970s, as the consumer finance system became more national, we saw more national laws dealing with Equal Credit Opportunity Act (ECOA), dealing with debt collection and the like. The products that are the focus of today's hearing are a good example. These are products that are offered on the internet. They do not bear any relationship to local jurisdictional boundaries and the like, and so thinking about sophisticated and appropriate places for the Federal Government to regulate and to, even when necessary, preempt State laws, I think that are important.

I am very pleased with a lot of the innovations and reforms in the regulatory framework of the past few years, whether it was the recent decision by the Office of the Comptroller of the Currency (OCC) to recognize national trust banks for fintech firms, whether it was the CFPB's actions with respect to some of the regulations that they did, the decision of the CFPB to keep the 1033 rule and reframe it in a way that is more useful. I think there is a lot more that could be done, and I think a lot of the legislation that is the subject of this hearing moves in the right direction in terms of opening up competition, national markets in a more resilient in more responsive, technologically based regulation.

In conclusion, history teaches that consumers do best when we recognize their ability to plan their own finances and we give them choice, competition, and the ability to plan their own lives, and not substitute the judgment of bureaucrats for American families. Thank you.

[The prepared statement of Mr. Zywicki follows:]



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Testimony of Professor Todd Zywicki Presented to

United States House of Representatives

Financial Services Committee

Digital Assets, Financial Technology, and Artificial Intelligence

Subcommittee

“Delivering for American Consumers:

A Review of FinTech Innovations and Regulations”

Tuesday, January 13, 2026

2128 Rayburn Office Building

10:00 AM

George Mason University Foundation Professor of Law

Antonin Scalia Law School

Co-Director, Institute for Consumer Financial Choice

Tzywick2@gmu.edu

Chairman Steil, Ranking Member Lynch, and Members of the Committee:

I am Todd Zywicki and it is a pleasure to appear before you today to testify regarding “Delivering for American Consumers: A Review of FinTech Innovations and Regulations.” I am George Mason University Foundation Professor at Antonin Scalia Law School and Co-Founder and Co-Director of the Institute for Consumer Financial Choice. From 2020-2021 I served as the Chair of the CFPB’s Taskforce on Consumer Financial Law¹ and from 2003-2004 I served as the Director of the Office of Policy Planning at the Federal Trade Commission. I am also the co-founder and co-director of the Institute for Consumer Financial Choice of the Law & Economics Center.² I am also co-author of *Consumer Credit and the American Economy* (Oxford 2014), among other published scholarship, and have written and spoken extensively on the impact to consumers from financial innovation, innovation, competition, and inclusion in consumer financial services products. I appear voluntarily today in my personal capacity and do not represent or speak on behalf of any other party or organization.

Today is an exciting time for innovation in consumer financial products. Technological innovation in consumer financial services has for generations been a driving force for greater competition, consumer choice, and financial inclusion for consumers. From the development of the Fair-Isaac credit scoring system (FICO), to the early use of computers to evaluate risk, underwrite loans, and reduce discriminatory lending practices, to marketing of credit cards and mortgages by telephone and later over the Internet, technological innovation in payments and credit has been the vehicle for democratizing access to financial services and building the

¹ CONSUMER FINANCIAL PROTECTION BUREAU, TASKFORCE ON FEDERAL CONSUMER FINANCIAL LAW (Jan. 5, 2021), available in <https://www.consumerfinance.gov/data-research/research-reports/task-force-on-federal-consumer-financial-law-report/>.

² <https://masonlec.org/institute-for-consumer-financial-choice/>.

remarkable wealth of American families. Yet even with all of this innovation, today we are experiencing yet another surge of innovation.

Some recent fintech innovations are truly novel—for example, using artificial intelligence and alternative data sources to underwrite loans. But other innovations are primarily dramatic improvements on traditional models of finance, that make access more competitive and less expensive than in the past, such as “Buy Now Pay Later, a fintech update on traditional installment credit and buying “on time,” and Earned Wage Access, which formalizes and streamlines the traditional informal system that allowed workers to gain early access to earned wages prior to the end of the standard pay period.

All of these innovations have one theme in common—while they benefit all consumers, their benefits are largest for those historically underserved by the consumer financial system, particularly lower-income, younger, rural, and minority consumers who historically have been underserved by the traditional financial system. By combining the cost efficiencies of online provision combined with real-time underwriting techniques and easy comparison among different products and providers, consumers are benefiting from these innovations.

For new pro-consumer innovations to flourish, however, regulation must be designed to facilitate competition and choice. Big banks and other incumbent providers will always be aggressive in trying to prevent competition from new entrants. While the threat of misguided federal regulation has abated temporarily with the change of administration at the CFPB and the reversal of several rules, new threats have emerged. Of particular concern is the threat of counterproductive, inconsistent, and costly state regulation that could squash competition, undermine consumer choice, and deter innovation.

History teaches that the driving force for improvement of consumer welfare is competition, consumer choice, and innovation. Consumers know better than bureaucrats and regulators what products and services will benefit themselves and their families and what is their realistic range of available options. Regulation can be useful to promote competition, enable consumers more easily to understand and shop for the products that are most useful to them, and to protect consumers from unfair and deceptive products. Before imposing new restrictions, regulators should carefully discern whether a market failure exists and if so to ensure that any proposed regulation actually address that market failure. This is especially so when dealing with products such as fintech, which have special promise to benefit traditionally underserved consumers. Because these consumers historically have fewer choices than higher-income and more established consumers, regulators should be particularly wary of taking regulatory action that will further reduce those choices or raise the costs of serving those consumers with innovative products.

In my testimony today I will examine three types of fintech products to consider the benefits and potential risks to consumers: fintech products that make use of alternative data and underwriting, Earned Wage Access (“EWA”), and Buy Now, Pay Later (“BNPL”). As will be seen, each of these three product areas offer exciting prospects for consumer benefits, especially for traditionally underserved consumers. Current evidence suggests that these products to date have manifest benefits for consumers and limited risk. In large part, this is because some of these products are simply fintech updates on long-established models of consumer finance offered in a more streamlined fashion with more sophisticated underwriting.

Surveying the available economic research and data compels a clear conclusion—fintech products generally, and EWA and BNPL specifically, are very popular with consumers and

provide them with substantial value. EWA enables consumers to access their already-earned wages in a timely fashion that can allow them to avoid late payments and use of more expensive short-term credit options such as payday loans or bank overdraft protection. BNPL is popular in allowing consumers to purchase durable goods and, increasingly, to pay for services such as uninsured healthcare costs or necessities such as gasoline or groceries that have increased in price and to spread those “lumpy” costs over time. Fintech generally has been demonstrated to be especially valuable to consumers traditionally excluded from the traditional financial system, such as younger, lower-income, minority, rural, and other consumers. In short, fintech continues to be a tremendous boon for consumers and the economy and lawmakers should encourage legislation and regulation that will promote fintech’s continued growth and innovation.

The Benefits of Fintech and Financial Innovation For Consumers

Throughout American history, technology has been used to increase the convenience and usefulness of financial service products for consumers. Today, for example, we live in the era of the “miracle of instant credit.” I can literally walk into a car dealership and drive out an hour later with a new car. Applications for new credit cards can be approved within minutes. Goods and services can be purchased anywhere in the world, 24 hours a day, in person, online, or over the phone. I can go almost anywhere in the world on a moment’s notice and purchase food, lodging, medical care, and transportation all without a penny in my pocket. When I teach my consumer financial protection class, my Gen Z students are highly amused when I explain to them that when I was their age and I wanted to travel I would have to go down to the local bank and purchase something called “traveler’s checks” and explained how they worked.

Over the generations, technology and consumer preferences have developed hand-in-hand.³ Early on, access to many financial services was largely a privilege of rich and elite Americans. This included even basic bank accounts, which were expensive for consumers and offered minimal services outside of basic checking accounts. For most of American history, very few Americans had access to free checking, as consumers were expected to pay monthly maintenance fees to maintain a bank account, were required to purchase and have printed their own checks, and to maintain significant monthly minimum balances. Most consumers did not have access to overdraft protection services and would face significant penalty fees for bounced checks if they had insufficient funds to cover transactions. Withdrawal or deposits of cash could only be made by physically going into a bank and waiting in line during its limited operating hours or by getting “cash back” at the grocery store if it would allow you to write a check for more than the amount of the bill. Few Americans had access to general purpose credit cards and were instead reliant on retail store credit, layaway, and personal finance companies to make purchases.

Banking and credit were provided locally and creditworthiness was determined by each individual merchant or lender based on its unique experience. Lenders relied heavily on their personal knowledge of a consumer’s character and reputation (one of the so-called “5 C’s” of consumer finance) in the local community. Needless to say, this system was highly subjective and ripe for improper discrimination and favoritism by loan officers and local bankers. Because of the local nature of the market and the heavily reliance on subjective judgment, consumers had minimal choice and competition and were limited to shopping in their local markets, relying on high-cost personal finance companies or local retailers where through repeat business they had

³ See Todd Zywicki, *Looking Forward by Looking Backward: The Future of Consumer Finance and Financial Protection*, 19 J. L. ECON. & POL’Y 223 (2024).

an established line of credit. Large department stores that could bear the cost and risk of running credit operations more easily had a competitive advantage over smaller retailers that could not offer their own credit or found doing so to be very expensive.

Over time, of course, the interaction of technology and consumer demand led to an increasingly national system of credit. Ubiquitous automobile ownership enabled consumers to shop outside their local communities or to even cross state lines to get access to financial products not available at home. Declining costs of telephone calls enabled credit cards and other financial products to be issued across state line and the emergence of specialized credit card banks (developments that were catalyzed by the Supreme Court's 1978 decision in *Marquette National Bank*). These technological developments spurred the emergence of large national department stores such as Sears, JC Penney, and Woolworth's, which could develop centralized credit operations that reduced costs and increased access to consumers. The development of credit bureaus that could pool information from many merchants as to a consumer's creditworthiness, rather than just the relationship with one merchant, facilitated competition the ability of consumers to shop among different providers of credit and goods. And the eventual emergence of FICO and standardized credit reporting further spurred choice and inclusion and dramatically reduced the reliance on subjective and discriminatory underwriting by local loan officers. Automated Teller Machines ("ATMs") enable consumers to make deposits or withdrawals of cash conveniently and at any time day or night and eventually grew into the debit card network. The displacement of checks as a primary payment mechanism, for which consumers bore the cost of bank accounts and the like, with debit cards, which are funded by interchange fees, enabled the dramatic spread of free checking for millions of American families (which as discussed below, was reversed by the Durbin Amendment in Dodd-Frank).

Notably, as consumer financial markets became more national in scope, the system of regulation *also* became more national. The highly influential 1972 report of the National Commission on Consumer Finance came down decisively in favor of consumer choice, competition, and innovation as the fundamental organizing principles of the national consumer finance system, and called for federal preemption of archaic state laws such as usury regulations and limits on entry (such as “convenience and advantage” requirements) that undermined these values. The late-1960s and early-1970s saw the first major wave of federal consumer financial regulation (such as regulation of debt collection practices and equal credit) that strengthened protections for consumers and facilitated competition. Most profound, the Supreme Court’s historic decision in *Marquette National Bank* facilitated shopping for credit cards and other financial products across state lines, enabling millions of families who otherwise had been blocked from access to credit cards to get them while at the same time prompting a furious competition that rapidly led to the elimination of annual fees for basic cards and eventually the development of co-branded cards that offer an array of benefits such as airline cards or cashback rewards. In 1970, only 16% of American households held general-purpose credit cards; by 2001 that number had increased to 73%, as a result of the effective elimination of state usury ceilings combined with technological improvements in underwriting and pricing in the wake of *Marquette*.⁴

The emergence of the Internet and online access to financial services is the latest iteration in this wave of innovation. While the 1960s and 1970s saw the development of a national system

⁴ See 1 CFPB TASKFORCE REPORT at 547-548. Access to credit cards declined, especially for higher-risk borrowers, following the enactment of the Credit CARD Act of 2009, which limited the ability of issuers to accurately price consumer risk. See Thomas A. Durkin, Gregory Elliehausen, and Todd J. Zywicki, *An Assessment of Behavioral Law and Economics Contentions and What We Know Empirically About Credit Card Use by Consumers*, 22 S. CT. ECON. REV. 1 (2014).

of consumer finance, today's consumer financial economy is increasingly virtual and unconstrained by geography. Consumers are increasingly mobile and flexible in the products they use. The specific fintech products being discussed here today represents these developments well. But they are just particular examples of the sorts of developments being seen in the market for fintech services that increasingly allow consumers to shop efficiently and for providers to tailor their products to consumer demand, and particularly to reach traditionally underserved consumers.

Fintech in a variety of manifestations is essential to these developments both in terms of competition and consumer protection. First, fintech service companies have shown a particular nimbleness in developing new products and services that benefit consumers, especially those traditionally excluded from the financial system. Second, fintech companies have increased competition and consumer choice, bringing beneficial competitive pressure to bear on banks that have often been slow to adapt to technological developments and to meet consumer demand. Third, to date, many fintech companies have partnered with smaller, often state-chartered banks, which has usefully strengthened these smaller banks as competitors in a market that has become increasingly consolidated and dominated by very large banks.

These innovations have been particularly important as pro-consumer responses to the consequences of misguided laws and regulations that have had adverse effects on consumers and competition in recent years. Many of the provisions of Dodd-Frank have increased the regulatory costs of consumer financial services, costs that have fallen more heavily on smaller banks compared to larger banks. Most destructive has been the so-called "Durbin Amendment" that imposed price controls on debit card interchange fees, resulting in a dramatic reduction in access to free checking for consumers and a dramatic increase in the cost of bank accounts, especially

for lower-income consumers who were unable to meet the higher mandatory minimum balance requirements required to maintain free checking after Dodd-Frank was passed. The Credit CARD Act of 2009 and the Federal Reserve regulations that preceded it reduced access to credit cards for many young people and marginal credit risks, thereby slowing their financial maturation.

In addition, the regulatory costs of Dodd-Frank along with other developments have led to the closure or merging of many smaller banks across the country. These developments have been felt especially strongly in smaller and rural communities that traditionally had limited competition in the first place. Fintech may prove especially valuable in meeting the needs of those in rural communities who have seen the availability of traditional bricks-and-mortar banks shrink in recent years.

Fintech has stepped in to fill these gaps for many of these consumers, especially younger, rural, lower-income, higher-risk, and minority communities. Available empirical evidence confirms that while fintech has proved a boon to consumers generally, it has been especially valuable to traditionally excluded consumers.⁵

A notable article by economists at the Philadelphia Federal Reserve in 2019 examined the use of alternative data in underwriting by the fintech company LendingClub.⁶ They found, ““The use of alternative data has allowed some borrowers who would have been classified as subprime by traditional criteria to be slotted into ‘better’ loan grades, which allowed them to get lower-priced credit.” They also found in a related paper that LendingClub’s activities penetrated areas

⁵ See discussion in taskforce report.

⁶ See Julapa Jagtiani and Catharine Lemieux, *The Roles of Alternative Data and Machine Learning in FinTech Lending: Evidence from the LendingClub Consumer Platform*, Federal Reserve Bank of Philadelphia Research Department Working Paper WP 18-15 (Jan. 2019).

that were underserved by traditional banks and had access to lower levels of lending supply, such as those with highly concentrated markets and areas with fewer bank branches per capita.⁷

Last year I conducted a study with former CFPB economist Andrew Nigrinis to estimate the potential benefits to consumers of FHFA's pilot program that allows automated underwriting of title insurance (that uses artificial intelligence and "big data" models) for very low-cost refinance loans as compared to traditional title insurance.⁸ We estimated that through the direct cost savings benefits to consumers, the savings resulting from increased competitive pressures, and the increased transparency in the pricing of title insurance prices, consumers could save approximately \$96 million annually and between \$1.38 billion to \$2.19 billion over the expected life of the program. Given the heightened public concern over housing affordability in the United States today, reducing the transaction costs of home closings through greater use of fintech is an easy way to reduce costs.

Other research shows the value of fintech in facilitating competition and reducing demographic disparities in loan pricing and access. For example, an analysis of the impact of the entrance of fintech companies into mortgage markets found that disparities in pricing by race between White borrowers versus Hispanic and Black were smaller for mortgages issued by fintech lenders and showed no difference in rejection rates based on race.⁹

⁷ See Julapa Jagtiani and Catharine Lemieux, *Do FinTech Lenders Penetrate Areas That Are Underserved by Traditional Banks?*, Federal Reserve Bank of Philadelphia Research Department Working Paper WP 18-13 (Mar. 2018).

⁸ See Andrew Nigrinis and Todd Zywicki, *Assessing FHFA's Pilot Program on Automated title Decisioning: Promoting Competition and Reducing Housing Prices* (Feb. 3, 2025), available in https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5109079.

⁹ See Robert Bartlett, Adair Mores, Richard Stanton, and Nancy Wallace, *Consumer-Lending Discrimination in the FinTech Era* (Sept. 11, 2019), available in https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3063448.

A 2023 study by New York Federal Reserve economists on unsecured consumer lending found a dramatic increase in unsecured personal loans during the early 2020s.¹⁰ The authors found that fintech companies were providing less-expensive alternatives to traditional small-dollar lenders for low and moderate income consumers. They pointed specifically to the use of cash-flow-based underwriting and the use of performance on payment of utility, telecom, and rental payments for underwriting decisions as enabling them to extend access to consumers with thin or no credit files. These findings regarding the use by fintech companies of cash-flow underwriting and consideration of utility bills and rental payments reinforce earlier research that found similar positive effects for low and moderate income households from fintech providers.¹¹

Economist Emily Williams examined the impact of fintech on financial inclusion.¹² She found that, in general, consumers with lower income, greater financial vulnerability, and living in minority neighborhoods tend to pay higher prices for basic banking services. Consumers who interact with fintech apps pay less for access to banking services (such as deposits and transaction services) than those who do not, especially for lower-income consumers living in areas with higher internet access.

As history teaches, however, technological innovation in financial services cannot operate alone without a regulatory structure that facilitates innovation, competition, and consumer choice. Entrenched incumbents will always seek to block new, innovative entrants

¹⁰ Ambika Nair and Eldar Beiseitov, The Role of Fintech in Unsecured Consumer Lending to Low- and Moderate-Income Individuals, FED. RES. BANK OF N.Y. (Nov. 2023), available in <https://www.newyorkfed.org/medialibrary/media/outreach-and-education/household-financial-well-being/the-role-of-fintech-in-unsecured-consumer-lending-to-low-and-moderate-income-individuals>.

¹¹ See FinRegLab, The Use of Cash-Flow Data in Underwriting Credit: Empirical Research Findings (July 2019), available in https://finreglab.org/wp-content/uploads/2019/07/FRL_Research-Report_Final.pdf; Michael A. Turner, Patrick D. Walkder, Sukanya Chaudhuri, and Robin Varghese, A New Pathway to Financial Inclusion: Alternative Data, Credit Building and Responsible Lending in the Wake of the Great Recession (2012).

¹² Emily Williams, *Fintech, Financial Inclusion, and the Future of Finance* (2024).

who can challenge their market position. In addition, badly-designed regulation can block efforts to develop new products and services that can benefit consumers.

During the past year there have been several important regulatory developments that have facilitated the continued development of fintech products. But there are many others that this body and regulators could take that would further support beneficial developments.

First, I wish to highlight several steps positive steps that have been taken to promote the development of pro-consumer innovation policies. Most notable is Congress's enactment of the GENIUS Act will create a framework and facilitate the development of stablecoins as a useful payments device for consumers. In addition, the December decision by Comptroller Gould and the Office of the Comptroller of the Currency to recognize five national trust bank charter applications for fintech companies, including the conversion of several state trust companies to national trust banks. By issuing national bank charters to these companies, and hopefully more going forward, the OCC has created a framework for certain fintech firms to operate on a national basis without the burden of state-by-state money-transmitter licenses. In another promising development, in December PayPal also submitted an application to the FDIC to establish PayPal Bank as an industrial loan company, which hopefully will be approved swiftly.

Moreover, the decisions by Acting Director Vought to rescind several onerous regulations and policies issued under the Biden Administration, particularly with respect to EWA and BNPL, will help clarify the regulatory framework and clear the way for continued innovation and market entry.

But there is substantially more that Congress and regulators can do:

As Comptroller Gould's actions demonstrate, fintech operates in a national market with no connection to specific geographic designations. Product design and marketing bears no

relationship to specific geography or zip code but is tailored in a highly individualized manner to consumers regardless of where they reside. Inconsistent regulations provide minimal (if any) benefit for consumers and raise costs and complexities for issuers and consumers. For these products to reach their full potential on a nationwide scale it may be necessary to look to preemption of burdensome state laws and regulations.

I was pleased to see the decision by CFPB Acting Director Vought to rescind the Biden Administration’s rulemaking on Personal Financial Data Rights, also known as the “1033 Rulemaking,” and to issue a new rule in its place. A properly designed 1033 Rule can facilitate greater competition and consumer choice while simultaneously strengthening consumer protection and data security.¹³

Congress and regulators should encourage greater use of “regulatory sandboxes” that will incubate new products and services and modernize consumer financial protection.¹⁴ By their nature, regulation of fintech firms is also susceptible to greater use of modern regulatory structures and real-time cooperative oversight and course-correction as opposed to traditional after-the-fact enforcement and licensing. Greater use of technology and real-time based supervision can simultaneously reduce regulatory cost, better protect consumers, and allow for faster development of useful innovations.

Congress should consider taking steps to revise or eliminate many of the illogical and arbitrary “threshold” based regulatory rules tied to particular asset thresholds or otherwise.¹⁵ Threshold-based regulatory systems can dampen competition, limit consumer choice, and

¹³ See Comment Letter of Professor Todd Zywicki on Personal Financial Data Rights Reconsideration (Oct. 22, 2025), available in <https://www.regulations.gov/document/CFPB-2025-0037-0001/comment>.

¹⁴ See 1 CFPB TASKFORCE REPORT, *supra* note, at 479-80; see also Press Release, *Chairman Hill Introduces Bipartisan Bill to Promote Artificial Intelligence in Financial Services* (July 30, 2025), <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=410824>.

¹⁵ See CFPB TASKFORCE REPORT, *supra* note.

encourage wasteful regulatory arbitrage by financial service providers. Consider, for example, the provisions of Dodd-Frank such as the Durbin Amendment and other provisions that kick in when a firm exceeds \$10 billion in assets. Research has found that because of the dramatic loss in revenue combined with the increased regulatory costs of exceeding the \$10 billion threshold, many banks are clustered just under that asset trigger and careful not to exceed it. This tripwire also discourages many banks from growing organically above that level, leading to a tendency to “leap” across the threshold by merging or being acquired by a larger bank.

In addition, the presence of asset thresholds creates arbitrary distinctions among financial service providers that are otherwise functionally identical from the perspective of consumers. For example, from the perspective of consumers and financial regulation, there is no meaningful difference between a fintech firm that owns its own bank versus one that partners as a service provider to a bank. However, the firm that happens to own its own bank may be subject to the Durbin Amendment’s price controls while the independent fintech firm is not. Instead, the independent fintech servicer may spread its consumers’ accounts across several smaller banks while being careful to maintain all of them at less than \$10 billion in assets so that they do not exceed that threshold. Congress should take steps to reform these threshold effects and where possible eliminate them and encourage regulators to develop regulatory frameworks that better match actual risks instead of arbitrary asset thresholds.

Finally, Congress should consider revising the longstanding limits on combining banking and commerce and make it easier for banks to engage in some degree of commerce and traditional commerce companies to engage in banking activities. Roughly 20 years ago, Walmart sought a banking charter only to have it defeated by an alliance of entrenched banks, consumer groups, and risk-averse bank regulators. Eventually Walmart abandoned the effort to secure a

banking charter and instead began providing other financial services other than deposit accounts, such as remittances, money orders, check cashing, and pre-paid cards and “neo-banking.” The positive effects for consumers have been profound as Walmart’s entry into these markets dramatically undercut the prices of incumbents such as Western Union and check cashing companies and forced them to reduce their prices to meet the competition. Enabling a greater integration of banking and commerce would provide opportunities for the development of new payment systems that would also impose additional competitive pressure for traditional banks and payment card processing networks and allow the integration of payments into retailer apps and vice-versa.

Earned Wage Access

Life does not happen on a two week cycle. Although many expenses are recurrent and predictable in timing and amount, such as rent or mortgages, many household expenses are less predictable. In fact, most U.S. workers believe they should be paid their earned wages every day.¹⁶ Yet wages are typically paid on biweekly, semimonthly, or monthly pay periods which creates a lag between the time that workers earn wages and the time they are actually received.¹⁷ This timing lag can be exacerbated by any delay in the clearance of a paycheck once deposited. If a consumer needs cash during this latency period between the time wages are earned and paid, they may often

¹⁶ See Edward Segal, *Most Workers Want to be Paid Automatically Every Day According to New Poll*, FORBES.COM (Sept. 13, 2021), available in <https://www.forbes.com/sites/edwardsegal/2021/09/13/most-workers-want-to-be-paid-automatically-every-day-according-to-new-poll/> (reporting that 83% of workers believe they should have access to their earned wages at the end of each workday or shift according to a survey by payroll management company Ceridian).

¹⁷ Approximately 75% of American workers are paid less than once per week. See Bureau of Labor Statistics, *Length of Pay Periods in the Current Employment Statistics Survey* (Aug. 4, 2023), available in <https://www.bls.gov/ces/publications/length-pay-period.htm>.

be forced to turn to expensive alternatives such as payday loans or bank overdraft protection, or be unable to make desired and potentially necessary purchases because of lack of liquid funds.

Businesses justifiably note that daily cashflow is not always easy to predict, whereas biweekly or monthly pay periods are easier to plan for. In the past, workers could go to some employers informally to request advances on their wages already earned but not yet paid out. I have been unable to determine how common that was or the conditions under which employers would grant this advance. Moreover, the decision by an employer to provide an advance seemingly was entirely discretionary and ripe for arbitrary and differential treatment. Employers may also request an explanation from the employee before granting the advance, a process that easily could be seen as somewhat humiliating and even raising questions of personal privacy if the funds were being requested for a medical procedure, an abortion, or some other problem that the employee would rather not discuss.

Earned Wage Access (“EWA”) programs have emerged as a fintech-based solution to this problem of accessing liquidity during the lag between the time wages are earned and actually paid.¹⁸ This delay can be especially burdensome for new hires when the length of time between the first day of employment and first paycheck may be especially long.¹⁹ This delay also can lead some consumers to turn to short-term small-dollar products such as payday loans to meet short-term liquidity needs between paychecks.²⁰ EWA programs also eliminate the discretionary decision-making of employers in deciding whose request to grant and preserve employee privacy by allowing them to take their advance through the platform and without being required to provide an explanation for why the funds are needed or asking friends or relatives to borrow money.

¹⁸ See Bureau of Consumer Financial Protection, Advisory Opinion: Truth in Lending (Regulation Z); Earned Wage Access programs (Nov. 30, 2020).

¹⁹ *Id.* at 2.

²⁰ *Id.* 2-3 (citing research by Financial Health Network).

Consumers who use EWA typically live paycheck-to-paycheck, lack savings, and have poor or fair credit.²¹ According to one study, over 60% of EWA customers fell behind on bills and over 20% overdrafted, paid a bill late, paid a credit card late, or paid a utility bill late.²² Almost 20% had taken out a payday loan.²³

The rapid adoption of EWA programs and popularity with workers evidences their value to both employers and employees. Surveys indicate that approximately 70% of middle-market companies (between \$10 million and \$1 billion in annual revenues) offer EWA to at least some portion of their employees. Nearly all major retailers and other large consumer-facing companies also offer EWA, especially those with a large number of hourly workers and high worker turnover (such as Walmart, Amazon, Target, McDonald's, and Hilton).

One survey found that 44% of employers reported that employees specifically requested EWA programs making it the second most-requested financial benefit after 401(k) plans and 79% of employees have stated they would be willing to switch to an employer that offers EWA. Some surveys report that as much as 80 percent of employees would prefer more frequent payments, whether weekly or even daily as doing so enables them to budget better and reduces financial anxiety.²⁴ Almost 80% of workers report that free access to earned wages would increase their loyalty to an employer and make them feel more valued as an employee. 81% say they would take a job that provides no-cost access to earned wages on-demand over an employer that does not.

According to a review of activities by eight EWA companies, the CFPB estimated that in 2022 more than 7 million workers took advances amounting to approximately \$22 billion per

²¹ See Kerri M. Raissian, Jennifer Necci Dineen, Katie Fitzpatrick, and Andrew Pixley, *Connecticut Earned Wage Access User Impact Study* (Apr. 2025) (reporting that 71% of EWA users report having poor or fair credit).

²² See Kerri M. Raissian, Jennifer Necci Dineen, Katie Fitzpatrick, and Andrew Pixley, *Connecticut Earned Wage Access User Impact Study* (Apr. 2025).

²³ *Id.*

²⁴ *Id.*

year.²⁵ Advances are relatively small in amount—according to one study the average was around \$120.²⁶ A 2024 CFPB Report found an average advance transaction size of \$106.²⁷ The average worker accessed \$3000 per year and paid an average of \$68.88 per year in fees.²⁸ These estimates are substantially smaller than a typical payday loan or installment loan. The total size of the EWA market is still quite small compared to other consumer financial markets such as credit cards, auto loans, and student loans, all of which measure in the hundreds of billions of dollars, or even “payday” and other short-term loans that are estimated to be in the tens of billions in total market volume.

Further evidence of employee satisfaction with EWA is the unexpected finding by University of Oregon economist Jonathan Davis that first-time EWA usage actually increased users’ net monthly income by approximately \$334, an increase of 11.5 percent compared to other employees.²⁹ Davis attributes this increase income to greater job satisfaction and employer loyalty that encourages workers to work more hours or longer retention in a job. He also found that users primarily used accessed wages to cover essential needs like rent, utilities, gas, car repairs, prescription drugs, or to pay down other debt such as credit cards. Given the relatively small price of EWA compared to the expense of credit card interest, late fees for rent or utilities, or the impact on health and employment of an inability to pay for prescription drugs or car repairs, the use of EWA to cover such expenses seems rational. Moreover he found no evidence of increased

²⁵ See Consumer Financial Protection Bureau, *Data Spotlight: Developments in the Paycheck Advance Market* (Jul. 18, 2024).

²⁶ See Devina Khanna, and Arjun Kaushal, *Earned Wage Access and Direct-to—Consumer Advance Usage Trends* 11 FINANCIAL HEALTH NETWORK (Apr. 2021).

²⁷ Consumer Financial Protection Bureau, *Data Spotlight: Developments in the Paycheck Advance Market* (Jul. 18, 2024).

²⁸ Consumer Financial Protection Bureau, *Data Spotlight: Developments in the Paycheck Advance Market* (Jul. 18, 2024). This is significantly less costly than alternatives such as payday loans or other short-term financing options.

²⁹ See Jonathan M.V. Davis, *The Impacts of Earned Wage Access: How Giving Workers More Control Over Pay Timing Can Increase Income and Boost Financial Stability* (Nov. 2025).

overdraft, interest, or other bank fees.³⁰ According to a survey by the Mercator Advisory Group, 78% of users of the EWA product said they used the early access to funds to pay for groceries, 64% for utility bills, 54% for transportation and car insurance, and 53% for unexpected expenses.³¹ Similarly, a study of the introduction of an earned wage access by a firm in Mexico found that usage by employees was associated with higher employee retention, suggesting improved welfare and employment satisfaction.³²

In 2024, Connecticut adopted changes to its banking regulations that eliminated consumers' ability to pay a fee for instant wage transfers through EWA programs, thereby dramatically reducing access to the program. Researchers examined the effects of these changes on consumers.³³ They found that many EWA users lived paycheck-to-paycheck and lacked savings or precautions against unexpected expenses. They also reported that they often used EWA funds to cover basic needs like food, transportation, and housing. Perhaps most salient, they considered the fees charged by EWA providers before the regulatory change to be comparable or lower than other financial service fees. Following the restriction on access to EWA plans, these individuals reported that they took steps such as going without necessary items, borrowing from family or friends, used credit cards more heavily, sold personal items of value, pawned items, took out a payday loan, or worked out a payment plan to pay bills. In short, by taking away a valuable and preferred option from consumers with already limited options, Connecticut's law actually increased economic instability and hardship by pushing consumers to increase reliance on higher-

³⁰ He did report a small increase in insufficient funds fees (\$9) which he considered "unlikely to meaningfully reduce users' financial well-being" when weighed against the substantially larger net income gains from the use of EWA. As noted, using EWA often will enable the avoidance of other higher fees (such as late utility payments) or non-financial hardship such as inability to purchase prescriptions or car repairs or to pay rent in a timely fashion.

³¹ See Mercator Advisory Group, *Customer Perceived Cost Savings: Study Sponsored by DailyPay*.

³² See Jose Murillo, Boris Vallee, and Dolly Yu, *Fintech to the (Worker) Rescue: Earned Wage Access and Employee Retention* (March 27, 2022).

³³ See Kerri M. Raissian, Jennifer Necci Dineen, Katie Fitzpatrick, and Andrew Pixley, *Connecticut Earned Wage Access User Impact Study* (Apr. 2025).

cost alternatives. In short, depriving consumers of a preferred mechanism for making ends meet did not alleviate the underlying financial stress, it just made it more difficult for them to cope and forced them to greater use of more expensive alternatives.

Early EWA programs featured a variety of business models and fee structures. Most of them were funded by some combination of fees assessed on employers and employees. Sometimes employers would cover employee fees in part or whole. Today, however, EWA programs are moving toward a pricing model of free employee access to wages with an ACH bank transfer or bank direct deposit, with a modest fee for acquiring funds by some alternative means.³⁴ Many EWA programs involve transfer of funds to a debit card issued by a partner bank (such as a Visa or MasterCard-branded card) and for which the EWA provider earns revenues through interchange fees when the consumer spends the money on the card which supports the program. The program itself is primarily funded by the interchange fee revenue when the consumer uses the card.³⁵

Risk of loss is low on these programs due to the fact that providers are advancing against funds already earned but not yet paid. A 2021 study by the Financial Health Network estimated that advances were successfully recouped at least 97% of the time.³⁶ While it is possible that an employer could have a later claim for recoupment against these funds, recoupment efforts are rare and even more rare are efforts by the provider to try to recoup those losses against employees. Moreover, most programs only allow the employee to draw only a portion of the funds earned but not yet paid (typically 50%), with the remainder paid at the end of the pay cycle. This holdback of wages reduces the risk of loss or need for subsequent recoupment.

³⁴ See, e.g., PAYACTIV.COM, <https://www.payactiv.com/program-pricing/> (listing EWA Disbursement Type Fees).

³⁵ See Devina Khanna, and Arjun Kaushal, *Earned Wage Access and Direct-to—Consumer Advance Usage Trends* at Appendix, FINANCIAL HEALTH NETWORK (Apr. 2021) (listing fee structure for consumers from various EWA programs).

³⁶ See Devina Khanna, and Arjun Kaushal, *Earned Wage Access and Direct-to—Consumer Advance Usage Trends* 11 FINANCIAL HEALTH NETWORK (Apr. 2021).

A mismatch in the timing between when wages are received and when bills are due is generally recognized as a contributing factor to consumer use of bank overdraft protection or high-cost small-dollar loans, such as payday loans. Although some consumers use these products as short-term credit products, a significant number also appear to use them for liquidity to bridge timing gaps between the receipt of wages and when financial obligations are due.³⁷ EWA can serve as much lower cost and more convenient means for accessing liquidity than traditional payday loans. According to a survey by the Mercator Group conducted for one company, more than half of its customers previously used a payday lender but after they started using EWA, 69% of that group no longer used payday lenders and another 23% used payday loans less frequently or for smaller loans than previous.³⁸ Similarly, prior to uptake of EWA, 81% of them experienced NSF fees but afterwards 59% rarely or never overdrafted and another 31% overdrafted less frequently or for smaller amounts than previously.³⁹ Ninety-one percent also said that were less likely to pay bills late after gaining access to EWA than previously. As a result of access to EWA, employees stated they did not have to borrow as frequently from friends and family, pay late fees to a biller, incur NSF fees, pay for expenses with a credit card, or use a payday lender. In addition, by enabling them to reduce their reliance on these expensive alternatives, 77% of customers said that more frequent and convenient access to their wages enabled them save more money. A survey by the American Fintech Council found that 87% of respondents said that losing EWA would force workers to turn to more-expensive alternatives such as high-interest credit cards or payday loans.

A study by AiteNovarica reported similar findings about the benefits to workers from access to EWA.⁴⁰ Before using DailyPay's EWA product, 57% of employees reported having paid

³⁷ See CFPB, *Earned Wage Access* Advisory opinion, *supra* at 2.

³⁸ See Mercator Advisory Group, *Customer Perceived Cost Savings: Study Sponsored by DailyPay*.

³⁹ *Id.*

⁴⁰ See AiteNovarica, *DailyPay Use and Outcomes: A Summary of Survey Findings* (Aug. 2021).

a bill late, 49% borrowed from friends or family, 39% overdrew their bank account, 21% took out a payday loan, and 21% make a loan payment late or not at all. Overall, about 14% of survey respondents both overdrew their account *and* used a payday loan while about one-third did one or the other. Over 95% of employees reported that after using DailyPay they overdrew their accounts less often, used payday loans and borrowing from friends and family less frequently, and made fewer late bill payments than before. Research from other EWA providers confirms these findings.⁴¹

Here again Congress can play an important role in facilitating the continued development of Earned Wage Access products. The decision by the CFPB to clarify the continued legality of the “tips” model for EWA access in December 2025 has alleviated some of the regulatory uncertainty around that model. Most important, however, would be federal legislation that would further clarify the regulatory framework for EWA and reinforce the rights of employees to access their earned wages regardless of counterproductive state laws and regulations.⁴²

Buy Now Pay Later (BNPL)

BNPL is another emergent fintech product that represents an update on traditional methods of consumer finance, such as installment loans, credit cards, and layaway plans. The use of installment loans to enable purchases of consumer durables, such as appliances, electronics, and furniture, dates to at least the late-19th century in the United States. Because many of these products are in the nature of capital goods, there is substantial value to consumers from being able to change the time of purchase so as to acquire the goods and use them while paying for them. The emergence

⁴¹ See Instant, *Wages and Wellbeing: Analyzing the Impact of Same-day Pay* (April 2022).

⁴² See Press Release, *Steil Introduces Legislation to Provide Consumer Protections and Regulatory Clarity for Earned Wage Access Services* (Feb. 22, 2024), available in <https://steil.house.gov/media/press-releases/steil-introduces-legislation-to-provide-consumer-protections-and-regulatory-clarity-for-earned-wage-access-services>.

of credit cards and their widespread adoption beginning in the second half of the 20th Century made it possible for consumers to extend their use of credit from financing consumer durables to general consumption purposes.

BNPL has exploded in popularity since its initial emergence both in the United States and abroad. In the United States, it is estimated that the BNPL market was \$122 billion in 2025, growing over 10% from the year before. It has been estimated that over 50% of U.S. consumers are estimated to have used a BNP service at least one by the end of 2025.⁴³ A CFPB study drawing on the data provided by the six largest BNPL firms found that 21 percent of consumers with a credit record financed at least one purchase using BNPL from at least one of those firms in 2022 and, contingent on having a BNPL loan, BNPL users originated 9.5 loans that year.⁴⁴ A survey by researchers at the New York Federal Reserve similarly found that about 19 percent of respondents had used BNPL as a payment method in the past year.⁴⁵ According to one estimate, the number of BNPL users has grown by more than 300 percent per years since 2018, reaching 45 million active users in 2021 and today represents about 2 percent of U.S. online retail sales.⁴⁶ According to the CFPB, BNPL originations grow by 215 percent from 2019-2021 (reflecting in part the substitution to online commerce during the pandemic period) and 31 percent from 2021-2023.⁴⁷ As familiar

⁴³ See, e.g., Maurie Backman and Jack Caporal, *Study: Buy Now, Pay Later Services Grow in Popularity*, THE ASCENT, FOOL.COM (July 18, 2022), available in <https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/>.

⁴⁴ Cortnie Shupe and Joshua DeLuca, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, CONSUMER FINANCIAL PROTECTION BUREAU (Jan. 2025).

⁴⁵ See Felix Aidala, Daniel Mangrum, and Wilbert van der Klaaw, *How and Why Do Consumers Use “Buy Now, Pay Later”?*, LIBERTY STREET ECONOMICS (Federal Reserve Bank of New York, Feb. 14, 2024), available in <https://libertystreeteconomics.newyorkfed.org/2024/02/how-and-why-do-consumers-use-buy-now-pay-later/>.

⁴⁶ See Julian Alcazar and Terri Bradford, *The Appeal and Proliferation of Buy Now, Pay Later: Consumer and Merchant Perspectives*, FED. RES. BANK OF KANSAS CITY PAYMENT SYSTEMS RESEARCH BRIEFING (Nov. 10, 2021), available in <https://www.kansascityfed.org/research/payments-system-research-briefings/the-appeal-and-proliferation-of-buy-now-pay-later-consumer-and-merchant-perspectives/>.

⁴⁷ See Cortnie Shupe and Gordano Palloni, *The Effect of BNPL on Consumer Debt and the Ability to Repay Non-BNPL Debt Obligations*, CFPB OFFICE OF RESEARCH WORKING PAPER SERIES 2025-11 (June 27, 2025).

and well-established companies such as PayPal and others enter the market, the numbers may continue to increase.

A typical BNPL transactions if a point-of-sale loan that allows consumers to pay for online or in-store retail purchases over a set period, typically four payments every two weeks (1/4 at the time of purchase then additional payments every two weeks). Although modeled after traditional retail installment loans, most BNPL transactions are interest free consumers and are funded by the merchant through a merchant discount rate (and implicitly interchange fee) of approximately 3-6% (higher than the cost of a typical credit card).⁴⁸ Despite these higher costs, merchants are eager to accept BNPL because it enables sales to consumers who otherwise would lack sufficient liquidity to make purchases and enables consumers to spend more than they otherwise would.⁴⁹ This short-term no-interest financing is the predominant business model—according to one report, 70% of BNPL users are for short-term financing with no interest, 21% are for six months or less with no interest, and only 11% are for longer than six months with interest.⁵⁰ If the consumer makes payments on time, therefore, she usually incurs no fee or other costs from using BNPL, unlike a credit card for which the consumer will pay a finance charge if the balance is not paid in full at the end of the cycle. Traditionally, BNPL providers have not reported performance to credit bureaus.

BNPL originally evolved primarily to support online purchases of fashion and apparel and consequently, young women were early adopters of the product. From that beginning, BNPL usage has grown to support the purchase of other consumer durable goods although it has begun to be

⁴⁸ See Zhu Wang, *Buy Now, Pay Later: Market Impact and Policy Considerations*, FED. RES. BANK OF RICHMOND ECONOMIC BRIEF No. 25-03 (Jan. 2025), available in https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-03.

⁴⁹ *Id.*

⁵⁰ See Hannah Gdalkan, Meghan Greene, Necati Celik, *Buy Now, Pay Later: Implications for Financial Health: A FinHealth Spend Product Spotlight* at 4, Fig. 1 (March 2022).

used more commonly for purchases of products such as groceries, gasoline, and food delivery, as consumers are using it to manage their budgets in response to increasing prices. According to one survey of consumer behavior during the Covid pandemic, the most common types of purchases made by consumers using BNPL were for consumer durables such as clothing, electronics, furniture, appliances, and housewares.⁵¹ Recent surveys indicate that in the past consumers have used BNPL are for the following purchases: Clothing and fashion (42%), electronics and gadgets (32%), furniture and home décor (26%), home appliances (22%), groceries and everyday household items (19%), and personal travel (18%).⁵² Looking forward, however, consumers expect they will be most likely to use BNPL for purchases such as home appliances, furniture, personal travel, and electronics and gadgets, and less likely to use BNPL for groceries and everyday household items (12%), presumably reflecting expectations of moderating inflation.⁵³ The use of BNPL to cover out-of-pocket medical expenses is reported to be one of the fastest-growing areas of usage. And although originally developed in connection with online shopping, BNPL is increasingly being used in traditional physical stores via various tap-to-pay and QR codes for point-of-sale purchases.

BNPL has proven to be especially attractive to consumers who are otherwise underserved by the mainstream financial system, such as younger, lower-income, and credit-impaired

⁵¹ C+R Research, *Buy Now, Pay Later Statistics and User Habits* (2021), available at https://www.crrresearch.com/blog/buy_now_pay_later_statistics. BNPL originally had disproportionate uptake by younger women, as BNPL focused on developing partnerships with female focused ecommerce brands. See CARDIFY, COVID-19 AND THE SURGE OF “BUY NOW, PAY LATER,” CARDIFY.COM (July 29, 2020), available in <https://www.cardify.ai/reports/buy-now-pay-later>. It is not clear whether this is still the case and the growing usage of BNPL for electronics purchases, for example, suggests that this disparity in use by sex may no longer be the case.

⁵² See Ashley Hudson and Shawn Paustian, *Insights Into Buy Now, Pay Later: Growth & Trends 2025* NUMERATOR.COM (Feb. 14, 2025), available in <https://www.numerator.com/resources/blog/buy-now-pay-later-market-insights/>.

⁵³ *Id.*

consumers.⁵⁴ Younger and less financially healthy households are more likely to use BNPL, particularly millennials and Generation Z, who either lack access to credit cards, are near their credit limits, or prefer the interest-free nature of BNPL and its more simple and transparent terms relative to credit cards.⁵⁵ Gen Z consumers were early adopters of BNPL. In part this was because federal regulations such as the Credit CARD Act, Dodd-Frank, and the Durbin Amendment created new barriers for young consumers to gain access to bank accounts, credit cards, and other traditional financial services and credit. Today, over 50% of Gen Z and 54% of Millennials report using BNPL more often than traditional credit cards. But BNPL is becoming increasingly popular with Gen X as well, as approximately 30% of Gen X'ers report using BNPL as well.

Younger and minority households are more likely to use BNPL than others.⁵⁶ Households in weaker financial condition are also more likely to use BNPL than financially healthy households.⁵⁷ Households classified as “financial fragile” are more likely to use BNPL than those that are “financial stable” and are more likely to use BNPL to purchase necessities and meet urgent financial requirements.⁵⁸ BNPL users are also almost twice as likely to report having subprime credit scores and 77% who have credit cards say they have carried a balance on their credit cards over the past year.⁵⁹ Consumers who use BNPL are also suffer more financial disruption and

⁵⁴ See Tom Akana, *Buy Now, Pay Later: Survey Evidence of Consumer Adoption and Attitudes*, FED. RES. BANK OF PHILADELPHIA DISCUSSION PAPER DP 22-02 (June 2022).

⁵⁵ See Hannah Gdalan, Meghan Greene, Necati Celik, *Buy Now, Pay Later: Implications for Financial Health: A FinHealth Spend Product Spotlight* (March 2022).

⁵⁶ See Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later: Insights from new Survey Data*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Feb. 2024).

⁵⁷ Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later: Insights from new Survey Data*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Feb. 2024).

⁵⁸ See Felix Aidala, Daniel Mangrum, and Wilbert van der Klaaw, *How and Why Do Consumers Use “Buy Now, Pay Later”?*, LIBERTY STREET ECONOMICS (Federal Reserve Bank of New York, Feb. 14, 2024), available in <https://libertystreeteconomics.newyorkfed.org/2024/02/how-and-why-do-consumers-use-buy-now-pay-later/>.

⁵⁹ Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later: Insights from new Survey Data*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Feb. 2024). See also See Felix Aidala, Daniel Mangrum, and Wilbert van der Klaaw, *How and Why Do Consumers Use “Buy Now, Pay Later”?*, LIBERTY STREET ECONOMICS (Federal Reserve Bank of New York, Feb. 14, 2024), available in <https://libertystreeteconomics.newyorkfed.org/2024/02/how-and-why-do-consumers-use-buy-now-pay-later/>.

payment problems than nonusers.⁶⁰ They are also significantly more likely to report that they are more concerned about making ends meet financially in the future than nonusers.⁶¹ One recent report finds that 61% of BNPL users are classified as either subprime or deep subprime credit because they have reached their credit card limits or do not qualify for traditional loans.⁶² Consumers who use BNPL have significantly higher utilization rates on credit cards lines of credit than those who do not.⁶³ According to one study, 62% of households earning under \$50,000 prefer using BNPL over credit cards because of easier loan approval.

High earners, however, are increasingly using BNPL. Akana and Doubinko found that 30% of BNPL users during the 2023 holiday season earn more than \$70,000.⁶⁴ One reason for this growth in BNPL usage by higher-income consumers is to take advantage of the benefits of interest rate float, for example by keeping their cash in high-yield savings accounts while paying for large purchases like electronics or travel in interest-free installments. For example, a substantial number of BNPL-financed purchases by “financial stable” households were for larger purchases of \$1750-\$2000 in value, whereas purchases by “financial fragile” households were almost always small

(finding much greater use of BNPL by those with sub-720 credit scores and particularly those who are deep subprime below 620 credit score and those who report being thirty or more days delinquent on some other obligation during the past year).

⁶⁰ See Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later Data from the LIFE Survey*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Apr. 2025), available in <https://www.philadelphiafed.org/consumer-finance/4-in-6-payment-products>.

⁶¹ Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later: Insight from New Survey Data*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Feb. 2024), available in <https://www.philadelphiafed.org/consumer-finance/4-in-6-payment-products-buy-now-pay-later-insights-from-new-survey-data>.

⁶² See Joanna Stavins, *Buy Now, Pay Later: Who Uses it and Why*, FED. RES. BANK OF BOSTON RESEARCH DEPARTMENT CURRENT POLICY PERSPECTIVES 2024-3 (May 22, 2024), available in <https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx>.

⁶³ See Cortnie Shupe and Joshua DeLuca, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, CONSUMER FINANCIAL PROTECTION BUREAU (Jan. 2025).

⁶⁴ Tom Akana and Valeria Zeballos Doubinko, *4-in-6 Payment Products—Buy Now, Pay Later: Insight from New Survey Data*, FED. RES. BANK OF PHILADELPHIA CONSUMER FINANCE INSTITUTE (Feb. 2024), available in <https://www.philadelphiafed.org/consumer-finance/4-in-6-payment-products-buy-now-pay-later-insights-from-new-survey-data>.

(less than \$250).⁶⁵ Like other consumers, using BNPL enables also higher-income consumers to spread out the cost of large purchases and time their liquidity requirements more precisely without having to pay finance charges or interest charges. Uptake of BNPL by higher-income and more financially stable households should also be beneficial to the BNPL market by enabling diversification in the BNPL risk pool, which should buffer the industry in the event of a recession or some other economic development that could cause economic stress.

Despite the fact that BNPL is heavily used by subprime and lower-income households, the default rate on BNPL loans is exceedingly low—roughly 2% during the period 2019-2022 according to a CFPB study.⁶⁶ From 2022 to 2023 chargeoff rates declined from an already low level of 2.63 percent to 1.83 percent.⁶⁷ By comparison, default rates on credit cards for the same population exceeded 10% for the same period of time.⁶⁸ Research suggests that consumer use of BNPL does not produce an increase in the use of non-BNPL credit or increased financial distress in non-BNPL products and that many consumers use BNPL as a substitute for higher-cost alternatives, such as credit cards. The same researchers also find that use of BNPL (which traditionally is not reported to credit bureaus) does not have a negative spillover effect on their overall credit rating.⁶⁹ This suggests that despite its rapid growth, paternalistic concerns about “loan stacking” or overspending are largely speculative.

⁶⁵ See Felix Aidala, Daniel Mangrum, and Wilbert van der Klaaw, *How and Why Do Consumers Use “Buy Now, Pay Later”?*, LIBERTY STREET ECONOMICS (Federal Reserve Bank of New York, Feb. 14, 2024), available in <https://libertystreeteconomics.newyorkfed.org/2024/02/how-and-why-do-consumers-use-buy-now-pay-later/>.

⁶⁶ See Shupe and Palloni (2025).

⁶⁷ See Consumer Financial Protection Bureau, *The Buy Now, Pay Later Market: Data Spotlight* (Dec. 2025). The incidence of late fees declined over that same period as well. *Id.*

⁶⁸ See Cortnie Shupe and Joshua DeLuca, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, CONSUMER FINANCIAL PROTECTION BUREAU (Jan. 2025).

⁶⁹ See Valeria Zeballos Doubinko and Tom Akana, *How Does Buy Now, Pay Later Affect Customers’ Credit?*, FED. RES. BANK OF PHILADELPHIA Discussion Paper 23-01 (Sept. 2023), available in <https://www.philadelphiafed.org/consumer-finance/consumer-credit/how-does-buy-now-pay-later-affect-customers-credit>.

Moreover, according to research by the Financial Health Network, 99% of BNPL users stated that they understood the terms and conditions associated with using the product.⁷⁰ Thus, while some consumers have expressed some confusion over particular practices (such as the nature of “tips” where that model is used) in general consumers understand and appreciate the simple and understandable terms of BNPL loans.

For all households, but especially households with impaired credit or thin files, BNPL provides a comparatively inexpensive, safe, and convenient option to finance purchases compared to real-world alternatives.⁷¹ Most BNPL purchases are modest in size—according to one survey, users of the short-term, no-interest mode reported owing an average of \$330 across all BNPL purchases at the time of the survey.⁷² Based on data drawn from the six largest BNPL firms indicates that consumers who use BNPL borrowed on average \$848 in 2023, a small amount compared to typical levels of household borrowing for credit cards, car loans, and student loans, and not even considering mortgage debt.⁷³ Given the relatively small amount of each loan and the modest amount borrowed in any given year, plus the absence of interest and finance charges that can lead to compounding of debt, it is not surprising that BNPL usage does not seem to linked to financial distress.

Consumers cite a variety of reasons for why they use BNPL. Some consumers use BNPL because they are credit constrained or otherwise lack access to sufficient credit. But many other consumers use BNPL because they simply like the product because of its convenience, the ability to spread-out payments, time liquidity requirements, and to avoid taking on debt for which they will have to pay interest or finance charges. According to one research report, the most common

⁷⁰ *Id.* 7.

⁷¹ Backman and Caporal, *supra*.

⁷² Gdalmán, *supra* at 7.

⁷³ See Consumer Financial Protection Bureau, *The Buy Now, Pay Later Market: Data Spotlight* (Dec. 2025).

reason consumers give for using BNPL is “to make checkout easier.”⁷⁴ Higher income consumers often use BNPL to avoid taking on debt, especially credit card debt, and tend to be slightly older than other users. Other surveys have indicated that 87% of users cite “spreading out payments” as the main reason to use BNPL, which allows them to spread the cost of “lumpy” large purchases across time and to match payments to their bi-weekly pay cycles and to extend their payment schedule without having to pay a finance charge as they would with a credit card. Research by economists at the Philadelphia Federal Reserve Bank found that the most frequently cited reason for using BNPL is “convenience and a general preference for the product,” not credit constraints.⁷⁵ On the other hand, they also find that 11.7% of BNPL users do not have a credit card, 14.9% report that they would be unable to be approved for other types of credit, so at least minority of consumers use BNPL to address credit constraints.

Conclusion

We live in an exciting era of developments in financial technology. Recent innovations in alternative underwriting and fintech generally, and products such as EWA and BNPL specifically, are increasing consumer welfare, choice, and competition. But history teaches that continued innovation requires a thoughtful regulatory framework that will facilitate further developments and protect consumers from the efforts of incumbents to block entry and wrongheaded regulation. There is much that this body and regulators can do to facilitate further innovation and competition.

⁷⁴ CARDIFY, CONVENIENCE, DEBT, AND NOVELTY: ANALYZING BNPL CONSUMER DATA (Sept. 8, 2021), *available in* <https://www.cardify.ai/reports/bnpl-trend-report>. This group is made up of middle income people with incomes between \$40,000-\$80,000 and skew toward millennial-aged consumers who see BNPL as similar to payment platforms and digital wallet apps.

⁷⁵ Akana and Doubinko (2024), *supra*.

Chairman STEIL. Thank you very much. Ms. Reynolds Hand, you are now recognized for 5 minutes.

**STATEMENT OF DELICIA REYNOLDS HAND, SENIOR
DIRECTOR, DIGITAL MARKETPLACE, CONSUMER REPORTS**

Ms. REYNOLDS HAND. Thank you. Chairman Hill, Chairman Steil, Ranking Member Lynch, and distinguished members of the subcommittee, thank you for the opportunity to testify today. My name is Delicia Reynolds Hand, and I am the senior director of the Digital Marketplace at Consumer Reports. There, I lead our work ensuring digital financial products work for consumers, not against them. Before Consumer Reports, I spent nearly a decade at the CFPB.

This hearing asks an important question—is fintech delivering for American consumers—and I would like to make three points. First is affordability. Affordability is key for consumers. Americans are stretched thin. Groceries and rent cost more, and credit card rates are near historic highs. In this environment, consumers will turn to products like buy now, pay later and earned wage access to manage cash-flow. This in itself is not a problem. The problem is when they cannot easily see what they are paying, they cannot compare options, and debt stacks invisibly across providers. The CFPB’s own recent data point on buy now, pay later shows that BNPL usage continues to grow. Consumers are now taking an average of six loans per year from a single provider, up 11 percent, and that is just one lender. Many consumers use multiple providers, creating obligations that do not appear on traditional credit reports. Simple guardrails, such as cost disclosure, lets people compare options, and other guardrails against debt stacking allow consumers to avoid invisible overextension. These are not anti-innovation. They are baseline requirements for a market that works.

On earned wage access, we are glad to see the draft legislation before you contains real protections, like a no-cost option, disclosure rules, prohibition on late fees. However, we are concerned that the bill also categorically excludes EWA from credit law and preempts State authority. Under the Truth in Lending Act, credit is defined as “the right to defer payment of debt or incur debt and defer its payment.” If it works like credit, we should regulate it like credit, and by that measure, EWA is credit.

Second, consumers need accountability, especially for new innovation like AI. AI is no longer emerging in financial services. It is embedded. It is approving loans, freezing accounts, flagging fraud, as mentioned, determining who gets access to products at what price. These systems operate at machine speed, and if something goes wrong, accountability moves slowly, if it moves at all. Consumer Reports recently surveyed over 4,000 Americans on AI in financial services. Three-quarters are concerned that AI could lead to unfair treatment. When consumers encounter AI, many also report negative experiences. Fifty-seven percent do not believe current laws adequately protect them.

Consumers should have the ability to opt out independent audits, a simple way to appeal, and public reporting on accuracy and bias testing; in other words, transparency, accountability, and human review. The subcommittee is considering the Financial Services In-

novation Act, which would create sandboxes allowing companies to seek waivers from existing consumer protection rules, not just for AI, but for any financial innovation, and that just gets the burden wrong. Consumer harm during a test period is still harm, and the consumer whose account is frozen or wrongfully denied credit does not care whether it happened in a sandbox.

Last, enforcement. I spent nearly a decade at the CFPB. I have seen what happens when we have an Agency that is active and mandating and holding its mandate to hold institutions accountable, and we are seeing what is happening when that capacity is dismantled. The CFPB has lost the majority of its enforcement capacity. Staff have been let go. Examinations have stopped. The Agency Congress created to be the cop on the beat is being hollowed out, and at the same time, this subcommittee is considering important legislation that would expand fintech activity and waive existing protections. That is a practical problem, not a solution. Who will supervise compliance with the EWA bill's disclosure requirements if no one is there to do it? Who investigates when AI systems malfunction at scale? The bills before you assume a functioning regulator from a consumer protection standpoint, and assumption no longer holds.

So, the question today is not whether fintech innovation should continue. It absolutely should, but the question is whether consumer protections scale alongside with it, or whether consumers remain the shock absorbers for risk. We are ready to work with the subcommittee. We have tested the products' surveyed consumers, and I appreciate the opportunity to be here and welcome your questions. Thank you.

[The prepared statement of Ms. Reynolds Hand follows:]



Testimony of Delicia Reynolds Hand
Senior Director, Digital Marketplace,
Consumer Reports

Before the United States House Committee on Financial Services
Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence

"Delivering for American Consumers: A Review of FinTech Innovations and Regulations"

Tuesday, January 13, 2026
Rayburn House Office Building
Washington, DC

Introduction

Chairman Steil, Vice Chairman Emmer, and distinguished Members of the Subcommittee, thank you for the opportunity to testify today on behalf of Consumer Reports.

My name is Delicia Reynolds Hand, Senior Director of the Digital Marketplace initiative at Consumer Reports. Before joining CR, I spent nearly a decade at the Consumer Financial Protection Bureau, where I helped establish and lead programs designed to ensure consumer voices are heard in financial policy. At Consumer Reports, I lead our efforts to ensure that digital financial products and services and digital marketplaces work for consumers—not against them.

Consumer Reports is an independent, nonprofit membership organization that has worked to create a fair and just marketplace for consumers since 1936. For nearly 90 years, we have tested products, conducted research, and advocated for policies that put consumers first. Today, we bring that same mission to the digital marketplace—evaluating fintech products, surveying consumers, and developing frameworks that help companies build products worthy of consumer trust.

The Consumer Perspective

This hearing asks whether fintech is “delivering for American consumers.” That’s the right question - it deserves an honest answer.

By the end of 2025, two things had become clear. First, fintech innovation is no longer peripheral—it is the core financial infrastructure for payments, wages, credit, and fraud prevention. Second, artificial intelligence is no longer “emerging”—it is actively shaping financial outcomes for consumers, often invisibly and at scale.¹

What concerns consumer advocates is not innovation itself, but how risk is being allocated. In many cases, the benefits of speed and efficiency accrue to firms, while errors, bias, and fraud losses are pushed onto consumers with limited recourse. That is the lens Consumer Reports brings to this hearing.

Between 2023 - 2025, Consumer Reports conducted multiple nationally representative surveys of thousands of Americans about their experiences with digital financial products and services. This was across payments apps, buy now pay later products, digital wallets, crypto platforms, bank-fintech partnerships, and use of AI in financial services. Consumers are sending a

¹ Branch, J.B. & Beller, I. Expert Predictions on What’s at Stake in AI Policy in 2026. TechPolicy.Press, January 6, 2026.

consistent message: they value convenience and access, but they are increasingly worried about cost, transparency, and accountability when things go wrong.

Through our Fair Digital Financial evaluations of banking apps, buy now pay later services, peer to peer payment, and digital wallets, we’ve documented patterns: opaque fee structures, barriers to refunds and disputes, excessive data sharing and unclear accountability when things go wrong². Across our surveys, consumers raise consistent concerns. In peer to peer payment research, consumers reported confusion about dispute rights and liability.³ In buy now pay later evaluations, we documented refund barriers, stacked obligations across merchants, and difficulty understanding total exposure⁴. In banking apps consumers reported uncertainty about fees, data sharing and fraud protections⁵. In crypto and other app-based financial platforms, many consumers worry about fraud, losing access to funds, and the lack of meaningful consumer protections.⁶

More broadly, hidden fees remain a persistent problem. Our July 2025 survey found that roughly half of consumers encountered unexpected fees in telecom and live entertainment, and one in four encountered them in personal banking⁷.

These concerns show up across product categories. They’re patterns across digital finance: unclear costs, limited recourse, and confusion about accountability.

What stands out is that **these concerns are not about whether consumers should use fintech products—they are about whether the products are designed in ways consumers can reasonably understand and afford**. Consumers want innovation that works, but they expect clear information about costs, fair treatment when problems arise, and someone to be accountable when their money is at stake.

That expectation is consistent across income levels, age groups, and political affiliation. Consumers are not asking Congress to stop innovation. They are asking for rules of the road that ensure digital financial products remain affordable, transparent, and trustworthy as they scale.

² Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

³ Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

⁴ Consumer Reports. Buy Now Pay Later Apps: A Case Study for a Digital Finance Standard. May 25, 2023.

⁵ Consumer Reports. American Experiences Survey: February 2023 Omnibus Results. Conducted February 10–20, 2023. (Banking apps, fintech usage, access concerns, security, trust)

⁶ Consumer Reports. American Experiences Survey: January 2025 Results. Consumer Reports Survey Research Department, January 2025.

⁷ Consumer Reports. American Experiences Survey: July 2025 Results. Consumer Reports Survey Research Department, July 2025. (Digital finance, apps, access, consumer anxiety)

Consumers Need Affordable Financial Services to Manage through the Current Affordability Crisis

Americans are stretched thin. Groceries cost more. Rent costs more. Insurance premiums keep climbing. Credit card interest rates are near historic highs. In this environment, consumers are turning to products like buy now, pay later and earned wage access because they need liquidity to make it to the next paycheck. Consumers use liquidity products for many reasons - timing mismatches, unexpected expenses, preference over credit cards. The question isn't whether they should. It's whether the products are structured so people can see what they're paying and compare alternatives.

The CFPB's December 2025 BNPL markets report⁸ documents the pattern: consumers are taking out more loans per year and at higher dollar amounts, often from multiple providers simultaneously. The average consumer now takes 6.3 BNPL loans per year from a single provider—up 11 percent from the prior year. And that only captures one lender. Many consumers are stacking obligations across multiple providers, creating debt that doesn't show up on traditional credit reports and can't be easily tracked.

This is not necessarily a sign of financial health, nor does it reflect consumers' total exposure. Instead, it may indicate that people are relying on short-term credit to bridge persistent gaps between income and expenses. When the cost of living outpaces wages and credit remains expensive, the market fills the gap with products that offer immediate relief—but can deepen financial strain over time. At the same time, consumers who use multiple BNPL providers have no easy way to see their total obligations, and lenders lack visibility into that exposure when assessing creditworthiness.

The question for this Subcommittee is whether legislation will help consumers navigate this environment - or make it easier for them to get in over their heads. Clear cost disclosures lets people compare options. A functioning regulator catches unfair practices before they scale. These aren't anti-innovation - they're the baseline for a market that actually works for the people using it. They need guardrails against debt stacking. They need someone watching out for unfair practices.

What they don't need is more bank charters for fintechs, more exemptions from existing law, or regulatory frameworks designed around industry convenience rather than consumer welfare.

⁸ Consumer Financial Protection Bureau. Buy Now, Pay Later: Market Trends and Consumer Risks. December 2025.

Earned Wage Access: Affordability, Not Paternalism

The EWA market has grown substantially, with tens of millions of consumers now using these products. Our research shows significant variation in how these products are structured and priced. At one end of the spectrum, some employer-sponsored programs operate with minimal or no fees to consumers—genuinely approaching the “free access to earned wages” that the category promises. At the other end, direct-to-consumer products can layer subscription fees, expedited access fees, and “voluntary” tips in combinations that produce effective annual percentage rates ranging from under 100% to well over 300%—and in some documented cases, exceeding 1,000% when annualized for frequent users.

This variation matters. It means that product design choices—not just market forces—determine whether EWA serves as a low-cost liquidity tool or functions more like high-cost short-term credit. The best EWA products demonstrate that it is possible to provide early wage access affordably. The question for policymakers is whether legislation should set a floor that moves the entire market toward those better models.

This Subcommittee is considering the Earned Wage Access Consumer Protection Act. The bill contains meaningful consumer protections—a no-cost option requirement, disclosure rules, prohibition on late fees, overdraft reimbursement for provider errors. These are constructive. However, Consumer Reports has concerns about certain provisions that may limit the ability of policymakers to address harms that emerge as the market evolves. Most concerning the bill:

- categorically excludes EWA from the definition of “credit” under federal law,
- preempts state authority to classify these products based on how they actually function, and
- establishes no clear standard for affordability

Regulation should follow function, not labels. When a product advances money, gets repaid later, and generates revenue from time-sensitive charges, it behaves like credit—and consumers deserve the protections that come with credit, even if the product is marketed differently.

State preemption. The bill would preempt state laws that treat EWA as credit, loans, or similar products—or that impose disclosure or reporting requirements that conflict with the federal framework. States have served as laboratories for consumer protection innovation, including in this area. California regulators documented the true costs of EWA products, including effective APRs exceeding 300% for frequent users. Arkansas implemented a no-cost option requirement.

Preempting state authority to classify these products based on how they actually function could prevent states from addressing harms the federal framework does not anticipate.

Categorical exclusion from credit laws. The bill amends the Truth in Lending Act to explicitly exclude EWA from the definition of “credit” and EWA providers from the definition of “creditor.” Consumer Reports believes product regulation should be based on function, not labels. When a product advances money to consumers, is repaid later, and generates revenue through time-sensitive charges, it shares key characteristics with credit—regardless of what it is called. The CFPB’s late-2025 advisory opinion recognized that some EWA products may constitute credit depending on their structure. A categorical exclusion forecloses that functional analysis.

Behavioral design around tips. While the bill requires disclosure that tips are voluntary, it does not address the interface design choices that influence tipping behavior. Our research shows that some apps pre-select tip amounts, use visual design to steer toward higher tips, or make the “no tip” option less prominent. Disclosure alone may not address these behavioral nudges. The Committee may wish to consider whether additional guardrails on tip solicitation design are warranted.

No affordability standard for frequent use. The bill does not establish any standard for assessing cumulative costs for consumers who use EWA repeatedly. A consumer who accesses earned wages once per pay period has a very different cost experience than one who accesses wages multiple times per week. Requiring disclosure of costs in APR-equivalent terms for frequent use scenarios would help consumers compare products meaningfully. States like California and Arkansas have led on this. A federal floor shouldn’t become a ceiling.

Artificial Intelligence and Innovation in Financial Services

AI is no longer emerging in financial services—it’s embedded and likely to become an integral part of financial services infrastructure. AI chatbots are often the first point of contact for a consumer needing assistance. They are approving loans, freezing accounts and flagging fraud. Determining who gets access to products and at what price. These systems operate at machine speed, affecting thousands of consumers simultaneously. But when something goes wrong, accountability moves slowly—if it moves at all.

Consumer Reports surveyed over 4,000 Americans in late 2025 on AI in financial services.⁹ Three-quarters are concerned that AI could lead to bias or unfair treatment. When consumers are aware of encountering AI, many report negative experiences. Fifty-seven percent don’t believe current laws adequately protect them.

⁹ Consumer Reports. National Survey on Artificial Intelligence in Financial Services. September–October 2025.

What would build trust? The ability to opt out. Independent audits. A simple way to dispute or appeal. Public reporting on accuracy and bias. In other words - transparency, accountability, human review.

For the consumer, an AI error doesn't look like a technical problem. It looks like an account frozen with no explanation and no one to call. A loan denied with an adverse action notice that says only "credit profile." A fraud flag that follows you to your next bank without anyone able to explain why. The people most affected are often those the algorithm doesn't recognize - thin credit files, irregular income, transaction patterns that don't fit the model.

This Subcommittee is also considering the Financial Services Innovation Act, which is framed as a technology-neutral proposal applicable to any "financial innovation." The bill is more expansive than the AI-specific sandbox considered previously, which makes the consumer protection concerns even more pressing. Artificial intelligence systems would plainly fall within its scope, given their increasing use in core financial functions such as credit underwriting, fraud detection, account monitoring, and customer service. The bill would allow companies to petition regulators for modifications or waivers of existing regulatory requirements in order to deploy technology-enabled financial products. While the intent is to promote innovation, the practical effect is to permit reduced compliance with existing consumer protection safeguards at precisely the point when automation enables decisions to operate at greater scale, speed, and opacity. In the context of AI-driven systems, errors or bias are not isolated—they can affect thousands of consumers simultaneously. For that reason, any framework designed to support innovation should provide enhanced scrutiny rather than reduced oversight, and should clearly identify baseline consumer protection obligations—such as anti-discrimination rules, privacy protections, fraud prevention, and meaningful explanations for adverse decisions—that are not subject to waiver, regardless of the technology used.

Consumer harm that occurs during a "test period" is still harm. From the consumer's perspective, there is no meaningful distinction between an error caused by an experimental system and one caused by an established business practice. A consumer wrongly denied credit or locked out of an account experiences the same consequences either way.

The Cop on the Beat

I spent nearly a decade at the Consumer Financial Protection Bureau. I've seen what happens when there's an agency with the tools and mandate to hold financial institutions accountable—and I'm watching what happens when that capacity is dismantled.

The CFPB exists because Congress recognized that consumer protection in financial services can't be an afterthought. Markets move fast. Products evolve. Bad actors exploit gaps. Without a

dedicated regulator, consumers are left to navigate disputes on their own against companies with vastly more resources and information.

Right now, this Subcommittee is considering legislation that would expand the use of AI, create new exemptions for fintech products, and establish sandboxes that waive existing protections. At the same time, the CFPB has lost the vast majority of its enforcement capacity. Staff have been let go. Examinations have stopped. The agency that Congress created to be the cop on the beat for consumer finance is being dismantled while this subcommittee considers legislation that would expand fintech activity and waive existing protections.

That's not a policy disagreement - it's a practical problem. Who supervises compliance with the EWA bill's disclosure requirements if there's no one at the agency to do it? Who investigates when AI systems produce discriminatory outcomes at scale? The bills before you assume a functioning regulator. This assumption no longer holds.

That combination—more industry-friendly rules and fewer cops on the beat—is a recipe for consumers bearing all the risk while companies capture all the benefit. If this Congress is serious about "delivering for consumers," it should be strengthening the CFPB, not looking the other way as it's dismantled.

The Synapse Lesson

The collapse of Synapse¹⁰—a middleware provider linking fintechs to partner banks—illustrates what happens when innovation creates opaque chains of custody over consumer funds and no one can quickly answer¹¹: "Where is the money, and who is responsible?"

Consumers were promised "FDIC-insured" accounts through fintech apps. When Synapse failed, they discovered that pass-through insurance is only as strong as the record-keeping that supports it.¹² Real-time reconciliation did not exist.¹³ Resolution mechanisms were inadequate.

For bank-fintech deposit partnerships, consumers need: clear disclosures of who holds funds, who services the account, and who resolves errors; pass-through insurance clarity and limits on misleading marketing; real-time reconciliation so funds can be promptly returned in a failure;

¹⁰ Consumer Financial Protection Bureau. CFPB Takes Action Related to Synapse Financial Technologies, Inc. Adversary Proceeding and Public Statements, 2024–2025.

¹¹ Reuters. Fintech middleware firm Synapse collapse strands consumer funds across fintech apps. 2024–2025.

¹² Wall Street Journal. Fintech customers learn FDIC insurance depends on backend records. 2024.

¹³ American Banker. Synapse failure highlights absence of real-time reconciliation in fintech stacks. 2024.

resolution playbooks with defined timelines for consumer access to funds; and one front door for complaints—not finger-pointing between fintech, middleware, and bank.¹⁴

This outcome was not unforeseeable. In our 2023 evaluation of peer-to-peer payment apps, Consumer Reports found that many widely used apps either did not provide FDIC insurance by default or failed to clearly explain when funds were—and were not—protected.¹⁵ We warned that consumers could reasonably believe their money was insured when, in fact, coverage depended on backend structures, record-keeping, and conditions consumers did not control. The Synapse collapse exposed exactly that risk. It showed why third-party risk management is not just a prudential concern—it is consumer protection.

Principles for Effective Legislation

Based on our research and product evaluations, Consumer Reports believes effective fintech legislation should always reflect several core principles:

- Accountability for automated decisions—when AI harms a consumer, someone must be responsible.
- Transparency—consumers should understand why they were denied credit or why their account was frozen.
- Human review for consequential decisions—appeals shouldn't dead-end at a chatbot.
- Functional regulation—same risks, same protections, regardless of what the product is called.
- Affordability standards based on actual use patterns—not one-off marketing claims.
- Clear responsibility in partnerships—consumers shouldn't be caught in disputes about who owns the problem.

These principles aren't theoretical. When companies know they'll be evaluated against clear standards, they improve. Market accountability can reinforce regulation—but only if standards exist and someone is enforcing them.

¹⁴ Federal banking regulators (FDIC, OCC, Federal Reserve). Interagency Guidance on Third-Party Risk Management. 2021–2023

¹⁵ Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

Learning from State Action

States have been laboratories for addressing these challenges:

- **New York** enacted BNPL licensing with consumer protection requirements in May 2025—a model showing that supervision is possible without banning products.
- **Arkansas** requires EWA providers to offer at least one genuinely no-cost option and prohibits certain fee-sharing arrangements with employers—provisions the federal bill reflects.
- **Colorado** passed the nation’s first comprehensive AI law, requiring risk assessments for high-impact automated decisions—a framework Consumer Reports helped defend from repeal.
- **California** regulators have documented the true cost of EWA products, including effective APRs exceeding 300% for frequent users, providing the evidence base for federal action.

These state actions point toward what effective federal legislation could include: licensing and supervision, affordability standards, transparency requirements, and clear prohibited practices—without prescriptive technology mandates. Consumer Reports urges Congress to set a federal floor that does not prevent states from building on these innovations.

Conclusion

The core question for 2026 is not whether fintech innovation will continue—it will. The question is whether this Congress will ensure that consumer protections will scale alongside automation, or whether consumers will remain the shock absorbers for innovation.

Predatory lending taught us that access without affordability is not access—it is risk transfer. That lesson applies squarely to the business of financial services innovation.

We urge the Committee to consider whether the state preemption and categorical exclusion from credit laws may limit future flexibility to address harms that emerge as the market evolves.

Consumer Reports is here as a resource to ensure there are clear, measurable and meaningful standards to examine whether innovation serves the people it is designed to help. We have tested the products, surveyed the consumers, and developed the frameworks. We are ready to work with this Subcommittee on legislation that protects consumers while allowing responsible innovation to flourish.

Thank you. I welcome your questions.

Chairman STEIL. Thank you very much. The gentlewoman yields back. We will turn now to member questions. I will recognize myself for 5 minutes for questions.

Mr. Palaniappan, we are at a transformational stage here. EWA gives individuals access to the wages they earned. If you and I, a hundred years ago, were hired to carry sacks of potatoes at Ms. Kelley's farm, we worked our tails off all day long, we would expect to have been paid at the end of our day's work. Large enterprise resource planning (ERP) systems came in and made it very difficult to pay people every day. Now many people get paid every 2 weeks, some people every month. It makes it hard to meet the bills and so, one of the questions becomes, how do we regulate this new space under earned wage access where individuals are receiving access to the wages that they have already earned?

Attached to this hearing is my discussion draft, the Earned Wage Access Consumer Protections Act, where we start to dig into this, making sure that there is a no-cost option, full disclosures for individuals taking advantage of EWA products and so, one of the questions is, is this credit? Do we need a new regulatory framework? We just heard Ms. Reynolds Hand suggest that this is credit and should be regulated like credit, but if we were carrying sacks of potatoes at Ms. Kelley's farm, we would expect to get that money at the end of the day, and it sure does not sound like credit. It sounds like I am getting access to the money that I earned. So, I come to you, Mr. Palaniappan. Can you walk me through the distinctions that you see between EWA products and credit under the Truth in Lending act in Reg Z?

Mr. PALANIAPPAN. Sure. So, like you said, what earned wage access does is it changes the timing of when somebody receives their pay, which is different than a credit product where you are giving somebody money and I think calling it what it is not, calling it credit actually confuses the customer because with the credit product, they expect interest to accrue. They expect there to be a repayment date. They expect that there will be penalties if it does not get paid. They expect that there will be collections. They expect that it is going to affect their credit report. None of those happen with earned wage access, and so calling it credit actually will confuse the customer. In terms of the legal aspects of credit, I think Kevin, who is an attorney, might actually be better positioned to talk about how it is different to credit.

Mr. LEFTON. Sure. Thank you. I think that is an important question and probably one of the most important questions of today. The Truth in Lending Act (TILA) and Reg Z apply to consumer credit that is subject to a finance charge, and EWA is not consumer credit, and I will explain, and the flat fee is not a finance charge. The CFPB recently stated in its December 23 advisory opinion that EWA is not credit because no debt is incurred. You must have a debt to have credit, and a debt is an obligation to repay.

Chairman STEIL. Should we think of that as a distinction between employer-sponsored EWA and direct-to-consumer EWA?

Mr. LEFTON. No.

Chairman STEIL. That is part of the conversation that we are hearing.

Mr. LEFTON. No, I think that is a great question, but no debt is no debt. So, if there is no obligation to repay on the direct-to-consumer and there is no obligation to repay on the employer-integrated, I think it is the same. I think the fundamental question is, is there an obligation to repay, and the answer is no for EWA because it is a nonrecourse product.

Chairman STEIL. So, Mr. Zywicki, I am going to come to you and kind of continue to pull on this same string. One of the challenges that we face are these new and innovative products are not always fitting neatly into the regulatory framework that, really, has not been updated since the 1970s, and so this is new technology that was not around and available now over 50 years ago. What are some of the principles that you think we should be looking at to strike the right balance in this innovative space?

Mr. ZYWICKI. Exactly right. I think that frames it correctly, which is, obviously, it needs to be, as I said in my remarks, responsive to the current technology. It needs to be responsive to the right jurisdictional boundaries. Our laws are really set up in a paper-based world back in the 1970s, and, finally, I think we really need to tailor it to who consumers are, where they are, and how they get information. Nowadays, people do things on the phone, not with great big stacks of paper, and so in terms of getting the right disclosures at the right times so that consumers can understand them on these products, I think those are the principles we should look like; take a consumer-focused approach to how they get information.

Chairman STEIL. Should it be risk focused, should it be activity focused, or should it be how the business purports the business model itself? What is the best way for us to be thinking that through?

Mr. ZYWICKI. I think the best way to think about it is how do we empower consumers to find the products that they want as easily as possible. One of the things about EWA and BNPL is they are pretty simple products usually, and consumers can generally understand them, but I would say what we want to think about is how do consumers take in the information, how do they use the products, and focus on from the consumer perspective.

Chairman STEIL. Thank you very much. I think we have some really innovative space here and appreciate your testimony. I yield back.

I will now recognize the ranking member, the gentleman from Massachusetts, Mr. Lynch, for 5 minutes.

Mr. LYNCH. Thank you very much, Mr. Chairman. First of all, I want to recognize a couple of my dear, dear colleagues and friends in the audience, Congressman Lacy Clay from Missouri and Congressman Ed Perlmutter from Colorado, two outstanding Members of Congress when they were here, and they are missed, and good to see that they are gainfully employed.

[Laughter.]

Mr. LYNCH. Just turning to the issue of earned wage access, so before coming to Congress, I was an iron worker for about 20 years, worked in the construction industry, mostly building high-rise office towers, that type of thing. The way it worked in the construction industry is we would work Monday through Friday, and then

the following Wednesday, we would get a paycheck. So, by the time payday rolled around at the end of the day on the following Wednesday, we had loaned the company 8 days of labor. So, we floated, basically, providing credit to our employer, and life does not work that way. It did not work that way back then, and it does not work that way today. Back then, you had to ask for what they called a drag. A drag was an advance on your money, so it is the similar model here, but it was much less fair and transparent back in the day, so there is definitely the need for this, right? We need innovation, as several of our witnesses have pointed out. Mr. Zywicki and others have said we can expand opportunity, we can expand bank access if we do this properly. I do want to just acknowledge what Ms. Reynolds Hand has pointed out, that if we do not do this properly we allow this innovation to come in a way that we actually encourage, or let me put it this way: We unfairly require companies that are doing the right thing to compete with bad actors if there is no regulation, you know. We just know human nature, and we may put people in a bad situation, especially because of the demographics.

Ms. Reynolds the recent bipartisan working group that we had here on artificial intelligence that I co-chaired with Chairman Hill specifically examined the impact of AI algorithms that target certain customers based on certain characteristics, including protected characteristics. Given the importance of consumer data feeding AI, there is a concern that some of these companies may use algorithms in BNPL buy now, pay later, and earned wage access products that feed off consumer datasets that violate their privacy and may be impermissible for other reasons. Can you talk about do we have any transparency or any visibility on how these firms are using those datasets, how they were acquiring them?

Ms. REYNOLDS HAND. Sure. Absolutely. Over the last several years, Consumer Reports has evaluated, we have reviewed policies, and actually dug into the fintech apps, various kinds—buy now, pay later, peer-to-peer (P2P) apps, digital wallets, crypto wallets, for example—to examine how consumers use them, what they do. To your point, all across the board, even basic banking apps, more data is collected than is needed. That data is then passed on and sold and used. Consumers are upmarketed. It also allows the companies to strategically understand what consumers are willing to pay and what they are not willing to pay, and prices can be set using this data that they gather from consumers. We do see multiple use. Consumers do not have control over their data. These apps are typically set to a default that is obscured, hard to find, and so it can have a disparate impact on communities of color, poor communities, and other consumers.

Mr. LYNCH. Okay. Thank you. My time is going to expire, but I would just ask you if you might be able to share with the committee in writing ways that we might mitigate the potential bias used against certain populations, especially the 40 percent of BNPL users who are Black or Hispanic organic, as identified by the Federal Reserve Bank of Philadelphia. Thank you. I yield back.

Chairman STEIL. The gentleman yields back. The vice chair of the full committee, the gentleman from Michigan, Mr. Huizenga, is recognized.

Mr. HUIZENG. Mr. Chairman, I find myself in an odd position agreeing with Mr. Lynch on a couple of things: one, acknowledging our colleagues, Mr. Lacy Clay, Mr. Perlmutter. I am not sure I would have used “outstanding”——

[Laughter.]

Mr. HUIZENG [continuing]. but they are very good friends and great colleagues to have worked with across the aisle, both of them, and I do appreciate that. It is interesting, Mr. Lynch’s work as an iron worker. My family, the small company that I own, is in construction as well. It is seasonal, and I can tell you we go through that payroll process every week. We have chosen as employers to pay every week because I do not want to disadvantage my guys. I can tell you, I am speculating here a little bit, but I am pretty sure that Henry, Cole, Larry, and a couple of the other guys would be really excited about being able to have access to their cash daily after they put in a 10-or an 11-hour workday in a gravel pit, and, frankly, they deserve it.

Now, the realities are, is by the time they finish up at 5:30–6 on a Friday, we got to go get the hours, figure that out, get that into our payroll processor, and by the time that the checks are cut—we still are old school—they can choose to whether they want to have direct deposit or not, but we are still sending checks in the mail to some of these guys, and sign the check and they finally get it on Thursday. Amen. Hallelujah. Let us actually pay for people’s work in a timely manner as we possibly can.

So, I am going to start with Ms. Kelley here, and I want to touch on the transmitter licensing which I know you mentioned in your testimony. Currently, there exists a patchwork of State licensing regimes, and so it is kind of a quick two-part question here. First, what difficulties do you—do startups face when trying to develop or scale a new payment system, and second, what is the cost and complexity of complying with varying jurisdictional frameworks?

Ms. KELLEY. Yes, Congressman, thank you for that question. It is an important one. When you think about fintech startups and what it takes for them to get in market and operate, uniformity is so important, and the example you provide is one where there is incredible disuniformity. You have a small startup trying to get into business in 49 different jurisdictions with 49 different licensing requirements. We know that is expensive, we know it costs literally millions of dollars, and we know it takes a long time, as much as 2 years, and that is a death knell for a small business trying to get up and running. Then, of course, if they do manage to get up and running, there are 49 different compliance regimes they have to apply with.

Mr. HUIZENG. Well, that is okay. We will just have the Huizenga Gravel Company compliance department take care of that. Oh, wait a minute, that is me.

Ms. KELLEY. Well, that is exactly right. Small businesses have to focus on their business.

Mr. HUIZENG. Yes.

Ms. KELLEY. They do not have an army of compliance professionals and others who can help us navigate that patchwork, so it is an excellent example of a real-world problem that startups and businesses have.

Mr. HUIZENGA. It is better than Mr. Steil and me carrying your sack of potatoes on the metaphorical farm.

Ms. KELLEY. Exactly.

[Laughter.]

Mr. HUIZENGA. All right. Mr. Zywicki, good to see you again as well. What role do nonbank firms play in partnering with fintechs, and how do these relationships help drive innovation that might not otherwise occur within traditional banking system? We are seeing this all the time, right? I mean, you certainly did at CFPB.

Mr. ZYWICKI. Yes, thank you for that. It is really remarkable. Banks do some things pretty well, but banks do not always do innovation that well, especially smaller banks.

Mr. HUIZENGA. Their regulators tend not to like that.

Mr. ZYWICKI. Yes, their regulators often are not friends of innovation, but especially small banks. I think one of the things we are seeing is that a lot of fintechs are partnering with small banks, which I think are strengthening the dual banking system. A lot of these are State banks, smaller banks and so, what I think we are seeing is, especially in a regulatory environment where, for various reasons, including regulation, we are getting more and more consolidation and concentration in the banking system. I think the way in which fintechs are strengthening the ability of small banks to compete with big banks, they are often more nimble, they are more responsive, and that sort of thing. That is really been an engineer. Big banks innovate as well, but I think the ability of fintechs to partner with small banks has been a huge part of this story.

Mr. HUIZENGA. Okay. I have 30 seconds left, and, sorry, with a name like Huizenga, I am not trying to be disrespectful when I mispronounce Palaniappan, right? Close-ish? Let me move to you on the remaining time. What elements of your current financial institution regulatory framework may be inappropriate for startups? I may have to take that in written form, but maybe briefly.

Chairman STEIL. Why do we not ask the gentleman to provide that in written form, cognizant of the time?

Mr. HUIZENGA. I yield back. Thank you.

Chairman STEIL. Thank you.

Chairman STEIL. The gentleman yields back. I will now recognize the gentlewoman from California, the ranking member of the full committee, Ms. Waters, for 5 minutes.

Ms. WATERS. Thank you very much. President Trump promised to reduce the cost of living. Instead, unemployment and grocery prices are rising, and consumer protections are eroding. Under the Trump economy, people are being forced to use products like earned wage access to get early access to their paychecks, and buy now, pay later loans to buy groceries. Trump called this affordability crisis a hoax, but he knows it is real and now wants to cap credit card interest rates at 10 percent. Well, President Trump, I am pleased to know that you are listening. We do not agree on much of anything, but we do on this, so let us do it. Let us cap interest rates, but, Mr. President, you are going to need to convince your Republican colleagues because they will not consider this or any other bill that would help keep money in consumers' pockets.

So, not only am I interested in what the President has proposed, this interest rate of 10 percent on credit cards. Mr. Steil, do you believe this cap requires authorization by Congress? Yes? I did not hear you.

Chairman STEIL. Would the gentlewoman—

Ms. WATERS. I yield.

Chairman STEIL. The gentlewoman would like to yield?

Ms. WATERS. Do you believe the cap requires authorization by Congress to get the 10-percent cap that the President is advocating?

Chairman STEIL. I would be more than happy to have a broader dialog as to exactly how we navigate it anytime, Ranking Member.

Ms. WATERS. Well, I want to know whether or not the committee have plans to move forward with this policy. Maybe some of our witnesses here today know a little bit more about it. Ms. Reynolds, are you supportive of 10-percent credit card rate cap?

Ms. REYNOLDS HAND. We are supportive of anything that lowers the cost of goods and services to consumers. As you mentioned, loads of things, including the cost of financial services, are high for consumers right now. I think an important consideration is how that happens, and if that happens through a transparent process where we are able to come to the table and land on a workable solution, that is great.

I think one thing I would like to note is about how credit card rates are set. They are based on risk price, right, lending happens that way, and so we would be concerned that this 10-percent cap, if not done correctly, could reduce accessibility of credit cards for some of the more vulnerable consumers and so, we would support the basic principle and are looking forward to seeing more details and working in a bipartisan way.

Ms. WATERS. Well, I am sorry I said “Ms. Reynolds.” It is Ms. Reynolds Hand. Fintech products like buy now, pay later and earned wage access, do you believe that they can help families struggling to make ends meet, especially during this crisis that we are confronted with?

Ms. REYNOLDS HAND. Yes, they can. We have no objection to those products. What we have seen is with the introduction of innovation, more consumers have access to liquidity. That is an important foundation of American commercial life, and we want healthy credit that is available to consumers, but there should be some basic standards that are introduced and guardrails that are introduced with these products. Specifically, we want to ensure that there is an affordability standard. We got into the last financial crisis, the mortgage crisis, because there was not a real test of consumers’ ability to repay. That deserves consideration with these kinds of products, especially when you have a significant business model. You have employer-sponsored EWA. You also have direct-to-consumer EWA, which is sponsored differently and, in some instances, can be riskier to consumers.

We also want to ensure that all products that look like credit and act like credit are treated in the same way. If a consumer incurs a debt and that debt needs to be repaid later in time for a specific fee or interest is attached, I do not know what else you would call

that other than credit, and that is what is defined under the Truth in Lending Act. So, we want that consistency.

Ms. WATERS. Thank you very much. I yield back.

Chairman STEIL. The gentlewoman yields back. The gentleman from Ohio, Mr. Davidson, who is also the chair of the National Security, Illicit Finance, and International Financial Institutions Subcommittee, is recognized for 5 minutes.

Mr. DAVIDSON. Thank you, Chairman. Thank you to all of our witnesses for joining us today and for your testimony.

One of the great strengths of America's financial system is the capacity for innovation. Fintech companies, in particular, have created tools that help consumers stretch the paycheck, avoid overdraft fees, build savings, improve payments, and access financial services in a way that simply did not exist a decade ago. Earned wage access is one of the things that we are highlighting today, and I think all of our witnesses, or really 4 out of the 5 witnesses, have done a good job describing how this works, why consumers want it, and I think Chairman Steil, his question, clarified and the answer clarified why it is not debt, so. I guess that debt is in the eye of the beholder because Ms. Reynolds Hand thinks that it is debt, but it seems very clear that you are not obligated to repay something in the future. You are just paying a fee for a service. I mean, who is served by treating it as if it is debt? How is this protecting consumers? Why would they want to categorize it as debt? Maybe, Ms. Kelley, would you give us an answer about what you think?

Ms. KELLEY. Yes. We agree that this is not debt, that it is access to wages that are already earned and we think it is a really important choice or option, and that is the hallmark of the fintech industry right now: providing choice and option to consumers who are best positioned to decide how to utilize those products. I know we have earned wage companies here who can speak in detail about what they do, but as an overarching matter, we agree this is not that.

Chairman STEIL. Mr. Lefton, your take?

Mr. LEFTON. Sure. I think it is absolutely clear that earned wage access is not credit because it does not have debt, and I think as I alluded to earlier, a debt requires an obligation to repay. With earned wage access, as we have stated, it is a nonrecourse product. So if something happens, whether it is a technological glitch or the user somehow changes their functions and the company does not recoup their money, we do not go after the consumer. There is no risk to the consumer whatsoever. At most, maybe they will be paused until we figure out how that happened, but there is no risk to the consumer. There is no debt collection and they do not go to the credit bureaus, so there is no obligation.

Mr. DAVIDSON. Thank you, and I think it is also essentially the same whether it is a direct-to-consumer or something that the employer offers as a service to the employees. I would say, look, the idea that payroll is deferred into the future and people would like to get paid is not new. I mean, this is as old as the Bible. You see stories about people who are paid one denarii for a day's wages. There are people that show up late in the day and are giving them one denarii and they are, "oh, not fair," right? So, we have had a

debate about payroll as old as we have written documents, I think so, but it is nice that we have this service, and I appreciate the clarification on it.

One of the other things that we have done for a long time is we have State-regulated banks, and bank fintech partnerships are incredibly important to being able to provide access to consumers. When you think about community banks, a lot of people, that is where they find accessibility, and a lot of the biggest banks do not decide to launch massive products. They do not want to test the market. They want to be fast followers at best. Maybe the cutting edge is somebody smaller, more nimble and willing to test a product that they do not have to necessarily spend as much capital just testing it or getting into the market. So, we have a regulatory framework that creates preemption around the country where banks are regulated. This is the Depository Institutions Deregulation Monetary Control Act, DIDMCA, if I am pronouncing that alphabet soup correctly. Essentially, if a bank is based in Ohio, they are regulated by the regulators in Ohio, but because of preemption, they can service customers wherever customers want to reach out to them and access. How is that being reinterpreted and reimagined and why? Ms. Kelley, you got an answer to that?

Ms. KELLEY. Yes, so, and thank you for that question. It is an important one. As we spoke earlier, uniformity is really critical: predictability, certainty, uniformity for fintechs and the ability of a bank to partner with a fintech to make a loan, for example, there needs to be certainty about which State's laws apply, and that has been thrown into question lately. There was a recent decision in the Tenth Circuit that suggested States could override the law that would otherwise apply. Again, anything that creates disuniformity like that does makes it more difficult for innovation to thrive.

Mr. DAVIDSON. Yes, thank you. I will be introducing legislation in the near future to rebut that ruling and make sure that we know the law is clear as it has been applied for a long time. I hope all my colleagues across the aisle will join in it, and I yield back.

Chairman STEIL. The gentleman yields back. The gentleman from California, the ranking member on the Subcommittee on Capital Markets, Mr. Sherman, is recognized for 5 minutes.

Mr. SHERMAN. Mr. Chairman, off the topic of this hearing, this is the first meeting of a subcommittee of Financial Services since President Trump has begun this unprecedented use of the criminal justice system to contort it, to militarize it, and to attack the Federal Reserve, to try to take away its independence and, thereby, imperil our economy. If you are gullible enough to think that Donald Trump did not order this to happen, you are probably gullible enough to think that he has been faithful to all three of his wives.

Now, as to this hearing, the basic problem is rent is too high, groceries are too high, wages are too low, and an awful lot of Americans do not have a thousand bucks in the bank, and so they have to turn to all these expensive and complicated systems to get their hands on a few hundred dollars. We are told that these are not payday loans. Many payday loan companies call themselves payday advance. They are functionally equivalent to a payday loan, but the companies involved do not want to live by the same laws as the payday lending folks. We are told instead that you are selling an

asset you already own, so, Mr. Lefton, let us say my pay period begins on February 1. I am 15 minutes into the pay period. I have been paid for every bit of work I have done for my company, except for the last 15 minutes. How much can I borrow from your company?

Mr. LEFTON. So, at Stream, it is——

Mr. SHERMAN. Can I not borrow \$500 from your company 15 minutes into the business pay period?

Mr. LEFTON. You can borrow up to 50 percent of your gross earned wages. We are integrating——

Mr. SHERMAN. Of what I have already earned in 15 minutes, or what I am going to earn during the pay period?

Mr. LEFTON. No, what you have earned up to that moment in time.

Mr. SHERMAN. Only what I have earned up to that moment in time.

Mr. LEFTON. That moment in time.

Mr. SHERMAN. So, you have a company that is there to help me, but you can only help me significantly on February 14. You cannot help me on February 1.

Mr. LEFTON. Well, we can help you access any wages you have already earned in that moment in time. We are integrated with your employer——

Mr. SHERMAN. Okay.

Mr. LEFTON [continuing]. so we know exact date, time, and attendance of——

Mr. SHERMAN. Okay. I will ask the gentleman sitting next to you. I got paid on January 31. It is now February 1. I need 500 bucks. Can I get 500 bucks from your company?

Mr. PALANIAPPAN. No. The only amount that you can take is how much you have earned up until that point in time. We do not let you go beyond what you have already earned.

Mr. SHERMAN. So, neither one of you will lend me even a hundred bucks on February 1 if I have been paid on January 31.

Mr. PALANIAPPAN. We are trying to make payroll be more efficient. People should not have to wait after they have worked to get their pay. That is what we are focused on.

Mr. SHERMAN. Okay. So——

Mr. PALANIAPPAN. We are now trying to help them out if they need——

[Cross-talking.]

Mr. SHERMAN. Are there firms in your industry, though, that will advance me 500 bucks as long as I am going to make 500 during this pay period or during the——

Mr. PALANIAPPAN. Not in the earned wage access product.

Mr. SHERMAN. Okay.

Mr. PALANIAPPAN. There are lending products that will do that.

Mr. SHERMAN. That is an interesting model. Well, I will ask Ms. Hand. It seems like these companies are direct competition for payday lending. They are doing the same thing. Should they be exempt from even what many would call the insufficient regulations that we have on payday lenders?

Ms. REYNOLDS HAND. We think there should be the same regulation in the marketplace for products that are functionally acting in

the same way. If a consumer is able to receive funds, defer the payment, and if there are fees or fees that act like interest as they accrue over time, these should be treated the same way.

Mr. SHERMAN. I will point out that people have calculated that the acceleration fee is 300 or 400 percent APR, which is why I have said APR is just a crazy way to evaluate the fairness of an advance or a loan that is just for a few days. I go to my local ATM machine. I could walk four blocks to my banks. I get my money, well 10 minutes sooner, and I pay 2 bucks extra. You figure out the APR, \$2 to get my money 20 minutes sooner. The APR is in the tens of thousands, but we see that 90 percent of the folks that use this system are paying the acceleration fee. Should we regard, Ms. Hand, this as a free service, or is it a service that people are paying the acceleration fee on?

Ms. REYNOLDS HAND. I mean, what we see in terms of consumer usage is that consumers do not typically use these as a one-and-done product. I am happy to follow up in writing. They tend to stack these loans—

Mr. SHERMAN. Ah.

Ms. REYNOLDS HAND [continuing]. and then functionally, that is where you see the equivalent of 300 percent or other high APR.

Mr. SHERMAN. Gotcha. I yield back.

Chairman STEIL. The gentleman yields back. The gentleman from Montana, Mr. Downing, is recognized.

Mr. DOWNING. Well, thank you, Mr. Chair, and thank you to the witnesses for spending some time with us today.

As a former securities regulator, I have dealt with a lot of issues in this space with digital assets. I had to deal with ambiguous regulations that, in some cases, have forced companies to look for off-shore domiciles in innovating and I think it is incredibly important that we continue to have innovation here in the United States of America and do not have that ambiguity that we have in the past that have made people decide to run their businesses elsewhere without a reasonable framework. Another thing that was really difficult for me as a regulator is the ambiguity we got from the Securities and Exchange Commission (SEC) at the time on how to treat these and a lot of the enforcement by action rather than having a framework, which is why I think it is really important, that we need clarity for digital assets and for artificial intelligence.

So, I am going to start with Professor Zywicki. I represent one of the most rural districts in the United States. In Montana's 2nd Congressional District, we have multiple counties with less than 500 people in them. It is very, very rural. So, how does financial technology increase access to banking services in areas that have sparse financial institutions, like in rural areas of Montana?

Mr. ZYWICKI. Thank you for that question because I think the focus on financial inclusion for rural communities has been really understudied, and I think it is an area that is really important. It is an area that has become more important, as I mentioned in my opening comments, because of regulations like Dodd-Frank and the like, which have accelerated the concentration of the industry, and the regulatory costs have led to the disappearance of a lot of rural banks, small banks, community banks, and the like. Obviously one solution would be to reform the regulatory system, but I think this

is the vehicle for that if you are talking about your local bank closes and now you have to drive 90 minutes to get to a bank in the next town. Fintech as a means for payments, as a means for obtaining short-term credit, for all these sorts of things, it is really the obvious solution for these rural communities that have lost access to financial services.

Mr. DOWNING. Thank you very much for your answer. I am going to move on in the interest of time here. I was an advocate for regulatory sandboxes in Montana when I was a regulator. We effectively pushed policy on insurance technology (insurtech), and fintech was another part of this conversation, giving an opportunity to try out things that may not exactly fit within a current regulatory framework. So, I am going to start with Mr. Palaniappan. What role can regulatory sandboxes play in allowing fintechs to test and scale innovative products while maintaining appropriate consumer protections?

Mr. PALANIAPPAN. I think when a company is at an early stage in trying to come up with a product that does not exist before, the existing frameworks and laws usually have not contemplated what they are trying to do. So, I think you do want to provide the freedom for companies to try out new things with the right set of guardrails. I think there is also another set of startups where I would put earned wage access where the products are actually at reasonable scale. There is lots of evidence that it is better off for consumers, and when it gets to that stage, then you do want to have clarity so that consumers know that the product will continue to be available for them and also keeping bad actors out from that space.

Mr. DOWNING. Thank you. Mr. Lefton, any comments on that?

Mr. LEFTON. Yes, I think that is a great question. I think sandboxes are critical for providers to work with regulators and figure out how best to serve the consumer, and I think a great example of something like that is Stream was founded 8 years ago in the U.K. At the time, my founders, basically, came up with the idea, they knocked on the door of the Financial Conduct Authority, the FCA, and said we want to do this, how can we work with you to do this?

Mr. DOWNING. Right.

Mr. LEFTON. They worked hand in hand with the FCA in order to do this and we brought that mentality over here and have tried whenever we were given the opportunity, whether it is with State regulators or the CFPB or being here today, to work to see how best we can come up with appropriate regulation for the product.

Mr. DOWNING. Thank you. In the interest of time, Ms. Kelley, I am going to move on to you. I often hear from banks and credit unions in my district how costly it is to comply with so many regulations. So, how can we ensure that compliance costs for fintech startups remain proportionate so that innovation is not stifled and pricing does not prevent these products from reaching the consumers they are intended to serve?

Ms. KELLEY. Yes, thank you for that question. So, I think as we look to ensure that regulatory burdens do not stifle innovation, there are a few things we need to stay focused on. First, it is critical that we regulate activity and outcomes rather than technology.

The core principle is same regulation. Second, uniformity and clarity are key. It is difficult to run a business and comply. We need to know exactly what it is we are complying with, and reducing the number of competing regulations is critical. We think sandboxes done correctly play a critical role——

Chairman STEIL. The gentlewoman can conclude in written testimony. We appreciate her testimony. Thank you.

Mr. DOWNING. Thank you. I yield.

Chairman STEIL. The gentleman yields back. The gentleman from Illinois, Mr. Foster, the ranking member on the Financial Institutions Subcommittee, is recognized for 5 minutes.

Mr. FOSTER. Thank you, Mr. Chair, and to our witnesses. Mr. Palaniappan, I was struck by the data that you mentioned about how earned wage access produces a better motivated and more productive and reliable employee. The question I have is, why did not the free market competition among payroll providers simply make this a standard feature of all payroll processing equipment? Was it just the overhead that Rep. Huizenga mentioned of filling out your weekly timesheet and the whole rhythm there? Is someone collecting the interest on this effective loan? What is it that prevented this from just happening naturally? I understand you are trying to disrupt it, a full-stack payroll provider yourself.

[Laughter.]

Mr. PALANIAPPAN. Yes.

Mr. FOSTER. I presume has this as a feature.

Mr. PALANIAPPAN. So, EarnIn Payroll does do what you described as the payroll system, but, typically, a payroll company does get interest on the money. The money is pulled from the employer's account. It goes into a master trust account. From there, the money goes into the employee's account, sometimes sits in the master trust account for some time, and then we also have to make payments for tax. Tax is actually not due immediately. Tax is sometimes due quarterly. Sometimes, depending on jurisdiction, it holds for more time. So, there is some interest that is being made.

Mr. FOSTER. Is that the big——

[Cross-talking.]

Mr. FOSTER. I just wonder——

Mr. PALANIAPPAN. I actually think——

Mr. FOSTER [continuing]. what is your impression of why this did not happen naturally?

Mr. PALANIAPPAN. I think it is different. I think the way we see payroll systems is we think there should be two consumers for a payroll system. There should be the employer and the employee, and employee first is how we actually have started the company. Most payroll systems think of the employer as their only customer. The employer is not the one who says I want the wages to be disbursed immediately. It is the employee who wants that, and so I think when you are focusing——

Mr. FOSTER. It should be a competitive advantage to an employer if this is something they are offering.

Mr. PALANIAPPAN. Exactly.

Mr. FOSTER. Right, and so any time I see, like, a failure of the free market to generate the right answer, I try and understand what drove that.

Mr. PALANIAPPAN. EarnIn Payroll does let employees access their pay when they need it, so they are——

Mr. FOSTER. Oh, yes. No, I understand, and I understand why you are probably gaining market share. Why did someone not invent this 2 decades ago and have it happened automatically, I guess. Anyway, if you have any thoughts on this. I do not want to burn all my time here, but I think it is an interesting question when we see it.

Now, the big thing that I spend a lot of my time worrying about is agentic AI because that is going to be disrupting everything. When Mr. Zywicki, you, the dealer, the car dealer when you can go into a car dealer and get a car and then so, what happens now is that you go and you strike a price for the car, and then the car dealer will try to steer you into some crappy, overpriced loan, which is a big part of their business model. In the agentic future that I think many of us dream about is that you are going to have the Consumer Reports app give you advice and say, okay, yep, all right. Here, you struck a deal for this car, and then your Consumer Reports agent will go out on the internet and look and see what is available for loans, get the low-price loans and say, thank you very much, Mr. Dealer, there is a better.

Trying to preserve that kind of competition is, I think, what is going to be the challenge of the next decade in financial services. The key thing there, it seems to me, is how do you get unconflicted financial advice to the consumer? Who is it? This is the problem because when startups come up to me and come into my office and say, we have this great new personal advisor product. AI advisor, and then I say, okay, how are you going to monetize that? It always comes to some variation of, we are going to be just like Google. We will get everyone to trust us, and then we will abuse that trust by steering people into crappy, overpriced products. So, what are the best thoughts out there on getting unconflicted advice to consumers through their AI apps? Mr. Zywicki, you look like you have been thinking about this.

Mr. ZYWICKI. I have been thinking about it, but I am not certain I have a great solution, except, I mean, obviously there has always been a market. I am sitting next to somebody for Consumer Reports, which has been around for almost a century, for unbiased information, for subscription-based information and the like, and I agree with you that agentic AI is really important. Another thing I would say is dealing with the emerging issues of consumer data privacy——

Mr. FOSTER. Mm-hmm.

Mr. ZYWICKI [continuing]. and the idea of AI, and the idea of bad guys, fraudsters having AI and being able to, basically, attack the way in which we have done consumer data security for years with our passwords and all that sort of stuff.

Mr. FOSTER. Oh, sure, yes. Yes, when I go through the list of what government can actually do to help, number one on the list is get government support for mobile ID, digital driver's license as a means of reliably authenticating who you are, proving you are who you say you are online. Second to that is have the National Institute of Standards and Technology (NIST) or someone like that come up with the standards of AI communication.

Mr. ZYWICKI. Yes.

Mr. FOSTER. This is something that I will be following up, I think, with you because that is something that would move the ball forward and get U.S. standards to really be promulgated around the world.

Mr. ZYWICKI. I would enjoy that dialog. That would be useful.

Chairman STEIL. The gentleman yields back. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you Chairman Steil, and thank you, Ranking Member Lynch, for holding this important hearing, and thank you to our witnesses for taking time to be with us. Mr. Lefton, how do earned wage access products enable consumers to meet their financial obligations without incurring overdraft and late fees?

Mr. LEFTON. Sure. Thank you. I think that is a great question. I think it was alluded to before that over a hundred million Americans live paycheck to paycheck, and the same number have less than \$400 in savings. EWA enables users to access their already-earned wages at either no cost or for a low nominal fee, and I think that is important because it gives them choice. There is competition now, and that is at a much lower price than the traditional predatory products out there, and every time they use a service like EWA over a traditional, high-cost product, they are putting more money in their pocket.

Mr. ROSE. So, it seems to me that one of the risks here is, of course, once you do this once, if it continues, then you have kind of accessed that resource and then you are not able to go back to it. Is the evidence that is what happens in fact, or is there evidence that consumers tap it, then pay it back, then tap it? How does that end up working in practice?

Mr. LEFTON. No, I think that is a great question. I think you are talking about cycle of debt, which EWA, to be clear, has nothing to do with debt. It is a frequency of pay issue, right? It is a timing issue, and charging interest, requiring minimum payments, roll-overs, those are all significant features in a cycle of debt, none of which are present with EWA. Our data shows that EWA users actually spend less and save more when they are in control of their own finances.

Mr. ROSE. Once you collect your wages early, if you will, do you kind of stay in that cycle and you do that paycheck to paycheck? Is that the evidence, or does it kind of go and come?

Mr. LEFTON. So, I think it fluctuates. I mean, it really depends on every user's situation, right? It depends on their income—how much they make, where they live, all those kinds of outside factors that we do not have insight into, but I think it spans the entire spectrum.

Mr. ROSE. Thank you.

Mr. LEFTON. Sure.

Mr. ROSE. Mr. Palaniappan, how does earned wage access complement existing financial products to benefit consumers?

Mr. PALANIAPPAN. So, earned wage access is an additional tool for customers, and what it does, it helps them control the timing of when they get paid. So, instead of being stuck to this rigid bi-weekly or monthly pay cycle, they can choose when to get their pay, and they can use that along with other financial products. We

have a number of financial products as well within our app. We have automated savings, credit monitoring, and so they all work well together. Sort of coming to the question on the repeated use, I think different people use it in different ways. It is used very often to pay bills and to pay rent. The most common pay cycle in the U.S. is you are paid every other week. Every bill is monthly. So, for every bill, 6 times a year, the bill is due before payday. So, what you can do with earned wage access is access the money when your bills are due instead of having delayed fees added onto your bill.

We also see a lot of people who are using this as a way to increase their incomes. So, I did mention the government employee uses us with his side custom candle business, and he is making more money on his side business because of that. I spoke with another customer who works at retail. When you work at retail, there are different types of roles. With one role you are tied to a particular store location. With another role you are tied to a department, like a cosmetics department, and you cover about three different store locations. That role pays more, but when she was offered the higher-paying role, she did not take it because she could not afford to front the gas money and then wait to get reimbursed, and so now she uses EarnIn. So, when she got the offer again, she took it the next time because she knew that with EarnIn, she could actually afford to front the gas money. EarnIn has helped her stay employed at a higher-paying job, so it actually makes sense that she uses it because that is what is keeping her in that job. So, I think in many cases, you are seeing incomes go up, and incomes go up because of reasons like this.

Mr. ROSE. I think—Mr. Palaniappan, you may weigh in on this, and, Mr. Lefton, I think this is the point you were trying to make—there is a very big difference between earned wage access and payday lending as we know it. Mr. Lefton, weigh in on that. Really press down on the difference.

Mr. LEFTON. Sure. Absolutely. I think the key differences with any loan product and earned wage access is there are two components to a loan. There is debt and there is interest, and with EWA, there is neither. I think that is a fundamental difference, that when we talk about this, people need to understand and realize that with EWA there is no debt, with EWA there is no interest, and those two things together are what form a loan.

Mr. ROSE. Thank you. My time has expired. I yield back, Mr. Chairman.

Mr. ROSE. The gentleman yields back. The gentlewoman from Massachusetts, Ms. Pressley is now recognized for 5.

Ms. PRESSLEY. Thank you, Mr. Chair. I am certainly glad we are having today's hearing to discuss buy now, pay later. While, admittedly, I am old enough to remember the layaway line decades ago when you did not get the product until you paid for it. We are certainly living in a different era. Klarna, Affirm, Afterpay, and PayPal are the four biggest buy now, pay later companies, and they are everywhere. With a simple press of a button on your phone, you can access product immediately and pay for it over time. To me, that does sound like a loan. A person is borrowing lump sum funds that they will have to pay back over time in the form of an

installment plan, and if they miss payments, it can go to debt collection, show up on their credit report, and lower their credit score for years. Ms. Hand, do you agree with my assessment that buy now, pay later is a loan?

Ms. REYNOLDS HAND. Yes, absolutely. You have, basically, two models in the marketplace. You have to pay in four or sometimes six, right? You pay back those four or six payments. There is no fee. Typically, there is no interest. That might not be a loan under the definition, and then you have the installment product, right? These are longer term. Let us just say you are buying an appliance for \$2,500. That would come with actual interest. Let us say the interest is 24 percent or 36 percent over a 24-month period. A consumer for that product is going to be paying not \$2,500 for the product. The effect of that APR over 24 months is roughly \$1,070.

Ms. PRESSLEY. All right then. Ms. Hand, before the Trump Administration rescinded guidance, the Consumer Financial Protection Bureau, and I want to underscore Consumer Protection Financial Bureau, took important steps to ensure proper treatment of these loans, like the ability to dispute charges and to obtain refunds. What are some of the harms that borrowers face now that those rights and protections are gone and we have people working actively to gut and to degrade the work of the CFPB?

Ms. REYNOLDS HAND. Yes, it is quite alarming to see a marketplace evolving, frankly, in a way it should have been for the last 20 years to provide more access to different products to consumers, at the same time that the consumer protection regulator has shut down enforcement, examinations of financial institutions are not happening. This is alarming, and this is not the way a healthy marketplace is supposed to operate. What this means is the only ability is perhaps States who are actively looking for patterns and trying to regulate these products State by State. Regulation should not be our default. We need strong Federal floors to protect consumers.

Ms. PRESSLEY. Just with a quick “yes” or “no” here as my time is leaving us, do you think buy now, pay later companies are being transparent enough to ensure consumers know what they are signing up for?

Ms. REYNOLDS HAND. They could do better.

Ms. PRESSLEY. Okay. Thank you. Even when buy now, pay later lenders are operating with transparency and following Truth-in-Lending laws, we must acknowledge that these fintech innovations do not get at the root problems. It is wage stagnation that leaves the young parents unable to keep up with the rising cost of living for their family. It is corporate greed that prioritizes profits at the expense of workers that are pulling double shifts. It is Donald Trump’s fiscally chaotic and irresponsible policies that have reduced hiring and increased unemployment and ignored the affordability crisis that is plaguing our country. While fintech may help stand in the gap, people do not want to just get by. They want to thrive and prosper and achieve their dreams. So, Congress must get serious and fight for the people, not the corporations. I yield back.

Ms. PRESSLEY. The gentlewoman yields back. The gentleman from South Carolina, Mr. Timmons, is recognized.

Mr. TIMMONS. Thank you, Mr. Chairman. I want to thank the witnesses for being here today.

Fintechs are transforming the way Americans interact with financial services. Millions of people around the world have already seen their lives meaningfully improved by digital assets and the services provided by fintech companies. From expanded access to capital to faster and more secure money transfers across often authoritarian borders, these technologies are already reshaping the global financial landscape. I have met with countless innovators who are building products that meet real consumer demand and help families better manage their financial lives, particularly those who have been underserved by the traditional banking system. This progress, however, depends on getting the policy environment right. Outdated rules and inconsistent regulatory interpretations can slow the adoption of beneficial technologies, limit competition, and drive innovation offshore. True leadership in financial innovation means providing clear, predictable guardrails that promote responsible innovation here in the United States rather than pushing it overseas.

Mr. Lefton, what regulatory barriers currently prevent new fintech companies from going to market in ways that satisfy clear consumer demand?

Mr. LEFTON. Sure. Thank you for the question. I think some of the regulatory barriers are the lack of clarity and ambiguity. We have seen at the State level, while numerous States have passed pro-EWA legislation, it can be difficult to comply with a patchwork of regulation, which I think, ultimately, flows down to the consumer, right? Clear regulation, unambiguous regulation, allows companies, while also protecting consumers, to thrive with innovation. I think one of the greatest examples is while we do provide EWA, we have also created a savings product for consumers that is free of charge and many of our consumers, this is their first savings account. We are paying 5 percent interest into their savings account, one that they have never had before, and all in the light of that, we were able to innovate, and I think innovation is deeply connected with clear regulation.

Mr. TIMMONS. Thank you for that. I will talk about the CFPB briefly. What steps should the Bureau take to provide clear, more predictable guidance for fintech firms, particularly smaller or early stage companies, so that compliance expectations are known before products are launched rather than enforced after the fact? What do you think about the CFPB and its role in this?

Mr. LEFTON. Sure. I think the CFPB, and I will only talk about earned wage access, but I think December 23, just a few weeks ago, they released their advisory opinion around earned wage access, and it really resolved the regulatory uncertainty, right? It made it very clear, and it confirmed what Stream and the entire industry has been saying for years that EWA is not credit, and that the nominal fee is not a finance charge. I think that is critical to the providers in innovating and competing, which, ultimately, leads to greater products and lower prices for the consumer.

Mr. TIMMONS. It is almost like the last 4 years we were out of balance, and we got back in balance, and things are moving in the right direction. Weird. Professor Zywicki, in 2024, the CFPB took

several actions related to buy now, pay later products, including applying aspects of the payday lending rule and certain Regulation Z obligations. In your view, how would these measures have hindered the buy now, pay later market in the United States?

Mr. ZYWICKI. Yes, I think that is a good example of trying to jam new technologies into an old bucket, into an old hole. I mean, Ms. Hand herself was just sort of talking about sort of how these products are not exactly like old-fashioned products like credit cards and that sort of thing. This is a totally different product. If you pay on time, you do not have interest accruing, but they are talking about like sort of applying a regulatory framework that now only fits in perfectly as it has grown up over time to a brand new technology. I think what they really need to do is start over and think about what exactly are the challenges of this product for consumers and create its own framework rather than that blunderbuss of regulation that would have, I think, killed the product.

Mr. TIMMONS. Thank you, Professor. As you have outlined, there is real risk that misapplying legacy regulations to innovative products could reduce access and push consumers toward less transparent or less suitable alternatives, and that outcome would undermine, rather than advance, consumer protection. I think that we are moving in the right direction with the CFPB, and we have to keep up the good work. Thank you, and I will yield back.

Chairman STEIL. The gentleman yields back. The gentleman from New York, Mr. Torres, is recognized for 5 minutes.

Mr. TORRES. Thank you, Mr. Chair. I am a Bronx boy, so I have no farming analogies. It has been a while since the Bronx was farmland.

[Laughter.]

Mr. TORRES. Earned wage access is based on a simple proposition: if you are a worker, you should have the right to access the money you earn the moment you earn it and the moment you need it. The notion that you must wait 2 weeks or even a month before accessing your own earnings should be seen as a scandal. It should be seen as an anachronism in a world as technologically advanced as our own. I have constituents who have fallen behind on their bills despite working full time, who have fallen behind not because of a lack of earnings, but because of a lack of access to their earnings. A lack of access to one's earnings puts the most cash-strapped Americans at risk of falling victims to the abuses of payday lending and overdrafts. So, in Congress, we have a choice. Either we give working people safe and immediate access to their own earnings, or we set them up for financial traps like payday lending. To be clear, like any financial product, EWA is neither inherently safe nor inherently dangerous. It is only as good as its design. We in Congress must ensure that EWA is designed to be a solution to a problem rather than a problem of its own. Congress should adopt a regulatory framework that designs EWA to be a free and affordable alternative to payday loans or overdrafts.

My first question to the CEO of EarnIn, do you believe, as I do, that EWA providers should be required by law to offer a free option to consumers?

Mr. PALANIAPPAN. Yes.

Mr. TORRES. Now, the EWA industry maintains that EWA is qualitatively different from credit and, therefore, should be regulated differently. If we accept that premise as true, it then logically follows that there should be no collections, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. There should be no charging of interest, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. There should be no late fees, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. There should be no wage garnishment, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. There should be no adverse credit reporting, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. Right. No collections, no interest, no late fees, no wage garnishment, no adverse credit reporting. Simply put, EWA should function as a free or affordable alternative to payday loans and overdraft fees, correct?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. Now, there is a debate surrounding the appropriateness of applying APR to earned wage access. APR is deeply informative when it comes to long-term products, but when it comes to something as extremely short term as EWA, does APR inform or does it misinform? I want to make a point by way of illustration. Suppose I was to give you a 1-day hundred-dollar loan with a \$1 fee. The average person would consider that \$1 fee not to be excessive or exploitive. It is \$1. What if I were to tell you that \$1 fee translates into an APR of 365 percent, right? Three hundred and sixty-five percent sounds massive, and so, the trouble with applying APR to the most short-term product is that annualization can make even the smallest fees seem massive on paper. A one-dollar fee can be made to seem massive when presented as an annualized percentage. Is that a fair point?

Mr. PALANIAPPAN. That is correct.

Mr. TORRES. So, the question for Congress to consider is not whether there should be disclosure. Of course there should be disclosure of all fees, of all costs. What is needed is the right kind of disclosure: disclosure that informs rather than misinforms, that illuminates the truth rather than distorts it. So, consumer protection, proper disclosure, and innovation should be our policy objectives. I do not know if anyone has any thoughts.

Ms. REYNOLDS HAND. I do.

Mr. TORRES. Yes.

Ms. REYNOLDS HAND. I would agree with everything that you said. I think an additional standard that applies that is missing in this space, particularly fintech, is dynamic disclosure: disclosure at the right time. We have technologies that can deliver funds to consumers instantly. Those disclosures should be delivered instantly, plainly, simply in an accessible way. The other principle that applies is protective design or consumer-friendly design. So, one of the things that we have seen in this space, the products that we have looked at, is oftentimes those zero-cost options, particularly in the direct-to-consumer space, are hidden. The defaults are options where the consumers will pay a fee, even where there is a zero-cost

option available. So, the technology should be designed in a way, to your point, where it functions so that there is no cost.

Mr. TORRES. What good is a free option if you are unaware of it?

Ms. REYNOLDS HAND. Sorry?

Mr. TORRES. What good is a free option if you are unaware of it?

Ms. REYNOLDS HAND. Exactly.

Mr. TORRES. Yes, so, and I feel like those are imminently solvable problems that I am proud to co-lead the legislation with Congressman Steil. He is more rural than I am, so I am happy to elicit your feedback.

Ms. REYNOLDS HAND. Thank you.

Mr. TORRES. Yep.

Mr. ZYWICKI. I will just add it warms my heart to hear you talking about reexamining APR as a way of disclosing products to consumers exactly as you said. We talked about this in——

Mr. TORRES. I am not sure if I said that, but——

Mr. ZYWICKI. Right, but——

Mr. TORRES. Only in the EWA context.

Mr. ZYWICKI. Right, but to compare apples to apples, right, consumers compared to, say, an overdraft or the late fee on a bill, they look at dollars a lot of times rather than APR.

Chairman STEIL. The gentleman yields back. The gentleman from North Carolina, Mr. Moore, is recognized for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman. Financial technology is transforming how Americans earn, spend, and save their money. From peer-to-peer payment apps and digital wallets to earned wage access and installation products, fintech innovations are responding to real consumer needs for speed and affordability. These products exist because they fill gaps in the traditional financial system, especially for consumers who have historically faced limited options or high costs. With my questions, I will start with Mr. Zywicki. Are there any particular populations—hourly workers, gig workers, rural communities—who benefit most from fintech services, and how are these tools especially helpful to them?

Mr. ZYWICKI. Yes. The evidence on this is abundant at this point that traditionally underserved communities are the ones who benefit the most from fintech and fintech innovations, whether it is rural, whether it is young people. BNPL, for example, is used heavily by Gen Z and Millennials. Earned wage access obviously is very popular and used a lot by hourly workers who often live paycheck to paycheck. Upper-income people are using these more, especially BNPL, but, really, the value proposal proposition is for those groups. Fintech and fintech underwriting, use of alternative data like cash-flow data as opposed to credit scores and the like, the evidence on that is very clear that increases competition and benefits people most who are traditionally underserved and where traditional competition among banks is not very robust, which includes rural communities, obviously.

Mr. MOORE. Mr. Palaniappan and Mr. Lefton, how have earned wage access services improved financial stability for workers, and how are these products helping make everyday expenses more manageable?

Mr. PALANIAPPAN. Thank you for the question. The first thing that earned wage access does, which is what most people expect,

is it helps people pay their bills on time so there are fewer late fees on bills, there are fewer other expensive fees because they are paying their bills on time. There are also nonfinancial benefits where there is less stress. So, I hear from our customers how they are able to send their children on field trips because they have access to our product, which they would not have been able to do otherwise, celebrate birthdays on the right days, go to see a dentist when the tooth starts aching instead of putting that off to Friday. I spoke with a customer. She works in healthcare and her daughter likes to dance. She has to pay for dance classes at the beginning of every month, and she would not have been able to do that without EarnIn. So, her daughter goes for dance classes and, today, takes part in dance competitions and can follow her passion for dance because of EarnIn.

The other benefit that I spoke about in the testimony as well is that incomes go up. Incomes go up by over 10 percent. From the EarnIn dataset, a study on over a million customers, incomes went up by 11-and-a-half percent. That is about \$335 per month, and so we are seeing incomes go up as well when people start using earned wage access. From our data, we are actually seeing incomes go up faster than inflation, and so we are seeing wage growth in real terms as well.

Mr. MOORE. Over what time period have you seen those increases?

Mr. PALANIAPPAN. We have seen wage increases higher than inflation over the last 3 years.

Mr. MOORE. Mr. Lefton, did you care to respond as well?

Mr. LEFTON. Sure. Well, first, I agree with everything that was just said. I think one of the things we need to remember when we are talking about EWA is that EWA users are not financially illiterate. They are just experiencing a frequency-of-pay issue, and so I think it is important we do not conflate the two, right? Consumers use EWA because they need to be paid on their own timeline, not because they do not know how to manage their own money. I think that is a very important distinction. We need to trust that the user is in the best position to know how and when to access their wages and manage their money.

Mr. MOORE. One thing that seems to have worked to me at the State level and otherwise is really to try to bring about innovation. Like the regulatory sandbox legislation, our State adopted that a couple of years ago, and it allows financial institutions and technology firms to test new products under the supervision of regulators. So, I guess just a follow up question to Mr. Zywicki: how can regulatory sandboxes help regulators better understand new fintech products before imposing broad rules?

Mr. ZYWICKI. Yes. Briefly, I will just amplify on the EWA question some of the points that my colleagues have made here, which is, I think the best study on this is the Davis study, who, in addition to finding income goes up, also finds that there are no financial problems—people do not overdraft more, do any of that sort of stuff—as opposed to the Connecticut study where they found losing access to EWA led to a lot more payday, having to sell products, and that sort of thing. With respect to sandboxes, I think sandboxes are revolutionary. I think they are super important. The

ability to get real-time information, tweak products. Even the discrimination-type questions that were being raised, I think could be addressed very well with regulatory sandboxes to make sure those products operate the way they should.

Mr. MOORE. Thank you, and my time is up. I did have other questions for the other witnesses, but I appreciate you all being here today. With that, I yield back.

Chairman STEIL. The gentleman yields back. The gentlewoman from Texas, Ms. Garcia, is recognized for 5 minutes.

Ms. GARCIA. Thank you, Mr. Chairman, and thank you to all the witnesses, and I first want to associate my remarks with the remarks of Mr. Torres. I think they were right on point. To the chairman, I did not sack potatoes, but I sure as hell picked cotton.

[Laughter.]

Ms. GARCIA. We did not get paid daily. We had to work our asses off in the hot Texas heat all week until we saw any money Friday afternoon but it just underscores the point that workers do deserve to get paid and get paid well, and not under the table, to avoid all these things, and to make sure that they can have access to their money when they are needed.

Like Representative Pressley said, I am waiting for the layaway plan because one of the things my mother used to do at the beginning of the cotton season is take us into town, and we would pick what we thought we might need for school in September, and then she would pay weekly until we got to September. Now, if you gain a little weight, you are in trouble, but that is how it was done, and some people are still living paycheck to paycheck. According to the Urban Institute, 52 percent of Americans do not have the money to cover essential costs, such as housing, food, healthcare, childcare, transportation, and education. Fifty-two percent. That is a lot of people, but in my district it is even worse: 74 percent. Let that sink in.

So, as many of my colleagues mentioned, there is an affordability crisis. To call it a hoax is just flat a hoax. The American people are struggling to support themselves and their families day by day, paycheck to paycheck. That is why many Americans turn to alternative income sources that we have been discussing today. However, as financial technology and these products become more common, I share my colleagues' concerns that without consumer protection, these products will only take more money out of consumers' pockets.

Ms. Hand, as we discuss how to regulate these products, several people have said that especially the earned wage access is free. Is it really free?

Ms. REYNOLDS HAND. There are a variety of different products in the marketplace. In fact, we have recently looked at 23 different companies out there, both employer-sponsored and direct-to-consumers. The employer-sponsored products are typically less risky and, basically, you see what you have heard here today.

Ms. GARCIA. But are they free?

Ms. REYNOLDS HAND. Those products can be free. For more of the direct-to-consumer products, some of them have free options, but then they do have fees, so they are effectively not free. Some of those free options we have seen are hidden, and consumers are

defaulted into fee structures which may be clear and hidden. The other thing that I would add is that many consumers are using these on a weekly basis, so they are effectively stacking fees on a weekly basis and then their ability to repay over time. So, I would say that, effectively, these are not free products.

Ms. GARCIA. Okay. Now, what about the buy now, pay later? Is that free?

Ms. REYNOLDS HAND. There are simple products, pay in 4, where if a consumer is successful, that is effectively a free service. Then you go down the installment path where these are loans, they are structured as such, they have interest, and I think one of the challenges that we have seen is oftentimes—the consumers and our research support this—they see an advertisement, they go to pay for something, and they get offered the pay in 4 product. Then they go through the application, and they end up in an installment loan product and, oftentimes, are not really aware of the long-term effects, so it is not free.

Ms. GARCIA. So, do some have the APR as high as was illustrated by his example? I mean \$1 on a hundred dollars does not sound bad, but once you do the math, the percentage is really high.

Ms. REYNOLDS HAND. Yes. If that one dollar then gets deferred, you add on late fees. If those apply or the consumer simply does not have the ability to repay in the time that they have originally agreed to, that will put a consumer into a fee structure.

Ms. GARCIA. Yep. Just curious, what would you consider a fair fee for the service? Let us not talk yet about penalties and installment payments later or anything. It seems to me that one of these products is no more than a high-tech payday loan service.

Chairman STEIL. We will allow the gentlewoman to submit answers in the record.

Ms. GARCIA. I was just beginning to have fun.

[Laughter.]

Ms. GARCIA. Thank you. Thank you to all the witnesses.

Chairman STEIL. We thank the gentlewoman. The gentlewoman yields back. The gentleman from California, Mr. Liccardo, is recognized for 5 minutes.

Mr. LICCARDO. Thank you, Mr. Chair. I want to thank all the witnesses for their testimony and, particularly, Mr. Palaniappan—please forgive me if I just mispronounced your name—but it is good to have a local company here, and congratulations on the great success of your company. I appreciate very much what EarnIn has done to enable millions of American workers to have more freedom in their lives. That is very important. I also, by the way, appreciate Ms. Reynolds Hand's important observations. I think we have good players and we have bad players in this industry. Like all industries, we need transparency. We appreciate those who are transparent, and for those who are not, that is why we need simple, predictable regulations, so very much appreciate points being made all around.

I would like to shift gears, though, from EWA to the broader topic of the hearing and the subcommittee, which is around fintech regulation and innovation.

Ms. Kelley, I am going to turn to you because I know you represent a lot of folks in the industry. An awful lot of focus in recent

weeks and months has been whether or not fintech companies can get access to the Federal payment rails—FedNow—and other transmission means, like Fedwire. I think there has been a lot of discussion, certainly Treasury publicly as well at the Federal Reserve. There is now, I think, a request for information from the Fed. They are looking for feedback about what a skinny account might look like or a payment account as a, I guess, an option that would be distinct from a master account. I guess, regardless of whether the Fed or Congress creates this, clearly there needs to be some regulation on those fintech companies that would avail themselves of this opportunity and there are a lot of ideas from the Bank Policy Institute (BPI), from Fed, and others about what regulations those companies should be subject to, things like Bank Secrecy Act and Know Your Customer (KYC), and anti-money laundering, whether or not they should be prohibited from overdrafting, from charging interest, et cetera. Do you have some views about what regulations would be appropriate for us to be thinking about here?

Ms. KELLEY. Yes, and thank you for the question. It is a particularly dynamic and interesting time to be in this industry, and I think what you have just described reflects that. So, I would start by saying in the relationships that exist now between banks and fintechs where they partner to provide services, there is a holistic set of regulations. There were interagency guidelines that were released in 2023 that, effectively, require banks to ensure that their fintech partners are following the same regulatory requirements that the banks must follow. So we are operating against that backdrop. As we look forward and say should these nontraditional bank fintechs have access to the Federal Reserve, that is a conversation that has begun with the request for information (RFI) and the conversations around the skinny master accounts.

We are in very early days of those conversations, and I know the industry as a whole is still trying to understand exactly what that would look like but what is clear is there needs to continue to be a balance between fostering innovation that we see from nontraditional banks, but ensuring safety and soundness as well. The skinny master accounts is one attempt to strike that balance and, again, still in the early days.

Mr. LICCARDO. Okay. So, no commitments yet about what concessions industry might make, about what regulations would be sensible for this—

Ms. KELLEY. Yes, I think it is still an open question.

Mr. LICCARDO. Okay. Well, I look forward to continuing to engage with you and with your members to understand what that might look like.

Ms. KELLEY. Absolutely.

Mr. LICCARDO. I think this is coming at us pretty fast, and we probably need to understand best how to respond. Regardless, I appreciate the efforts of many fintech companies to innovate in a space where I think consumers do need more choices, and I appreciate the work that is being done by many of the companies here. Thank you.

Chairman STEIL. The gentleman yields back. I would like to thank all of our members for their questions today, all of our witnesses for your testimony today.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the chair. The questions will be forwarded to the witnesses for their response. Witnesses will please respond no later than February 17.

[The information referred to can be found in the appendix.]

Chairman STEIL. The hearing stands adjourned.

[Whereupon, at 12:01 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD



Testimony of Alain Xiong-Calmes
Director of State & Local Public Policy, Eastern Region
Chamber of Progress
Re: MD HB 1425

February 29, 2024

Dear Chair Wilson and Members of the Committee,

Thank you for the opportunity to submit testimony for the record regarding HB 1425. On behalf of the Chamber of Progress, a tech industry coalition promoting technology's progressive future, I urge you to **support HB 1425**, which will regulate earned wage access services.

What is Earned Wage Access (EWA)?

The earned wage access industry has several business models. One is employer-integrated, which generally allows employees to receive their paychecks earlier from their employer. Another model is direct-to-consumer, where a third-party service provider provides funds to the consumer, without direct involvement from the employer. In both models, an EWA provider allows users to access anywhere between 50-100% of their earned wages at any given time.¹

We are strong supporters of providing consumers with better alternatives to predatory lending and junk fees at banks. Earned wage access services help workers bridge the gap from today to payday and frees workers from depending on the payroll cycle and a financial system that frequently disadvantages them.

EWA Promotes Consumer Choice

Based on a survey conducted by three direct-to-consumer EWA service providers, an overwhelming number of EWA consumers said they understood how the service structure works and consider it the best option to manage their spending.² EWA provides

¹ Id.

² Brigit, Money Lion & Earnin Customer Research - Combined Customer Topline Report Research conducted online by FTI Consulting's Digital & Insights team from April 21st, 2021 – May 18th, 2021
<https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>

consumers the opportunity to stretch their dollar farther than the standard two-week pay cycle.

The cost of living in Maryland is 16% higher than the national average and when it comes to basic necessities such as food and clothing, groceries are around 6% higher than in the rest of the country.³ In this post-COVID inflationary economy, the usage of EWA has increased across the board. From 2018 until now, these services tripled in usage in response to consumers adapting to a financial environment where they are empowered to spend without a lack of liquidity.⁴

A majority of EWA users surveyed tended to use EWA every two weeks and access an average of \$100 - \$149 in a typical month. This funding is used to primarily pay bills on time, avoid overdraft fees at financial institutions, and buy groceries.⁵ EWA gives consumers a safer alternative to paying bills late and getting charged bank overdraft fees that can cause a further decline into debt.

Families working paycheck to paycheck are currently beholden to the 2-4 week pay cycle, trapped in a system that does not account for real life factors that cannot wait for payday. With the right regulatory framework outlined in this bill, EWA has an opportunity to make a greater impact by providing a service that meets the consumer where they are. Like many other innovations in fintech, consumer choice with EWA will allow workers to vote with their pocketbooks and choose the service that is best for them and their budget.

Thank you for your leadership in promoting responsible policymaking for earned wage access with HB 1425. This bill will help ensure that Maryland consumers, businesses, and the broader economy will thrive in the emerging fintech economy.

Thank you.

³<https://www.rentcafe.com/cost-of-living-calculator/us/md/-:text=Summary-,The%20cost%20of%20living%20in%20Maryland%20is%2016%%20higher%20than,while%20clothing%20costs%206%%20higher.>

⁴https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/26190749/EWA_D2C_Advance_sage_Trends_FINAL.pdf

⁵ <https://www.earnin.com/assets/pdf/FTI-Earned-wage-access-memo.pdf>



The Honorable French Hill, Chairman
 The Honorable Maxine Waters, Ranking Member
 Committee on Financial Services
 U.S. House of Representatives
 2129 Rayburn House Office Building
 Washington, DC 20515

Regarding: *January 13, 2026 Hearing — “Delivering for American Consumers: A Review of FinTech Innovations and Regulations”*

Dear Chairman Hill and Ranking Member Waters,

On behalf of the National Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE), I write in advance of the January 13, 2026 hearing entitled “*Delivering for American Consumers: A Review of FinTech Innovations and Regulations*.” As a national voice for Asian American and Pacific Islander (AAPI) entrepreneurs and all small business owners, National ACE appreciates the Committee’s focus on financial technology solutions that responsibly expand opportunity, flexibility, and resilience for American consumers and entrepreneurs.

National ACE supports thoughtful consideration of Earned Wage Access (EWA) as a practical financial innovation that can benefit not only workers, but also entrepreneurs and small business owners who often face irregular cash flow, limited access to traditional financing, and heightened exposure to short-term financial disruptions. Importantly, EWA is not dependent on an individual’s credit history, making it particularly valuable for immigrant entrepreneurs, first-time business owners, and new entrepreneurs who may not yet have established credit profiles despite being financially responsible and economically productive.

Why Earned Wage Access Matters for Entrepreneurs and Small Businesses

National ACE represents a nationwide network of over 130 local and state chambers of commerce and business organizations serving entrepreneurs across the country. Collectively, our network advocates on behalf of hundreds of thousands of businesses operating across diverse industries, from retail and hospitality to technology, healthcare, and professional services. Our mission is to advance economic growth, job creation, and entrepreneurship through sound public policy, access to capital, and innovation.

For many entrepreneurs, independent contractors, and small business owners—particularly in immigrant and AAPI communities—income is often variable and expenses are unpredictable. EWA allows individuals to access income they have already earned in a timely manner, helping them manage short-term cash flow challenges without relying on credit scores, collateral, or lengthy underwriting processes.

Because EWA is not based on credit history or traditional lending criteria, it offers an inclusive financial option for new entrepreneurs who are building businesses, establishing financial footprints, and contributing to local economies.

Key Benefits of Earned Wage Access

Supports Entrepreneurial Flexibility

EWA provides timely liquidity that allows entrepreneurs and workers to respond to operational or personal needs without disrupting business continuity.

Encourages Financial Stability Without Credit Dependency

By smoothing income volatility without requiring credit checks, EWA helps entrepreneurs manage uneven revenue cycles while avoiding additional debt or damage to their credit profiles.

Promotes Financial Inclusion for Immigrant and New Entrepreneurs

Many immigrant, first-generation, and early-stage business owners are unbanked, underbanked, or credit-invisible. EWA offers an accessible financial tool that reflects their lived realities and economic contributions.

Strengthens Local Economies

When entrepreneurs and workers have tools to manage short-term financial needs, they are better positioned to sustain businesses, retain employees, and reinvest in their communities.

National ACE recognizes that the long-term success of EWA depends on transparency, fairness, and meaningful consumer protections. We believe any federal legislation governing EWA should include clear standards that ensure consumers fully understand how these products work, what costs—if any—may apply, and what choices are available to them.

Accordingly, National ACE supports legislative language that:

- Requires clear, upfront disclosures so consumers can make informed decisions.
- Prohibits deceptive practices, hidden fees, or misleading marketing.
- Ensures that when an EWA provider offers access for a fee, a no-cost option is also available to consumers.
- Always preserves voluntary participation and consumer choice; and
- Establishes appropriate guardrails that protect entrepreneurs and workers while allowing responsible innovation to continue.

While National ACE remains mindful of concerns surrounding high-cost, short-term financial products, we believe that expanding access to transparent, well-regulated alternatives such as EWA can help reduce reliance on less sustainable options and improve financial outcomes for small business owners and working families.

National ACE's Recommendations for the 119th Congress

We respectfully encourage Congress to:

- Support clear federal guidelines that promote responsible Earned Wage Access innovation.
- Center transparency, consumer protections, and credit-neutral access in any EWA legislative framework.
- Ensure financial tools reflect the realities of entrepreneurship and small business ownership; and

- Foster an inclusive financial ecosystem that empowers immigrant, minority, and first-time entrepreneurs to grow, hire, and succeed.

EWA represents a promising tool within a broader strategy to strengthen America's entrepreneurial economy. When implemented thoughtfully and transparently, it can help individuals better manage income they have already earned while supporting long-term financial stability and economic growth.

Thank you for your leadership and consideration of these important issues. I welcome the opportunity to continue this dialogue and to work with the Committee to advance policies that support entrepreneurs, small businesses, and inclusive economic opportunities.

Sincerely,

A handwritten signature in black ink, appearing to read "Chiling Tong", with a stylized, cursive script.

Chiling Tong
President and Chief Executive Officer
National Asian/Pacific Islander American
Chamber of Commerce and Entrepreneurship (National ACE)



815 Black Lives Matter Plaza NW, 2nd. floor Washington DC 20006

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Majority Leader Monica Duran
200 E Colfax
RM 307
Denver, CO 80203
United States

Dear Majority Leader Monica Duran,

On behalf of the Labor Council for Latin American Advancement (LCLAA), the nation's leading organization representing the interests of Latino workers and their families, I am writing to express our strong support for Earned Wage Access (EWA) services and their vital role in promoting financial stability among workers in Colorado.

We strongly support representatives who take consumer protections as a priority and advocate for legislation that does not limit access but instead provides stability for Colorado workers.

Since our founding in 1972, LCLAA has been dedicated to empowering the over 2 million Latino workers by advocating for labor rights, civil rights, and economic justice. We recognize that financial insecurity disproportionately affects Latino and immigrant communities, often forcing workers to resort to predatory lending practices that trap them in cycles of debt.

EWA services offer a practical solution by providing workers with the timely access to wages they've already earned, enabling them to meet immediate financial obligations without incurring high-interest debt. This access is particularly crucial for Latino workers, who are more likely to be unbanked or underbanked and may lack access to traditional financial services.

Polling from our partners [Unidos US](#) shows that hispanic workers benefit from access to fintech products like earned wage access. In particular, we feel that Latino workers need access to direct-to-consumer apps, like EarnIn, so that the decision to use this product is made by the worker, and not the employer.

We urge Colorado's policymakers to support and protect access to Earned Wage Access services. Restricting or limiting these services would not only harm the workers who rely on them but also undermine broader efforts to promote equity and financial inclusion for the communities we serve. On the other hand, by supporting the availability and expansion of EWA services in Colorado,





815 Black Lives Matter Plaza NW, 2nd. floor Washington DC 20006

policymakers can take a significant step toward reducing economic disparities and enhancing the financial well-being of Latino workers and their families. We urge you to consider the positive impact that EWA services have in our communities and to support responsible policies that facilitate their accessibility. Thank you for your attention to this matter.

Sincerely,
José Vargas, LCLAA National Executive Director
Labor Council for Latin American Advancement (LCLAA)

<https://www.lclaa.org/>





Dear Sponsors of Colorado House Bill 25-1020,

On behalf of UnidosUS Action Fund, the sister 501©4 organization of the nation's largest Hispanic civil rights and advocacy institution, we write to provide comments on House Bill 25-1020, which aims to regulate earned wage access (EWA) services in Colorado.

The Financial Landscape for Latino Consumers

Historically, traditional financial services have often treated Latino communities poorly. Our recent research highlights the unique financial challenges faced by Latinos:

- Many struggle with high debt burdens, low savings rates, and lack of access to affordable banking products.
- About 62% of Latino respondents had minimal emergency savings.
- Latinos are more likely to use alternative financial services like payday loans due to economic barriers.

Despite recent economic gains, Latinos remain particularly vulnerable to high living costs and unexpected financial emergencies. Our 2024 Banking and Financial Health survey found that Latinos are concerned about insufficient income and rising cost of living, citing both as top economic concerns. To counter income shortfalls and rising expenses, Latinos use various short-term financial solutions, with income levels serving as a reliable indicator of which options are available to them.

Value of Innovative Financial Products

Our members have found innovative products like EWA helpful, especially direct-to-consumer (D2C) models. Key findings from our research include:

- Over half of Latino EWA users utilize it for regular recurring expenses.
- 40% use EWA as an alternative to payday loans and other short-term borrowing options.
- Latino workers generally value EWA products, with over half of users reporting an overall positive impact on their financial well-being.

Importantly, D2C EWA products are used more than employer-provided options. Seven percent of Latinos reported using pay advance loans from non-bank providers (e.g., Brigit, Dave, EarnIn), compared to 5% using employer-provided pay advances. Our members appreciate the ability to choose these services independently, rather than having their employer make the decision for them.

Support for EWA Guardrails

We support the implementation of appropriate guardrails for EWA services. Transparency and consumer protections are crucial to ensure these products remain safe and beneficial for users. The licensing requirement proposed in HB 25-1020 could help achieve this goal.

**Balancing Regulation and Access**

While we support consumer protections, we urge caution in making guardrails so stringent that customers lose access to these valuable financial tools. Our research shows:

- EWA usage rates were similar across income bands nationally.
- In states with similar restrictions on payday lending to Colorado, such as Arizona, EWA usage among low- and middle-income workers is higher than the national rate.

Overly restrictive regulations could harm our members by limiting their options for managing short-term financial needs. For example, in Connecticut, regulatory changes led to the withdrawal of a major EWA provider, potentially reducing consumer choice and access to a financial tool some have come to rely on.

Recommendations

As you refine HB 25-1020, we urge you to consider:

1. Conducting thorough research on how specific regulatory approaches may affect access to credit for Latino consumers with regard to EWA.
2. Understanding the unique situations of lower-wage workers that may work variable hours or have extensive periods of leave.
3. Striking a balance between protecting consumers from unfair practices and maintaining access to vital financial lifelines.

Conclusion

We encourage a balanced approach that protects consumers while preserving access to EWA products. As you refine HB 25-1020, we urge you to consider the importance of these services to Latino consumers and ensure that regulations do not inadvertently restrict access to vital financial lifelines.

We appreciate your consideration of these comments and would be happy to discuss further or provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Rafael Collazo". The signature is fluid and cursive.

Rafael Collazo
Executive Director
UNIDOSUS ACTION FUND



January 12, 2026

The Honorable Bryan Steil
Chairman
Subcommittee on Digital Assets,
Financial Technology, and
Artificial Intelligence
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Stephen F. Lynch
Ranking Member
Subcommittee on Digital Assets,
Financial Technology, and
Artificial Intelligence
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing: "Delivering for American Consumers: A Review of FinTech Innovations and Regulations"

Dear Chairman Steil and Ranking Member Lynch:

On behalf of America's Credit Unions, I am writing regarding the Subcommittee's hearing entitled "Delivering for American Consumers: A Review of FinTech Innovations and Regulations." America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 145 million members nationwide.

As the Subcommittee examines the current financial technology (FinTech) landscape and how such products fit within the U.S. financial system and regulatory framework, it is critical that any legislative efforts in this area fully consider the impact on credit unions and the members that they serve—particularly smaller institutions. To that end, we would like to offer our thoughts on some of the legislation noticed for the hearing below.

H.R. _____, the Fostering the Use of Technology to Uphold Regulatory Effectiveness in Supervision (FUTURES) Act

We believe that the National Credit Union Administration's (NCUA) information technology and its technology investments should be cost-effective and aim to reduce the cost of supervision, or else fill supervisory gaps that pose material risks to the safety of the credit union system. To that end, we appreciate the legislation's reporting requirements on procurement activities. These reports would provide more information about the cost and efficacy of tools like MERIT (Modern Examination & Risk Identification Tool), the NCUA's online examination platform.

However, as we discussed in our [December 9, 2025, letter](#) to the Committee on Financial Services, America's Credit Unions remains concerned that pursuing expensive new information technology systems without a pressing need could inadvertently increase the NCUA's outlays, contrary to the goals of the Trump Administration and of the Committee, and to the detriment of credit unions nationwide.

January 12, 2026
Page 2 of 2

H.R. _____, the Model Risk Management Modernization Act

In its current form, America's Credit Unions has some concerns regarding the Model Risk Management Modernization Act. We are supportive of regulators adopting the principle that complete explainability of a model should not be a prerequisite for effective risk management when there are outcome-based tests which provide sufficient validation of the model's accuracy or reliability. However, this legislation goes beyond that scope by compelling the creation of regulatory guidance to govern AI model supervision. Currently, the NCUA references guidance issued by the Federal Reserve and the Office of the Comptroller of the Currency for model risk management, but does not adopt a prescriptive risk management approach. This legislation could impair the flexibility of existing guidelines by requiring the NCUA to create new, specific AI *guidance* by rulemaking that impacts risk areas like consumer protection and data security and could complicate a credit union's ability to test and deploy innovative technologies designed to benefit members.

H.R. _____, the Financial Services Innovation Act of 2026

We are supportive of efforts to require regulators, including the NCUA, to establish a financial services innovation officer as a designated official to facilitate approval of compliance agreements and other no-action type requests. However, we do have concerns about displacing existing innovation programs at agencies and the possibility that consolidating independently managed innovation offices under a single oversight committee could limit options for agencies to develop unique programs or offices suited to the needs of their regulated institutions.

On behalf of America's Credit Unions and the over 145 million credit union members, thank you for the opportunity to share our views. We look forward to continuing to work with you on these important issues. Should you have any questions or require any additional information, please contact me at GMesack@americascreditunions.org.

Sincerely,



Greg Mesack
Senior Vice President of Advocacy

cc: Members of the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence



January 12, 2026

The Honorable French Hill
Chairman
House Financial Services Committee
1533 Longworth House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters:

On behalf of the members of the National Multifamily Housing Council (NMHC), the National Apartment Association (NAA), and the Real Estate Technology and Transformation Center (RETTCC), we write ahead of your hearing entitled "Delivering for American Consumers: A Review of FinTech Innovations and Regulations." Thank you for the opportunity to share how rental housing providers and their technology partners are currently utilizing financial technology (FinTech) and emerging technologies to make rental housing more affordable. FinTech platforms, with their significant incorporation of AI, are improving renters' experiences and fueling transformation within rental housing. These platforms have the potential to make housing more affordable and accessible for millions of Americans seeking rental housing.

As the Committee considers FinTech regulation within the financial services and housing sectors, we urge you to support a balanced framework that safeguards innovation. The existing legal landscape in housing already offers strong protections, and any new regulations should build on that foundation without undermining technological progress. As our organizations have consistently said in the past, a fragmented regulatory approach in data management, security and technology risks stifling innovation and increasing compliance costs. This ultimately undermines the benefits these systems and technologies offer to renters and housing providers alike.

AI is Fueling FinTech Innovations

AI is revolutionizing FinTech platforms and renters are benefiting. Rental housing providers are taking advantage of AI's improvement of FinTech products to reshape business operations, improve housing affordability and benefit millions of American renters. While commonly perceived to be new technologies, AI and related technologies in rental housing have already led to significant gains in meeting resident expectations and demand.

These tools offer benefits to housing providers and residents by driving modernization of historic practices, maximizing operational efficiency and improving housing outcomes. They are also subject to robust internal controls, existing legal protections, and regulatory requirements at the federal, state and local level that should be considered before overlaying any additional regulations.

Proven Success in Key Areas

Rental housing owners, operators and lenders leverage FinTech platforms to improve efficiency, underwrite lending, offer flexible payment options for renters, identify investment opportunities to meet growing rental demand and work towards improving housing affordability. They have seen success in key areas of their business, including:



- **Lending and Underwriting:** Underwriting is a critical part of the lending process, and its accuracy is highly dependent on the quality of the available information. Incorporating AI enhances housing owners' and financiers' ability to effectively underwrite lending and ultimately improve housing supply and lower housing costs as a result. In addition, empirical evidence suggests that while AI systems are far from perfect, they appear to result in less bias than human beings and may be taught to mitigate bias, including in underwriting. For example, renewing or enforcing leases, helping to inform rental pricing, screening applicants for rental housing and taking other resident-facing actions can be time-consuming, costly and inconsistent, despite the best efforts of property owners and managers. Some housing providers use, or are considering using, technology to address these issues that arise within their own communities. Industry practices include providing for human, individualized oversight of decisions recommended by AI systems so that the automated recommendation is just one component in a process that gives humans the best information on which to make a decision.
- **Flexible Rental Payment Options:** FinTech products offer renter-focused solutions for longstanding challenges, specifically for renters whose income does not match traditional monthly rent due dates. Powered by FinTech platforms, housing providers can offer residents the ability to split their rent into smaller payments aligned more closely with their paychecks. Products like this can immediately improve resident stability, lessen delinquencies and therefore support housing affordability and outcomes. Many flexible payment platforms also report on-time rent payments to credit bureaus, helping residents build their credit history and their financial future.
- **Security Deposit Alternatives:** Rental housing providers are increasingly leveraging security deposit alternatives to expand housing access and improve affordability for millions of renters. These products allow renters to move into a home without the upfront expense of a full cash security deposit, which can be a barrier for households living paycheck to paycheck. By offering flexible, lower-cost options that spread risk efficiently, security deposit alternatives help renters preserve savings for other essential expenses while still providing housing providers with appropriate financial protections. These tools are already delivering tangible benefits in the rental housing market by promoting choice, reducing move-in costs, and supporting housing stability without undermining consumer protections.
- **Fraud Prevention:** The benefits of AI and FinTech innovations also extend to property level operations. Rental housing operators use AI-enabled platforms for more transparent and accurate resident screening and leasing to improve housing opportunity and prevent rising rental housing fraud. The rise in fraud in the application and leasing process presents a notable case study on the benefits of AI-powered FinTech. An NMHC/NAA survey found staggering increases in application fraud, with a vast majority of respondents (93.3%) experiencing fraud in recent months and most (70.7%) experiencing an increase in fraudulent applications and payments where the person utilized fraudulent documentation, financial statements and even identities¹. Individuals who submit fraudulent applications and subsequently fail to pay rent accounted for roughly 1 in 4 (23.8%) of eviction filings in the survey. This also drives up housing costs broadly due to nonpayment, with apartment

¹ NMHC | NMHC Pulse Survey: Analyzing the Operational Impact of Rental Application Fraud and Bad Debt



owners, developers and managers forced to write off an average of roughly \$1 million in bad debt stemming from nonpayment due to fraudulent applications. By integrating FinTech tools and other AI enabled technologies into the screening process, housing providers are pursuing new avenues to better identify and combat application fraud. Over time, this will reduce evictions, lower costs, and help improve housing affordability and access for renters.

Conclusion

AI-driven FinTech platforms are reshaping rental housing, improving renter experiences and unlocking more affordable, accessible housing for millions of Americans. We appreciate the Committee's focus on fostering innovation and ensuring a coherent, forward-looking approach to FinTech policy and we urge the Committee to continue its bipartisan work to achieve federal policy that protects consumers, allows business uses of AI and other emerging technologies to continue. NMHC, NAA, and RETTC stand ready to work with the Committee to support responsible innovation that improves efficiency, resilience, and affordability in rental housing.

Sincerely,

Sharon Wilson Géno
President
National Multifamily Housing Council

Bob Pinnegar
President and Chief Executive Officer
National Apartment Association

Kevin Donnelly
Executive Director and Chief Advocacy Officer
Real Estate Technology & Transformation Center



January 20, 2026

Subcommittee on Digital Assets, Financial Technology and Inclusion
U.S. House of Representatives
Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Steil, Vice Chairman Emmer, Ranking Member Lynch, and Members of the House Financial Services Committee:

On behalf of the Center for Responsible Lending (CRL),¹ thank you for the opportunity to submit this letter for the record regarding the Subcommittee on Digital Assets, Financial Technology and Inclusion hearing of January 13, 2026, entitled, “Delivering for American Consumers: A Review of FinTech Innovations and Regulations.”

At CRL, we strongly believe that increased innovation and competition are critical goals in the financial services marketplace. We do not believe deregulation at the federal level or weakening of state-level consumer protection laws will serve these goals.

Done correctly, innovation in the financial services marketplace increases lender efficiency, reduces market risk, and expands financial access through increased competition driven by greater affordability of products and services for consumers. Based on that understanding, CRL has serious concerns about whether the products and relationships being discussed in this hearing actually fulfill those goals.

We offer this letter at a time in which consumers are struggling with an affordability crisis. Rising inflation, out-of-control costs, and stagnant wages have made it harder for many families to make ends meet or cover their emergency expenses. Today, 76% of American families live paycheck to paycheck with little or no savings for emergencies² and more than half of the entire

¹ CRL is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close racial wealth gaps. CRL is an affiliate of Self-Help, a community development lender headquartered in Durham, NC. Since 1980, Self-Help has provided over \$7 billion in financing to 131,000 families, individuals and businesses under-served by traditional financial institutions. It helps drive economic development and strengthen communities by financing hundreds of homebuyers each year, as well as nonprofits, child-care centers, community health facilities, public charter schools, and residential and commercial real estate projects. Through its credit union network, Self-Help's two credit unions serve over 170,000 people in North Carolina, South Carolina, California, Illinois, Florida, and Wisconsin and offer a full range of financial products and services. Learn more at www.self-help.org and www.self-helpfcu.org.

² Bankrate. (2025). *Bankrate's 2025 Emergency Savings Report*. Bankrate.com. Retrieved January 16, 2026, from <https://www.bankrate.com/banking/savings/emergency-savings-survey/>.



US workforce is unable to make a living wage.³ The skyrocketing cost of living has made economically disadvantaged families especially vulnerable to financial predators.

Our goal here is simple – to ensure that fintech regulation is appropriate, evidence-based, and common sense. Accordingly, we ask that Congress maintain existing laws and work to create more guardrails around all financial products, including fintech products, that function exactly like other forms of loans and credit. Second, we ask that Congress, once and for all, put an end to statutory and regulatory loopholes that allow banks to partner with third-party lenders to facilitate usurious and predatory loans. Furthermore, it is vitally important that states retain their rights to protect their consumers without interference.

Finally, we wish to express our concerns about several draft bills. We oppose H.R. ____ Earned Wage Access Consumer Protection Act⁴ discussion draft bill proposed by Representative Steil because it contains fatal deficiencies - it exempts EWA from credit laws and preempts existing and future state laws on Earned Wage Access. Further, its vague language opens the door to storefront payday lenders escaping proper oversight.

H.R. ____, the Fostering the Use of Technology to Uphold Regulatory Effectiveness in Supervision (FUTURES) Act (Stutzman):⁵ We oppose this bill. It requires that, within 180 days of enactment, each supervisory agency assess how existing technologies they use prevent them from effectively conducting real-time professional assessments of banks. However, this bill removes some references to the preservation of a safe and sound banking system and consumer protection and excludes CFPB from the assessment process, which is problematic.

H.R. ____, the Financial Services Innovation Act of 2026 (Moore):⁶ We oppose this bill which would allow fintech companies to petition financial regulators for a waiver or modification from financial regulation without any meaningful requirement that they demonstrate that the product or service they are providing is actually innovative or increases competition by having the potential to expand access by increasing affordability. Simply put, there is no reason to give Earned Wage Access or Buy Now, Pay Later lenders a pass on regulation when their products have clear parallels to payday loans and credit cards.

³ Johnson, J. (2025, approx.). *Nearly Half of US Workers Earn Below a Living Wage: Report*. Common Dreams. Retrieved January 16, 2026, from <https://www.commondreams.org/living-wage-report>

⁴ H.R. Disc. Draft, Clear Federal Framework for Earned Wage Access: Earned Wage Access Consumer Protection Act, 119th Cong. (2026), <https://docs.house.gov/meetings/BA/BA21/20260113/118806/BILLS-119pilh-clearfederalframeworkforEarnedWageAccess.pdf>

⁵ *Fostering the Use of Technology to Uphold Regulatory Effectiveness in Supervision Act*, H.R. ____, 119th Cong. (2025) (discussion draft), <https://docs.house.gov/meetings/BA/BA21/20260113/118806/BILLS-119pilh-prudentialregulatorstoindividuallyassesstheirinternalsupervisorytechnologies.pdf>

⁶ *Financial Services Innovation Act of 2026*, H.R. Disc. Draft, 119th Cong. (2026) (discussion draft), <https://docs.house.gov/meetings/BA/BA21/20260113/118806/BILLS-119pilh-createFinancialServicesInnovationOffices.pdf>



H.R. _____, the Model Risk Management Modernization Act.⁷ We oppose this bill. The bill requires the prudential regulators to participate in the rulemaking process to update their guidance on model risk management for models that make substantial use of artificial intelligence. The rule-making will focus on the following components: scope, application, benefits, and risks. The bill also allows banks not to require explainability as a prerequisite for using an AI model if the model can be validated through other means (e.g., outcome-based validation and compensating controls). This is a major policy shift that can open the door to discrimination.

II. Exempting EWA from credit laws and preempting state laws on EWA products from regulation would hurt consumers.

Earned or Early Wage Access (EWA) or Payday Loan App products are short-term, small dollar loan advances of a borrower's earned paycheck, before their scheduled payday. EWA lenders typically claim that their products promote financial inclusion.

The business model exploits financial precarity; it does not solve it. Research from CRL confirms that payday loan apps are not occasional-use financial tools. They are loan products designed to drive repeat borrowing and extract high fees. Analyzing bank account transaction level data over a full year after a borrower's first payday app loan, CRL found that such borrowing escalates over time, with monthly loan use doubling in the first year from two loans per month on average in month one, to four by month 12.⁸ CRL's review of transaction-level data found that borrowers are taking out loans repeatedly and that using multiple lenders is common.⁹ Three-quarters (75%) of borrowers took out at least one advance on the same day or day after making a repayment, replicating the same debt cycle seen in traditional payday lending.¹⁰ In addition, CRL found that overdrafts on consumers' checking accounts increased 56% on average after use of an advance product, demonstrating how these products directly exacerbate financial instability rather than alleviate it.¹¹

Along with other tricks to push frequent reborrowing, lenders impose caps on the amount of money that can be borrowed in a single loan, driving borrowers to take out multiple loans in quick succession (sometimes on the same day) to borrow the desired amount. This enables lenders to extract multiple expedite fees and tips from what could otherwise have been a single

⁷ Discussion Draft: *To Clarify How Existing Model Risk Management Requirements Apply to Certain Financial Institutions*, H.R. Disc. Draft, 119th Cong. (2026) (discussion draft), <https://docs.house.gov/meetings/BA/BA21/20260113/118806/BILLS-119p1h-clarify-how-existing-model-risk-management.pdf>.

⁸ Center for Responsible Lending, *Escalating Debt: The Real Impact of Payday Loan Apps Sold as Earned Wage Advances (EWA)* (2025).

⁹ Center for Responsible Lending, *Not Free: The Large Hidden Costs of Small-Dollar Loans Made Through Cash Advance Apps* (2024).

¹⁰ *Id.*

¹¹ *Id.* at 8.



transaction. Payday app loans are designed to produce this result, pushing people deeper into a debt trap and adding more unaffordable debt.

Frequent reliance on early access to wages is a sign of financial distress, all too common among low wage, low wealth working Americans. Additionally, some EWA providers solicit tips and require additional fees that inflate the cost of using an EWA application. In a recent poll conducted by CRL, 70% of respondents who used the popular MoneyLion, Earnin or Dave apps reported leaving tips.¹² Without appropriate consumer protections and limitations on costs, these products – which have workers paying to be paid – only further reduce workers’ net earnings and reduce wealth-building capacity for working-class families.

In 2024, the CFPB responded to concerns about EWA by releasing a proposed interpretive rule confirming that these “paycheck advance products” are subject to the federal Truth in Lending Act (TILA) and Regulation Z.¹³ The proposed rule affirmed that these products, offered through payday loan apps, are loans, and that the tips and expedite fees are finance charges subject to disclosure under TILA and Regulation Z.¹⁴

Along with the proposed rule, CFPB released an in-depth analysis of millions of payday loan app transactions, which revealed that the average transaction size is relatively small, repeat usage is high, nearly all workers pay for expedited access, and the annual percentage rate (APR) for a typical employer-integrated transaction equates to 109.5%.¹⁵

In addition, in early January 2025, the outgoing CFPB administration released Supervisory Highlights outlining two major concerns with payday loan app lenders that the CFPB examined in 2024.¹⁶

The Supervisory Highlights noted that payday loan app lenders had violated federal consumer protection law by misrepresenting the uses and benefits of tipping and by blocking users’ attempts to close their accounts.¹⁷ These highlights provided a roadmap for state regulators to pursue enforcement actions against these lenders. Since that time, the current administration has sharply reversed course. Among other changes, the agency has moved to reduce supervision of non-bank entities¹⁸ and has withdrawn assorted advisory opinions regarding the application of

¹² Survey Summary of Earned Wage Access and Cash Advance Apps, Center for Responsible Lending, (August 2023) [crl-ewa-research-factsheet-aug2023.pdf](https://www.responsiblelending.org/crl-ewa-research-factsheet-aug2023.pdf) ([responsiblelending.org](https://www.responsiblelending.org)).

¹³ Consumer Financial Protection Bureau. (2025, January 15). *Truth in Lending (Regulation Z); Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work* (90 Fed. Reg. 3622). *Federal Register*. U.S. Government Publishing Office.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Federal Register, *Supervisory Highlights, Issue 37 (Winter 2024)*, 90 Fed. Reg. 607 (2025).

¹⁷ *Id.* at 612.

¹⁸ Federal Register, *Legal Standard Applicable to Supervisory Designation Proceedings*, 90 Fed Reg 41520 (2025).



TILA to payday loan apps.¹⁹ Notwithstanding this shift in enforcement priorities, the legal analysis set out in the proposed interpretive rule remains valid and demonstrates that existing federal law governing loan products applies to app-based payday loans.²⁰

The proposed interpretive rule has been replaced with an Advisory Opinion declaring certain EWA products are not credit.²¹ The Advisory Opinion claims that the Truth In Lending Act (TILA) does not apply to certain EWA products and that tips and expedite fees are not finance charges.²²

Meanwhile, several states have enacted or are considering laws that defined EWA products as credit and/or enacted various consumer protections such as fee caps.²³ In addition, state regulators have filed suit against some of the largest EWA lenders and courts have found that EWA is credit in a number of cases.²⁴

Ultimately, EWA lenders are state-licensed entities; they are not federally chartered. It is traditionally left to the states to regulate credit and define credit for entities they have jurisdiction over. The federal government has jurisdiction over federally chartered or insured financial institutions, which EWA providers are not. Representative Steil's proposed bill's state preemption covers licensing, registration, and conduct requirements, and prevents states from regulating these products as a loan or credit. These issues should remain in the hands of states.

It is not the time to block states from enforcing established laws or creating new ones, as the discussion draft attempts, rather states should be able to proceed with having oversight on entities which they are entitled to regulate. Likewise, products that operate as credit should be regulated as such, which the bill prevents. Circumstances have not changed such that high-cost lending is no longer an issue, in fact, on the contrary, affordability concerns are escalating and these products are exacerbating this crisis.

¹⁹ Federal Register, *Interpretive Rules, Policy Statements, and Advisory Opinions: Withdrawal: Truth in Lending (Regulation Z): Consumer Credit Offered to Borrowers in Advance of Expected Receipt of Compensation for Work*, 90 Fed. Reg. 20084 (2025).

²⁰ While federal law establishes a broad regulatory framework for consumer lending, it does not impose substantive limits on loan costs, with the exception of the Military Lending Act, 10 U.S.C. § 987, et seq., which caps the annual percentage rate at 36% for covered loans to servicemembers, as defined by the Truth in Lending Act, 15 U.S.C. § 1601, et seq. As a result, state laws and enforcement play a crucial role in regulating interest rate limits and other lending practices to protect borrowers.

²¹ Consumer Financial Protection Bureau. (2025, December 23). *Truth in Lending (Regulation Z): Non-application to Earned Wage Access Products* (90 Fed. Reg. 60069). Federal Register. U.S. Government Publishing Office. Retrieved January 16, 2026, from <https://www.federalregister.gov/documents/2025/12/23/2025-23735/truth-in-lending-regulation-z-non-application-to-earned-wage-access-products>

²² Id.

²³ Center for Responsible Lending. (2025, October). *Nickel and Dimed: How payday loan apps drain workers' pay and how to stop them* (crl-nickel-and-dimed-oct2025.pdf). Center for Responsible Lending. Retrieved January 16, 2026, from <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nickel-and-dimed-oct2025.pdf>

²⁴ Id.



With the above in mind, we oppose Representative Steil's discussion draft bill.

III. Buy Now Pay Later loans should be required to meet existing regulatory standards, just like other credit products.

Buy Now, Pay Later (BNPL) is a product that allows consumers to purchase goods in four equal, often interest-free installments over a set time period (often 6 weeks). Consumer use of BNPL has increased dramatically in recent years. Nationally, the market grew by more than 70% in 2021²⁵ and is expected to grow by nearly 25% of its current size by 2030.²⁶ BNPL borrowers can be harmed when BNPL lenders do not adequately assess a borrower's ability to repay; do not provide the same clear disclosures required of credit card issuers; and do not give borrowers the same chargeback and dispute rights that credit card issuers must give.

Newness and transparency challenges surrounding BNPL financing have severely limited the amount of publicly available research and data on the industry. Because the nation's largest providers of BNPL credit are non-depository institutions, specifically, Affirm, Afterpay, Klarna, PayPal, Sezzle and Zip,²⁷ there is no federal entity that has complete jurisdiction over supervision.²⁸ Instead, as the only federal regulator with jurisdiction over both bank and nonbank financial entities, the Consumer Financial Protection Bureau exercised its oversight to begin

²⁵ Ron Shelvin, Forbes, "Buy Now, Pay Later: The 'New' Payments Trend Generating \$100 Billion In Sales" (Sept. 7, 2021), <https://www.forbes.com/sites/ronshelvin/2021/09/07/buy-now-pay-later-the-new-payments-trendgenerating-100-billion-in-sales/?sh=71a2b7b62ffe>

²⁶ Laura Wood, Yahoo!Finance, "United States Buy Now Pay Later (BNPL) Market Report 2023: Market to Grow by a CAGR of 24.3% to 2030 - Growing Use of Analytics Tools to Provide a More Personalized and Streamlined Process" (June 1, 2023), <https://finance.yahoo.com/news/united-states-buy-now-pay-101500296.html>.

²⁷ Consumer Financial Protection Bureau. (December 16, 2021). Consumer Financial Protection Bureau opens inquiry into "Buy Now, Pay Later" credit. Consumer Financial Protection Bureau. Retrieved August 25, 2025, from <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-opens-inquiry-into-buy-now-pay-later-credit/>. Consumer Financial Protection Bureau. (January 13, 2025). CFPB research reveals heavy Buy Now, Pay Later use among borrowers with high credit balances and multiple Pay-in-Four loans. Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-research-reveals-heavy-buy-now-pay-later-use-among-borrowers-with-high-credit-balancesand-multiple-pay-in-four-loans/>

²⁸ See, e.g., Consumer Financial Protection Bureau. (January 6, 2025). Supervisory Highlights, Issue 37 (Winter 2024) (Final rule; 90 FR 607–613; FR Doc. 2024-31670). While certain BNPL lenders have consented to examination, the identity of the lenders is not made public, nor is there a rule that subjects the entire group to examination, under, for example, risk-based or larger participant authority. See Consumer Financial Protection Bureau. (January 6, 2025). Supervisory Highlights, Issue 37 (Winter 2024) (Final rule; 90 FR 607–613; FR Doc. 2024-31670). Federal Register. Retrieved August 25, 2025, from <https://www.govinfo.gov/content/pkg/FR-2025-01-06/pdf/2024-31670.pdf>. Consumer Financial Protection Bureau. (November 10, 2022). Supervisory authority over certain nonbank covered persons based on risk determination; Public release of decisions and orders (Final rule). Consumer Financial Protection Bureau. Retrieved from <https://www.consumerfinance.gov/rulespolicy/final-rules/supervisory-authority-over-certain-nonbank-covered-persons-based-on-risk-determination/>. 10 See, e.g., Consumer Financial Protection Bureau. (September 15, 2022). Buy now, pay later: Market trends and consumer impacts (Research report). Consumer Financial Protection Bureau. Retrieved August 25, 2025, from <https://www.consumerfinance.gov/data-research/research-reports/buy-now-pay-later-market-trends-andconsumer-impacts/>.



conducting research on emerging trends in BNPL financing—starting in 2021.²⁹ That research, however, focused on primarily identifying the scale of BNPL usage, customer demographics, and industry practices related to consumer protections.

The CFPB has withdrawn an interpretive rule that defined BNPL as a digital credit card and gave consumers many of the same protections consumers get from a credit card, like disclosures, statements and dispute protections.³⁰ CFPB also will not enforce any violations of that rule.³¹ This means that consumers are not likely to get the same protections they expect from a credit card, and are unlikely to get a reprieve from regulators.

While data continues to develop, there remains a need to obtain and monitor information on consumer use of BNPL products and its impact on the consumer's long-term financial health, and maintain caution before making significant policy changes to BNPL.

IV. Rent-a-bank loans, facilitated by under-monitored third-party partnerships, have no place in a market designed to increase affordability and expand access through fair and responsible lending.

Nonbank lenders skirt regulations by partnering with a small number of out-of-state banks to offer “rent-a-bank” loans, which facilitate predatory lending and evasions of state interest rate limits. Rent-a-bank loans take the form of installment loans, lines of credit, and payday loans. These banks are helping nonbank lenders charge rates of 100% APR to 160% APR on installment loans and lines of credit, even when consumers and legislators have specifically voted to limit usury rates to protect consumers from abusive high-cost lenders. These out-of-state lenders often provide larger, longer-term loans—of \$10,000 or \$20,000 or more—at rates that can produce finance charges in the thousands of dollars, sometimes exceeding the amount financed.³²

²⁹ See, e.g. Consumer Financial Protection Bureau. (September 15, 2022). Buy now, pay later: Market trends and consumer impacts (Research report). Consumer Financial Protection Bureau. Retrieved August 25, 2025, from <https://www.consumerfinance.gov/data-research/research-reports/buy-now-pay-later-market-trends-and-consumer-impacts/>.

³⁰ Consumer Financial Protection Bureau. (2025, May 12). *Interpretive rules, policy statements, and advisory opinions; withdrawal* (90 Fed. Reg. 20084). *Federal Register*. Retrieved January 16, 2026, from <https://www.federalregister.gov/documents/2025/05/12/2025-08286/interpretive-rules-policy-statements-and-advisory-opinions-withdrawal>

³¹ Consumer Financial Protection Bureau. (2025, May 6). *CFPB announcement regarding enforcement actions related to Buy Now, Pay Later loans*. ConsumerFinance.gov. Retrieved January 16, 2026, from <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announcement-regarding-enforcement-actions-related-to-buy-now-pay-later-loans/>

³² Poll: Dangers of Rent-a-Bank Schemes | Center for Responsible Lending (February 10, 2020) <https://www.responsiblelending.org/research-publication/poll-dangers-rent-bank-schemes>



Nonbank lenders have engaged in such “rent-a-bank” schemes, where they form a superficial partnership with banks in an attempt to evade interest rate caps of the borrower’s state. Generally, state-chartered banks are subject to the usury laws of the state they’re headquartered in. When Congress enacted the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) of 1980, it enabled state-chartered banks to “export” these home state rates to other states, but also permitted states to “opt out” of this regulatory regime and protect their residents by applying state usury law to out-of-state banks.

In 2025, a federal district court in *National Association of Industrial Bankers v. Weiser*³³ limited Colorado to enforcing its usury laws only against state-chartered banks located in Colorado or that operate lending operations in the state. The State appealed and ultimately, the 10th Circuit sided with Colorado.³⁴

CRL and National Consumer Law Center (NCLC) filed an amicus brief³⁵ supporting Colorado. The brief explains why the district court erred in its statutory analysis while also providing a detailed account of the relevant legislative history, which confirms that Colorado can enforce its usury laws against state-chartered banks that lend to Colorado borrowers but do not have a physical presence in the state. It also explains why the district court’s interpretation of the federal law giving states the right to reassert their usury laws contradicts the view of the Federal Deposit Insurance Corporation, the federal agency tasked with supervising state banks, during both Republican and Democratic administrations.

In this instance, it is again important to allow states to enforce laws which they have passed and not disturb their efforts around regulating high-cost lending products. High-cost rent-a-bank lending can carry high credit risks and default rates that violate principles of responsible lending and prudent underwriting. High-cost predatory lending also frequently includes increased risks of unfair, deceptive or abusive practices and of violating laws governing debt collection, credit reporting, fair lending, military lending, privacy and data security, know-your-customer, and community reinvestment requirements.

Furthermore, we should continue to rely upon and not disturb the FDIC’s existing authority that allows it to end these predatory rent-a-bank schemes, which are unlawful, harm consumers, pose serious and undue risks to banks, engage in inappropriate regulatory arbitrage, and harm competition by giving high-cost lenders the benefits of a bank charter without the obligations. Congress should reaffirm the long-standing principle that bank charters are not to be rented out. In the meantime, the FDIC must take enforcement actions against rent-a-bank lenders and crack down on unsafe and abusive predatory lending that fails to comply with prudent underwriting

³³ National Association of Industrial Bankers, American Financial Services Association, and American Fintech Council v. Weiser, 1:24-cv-00812-DDD-KAS (D. Colo. June 18, 2024).

³⁴ National Association of Industrial Bankers v. Weiser, 24-1293 (10th Cir. Nov. 10, 2025).

³⁵ National Consumer Law Center & Center for Responsible Lending, Amicus Brief in *NAIB v. Weiser*, No. 24-1293 (10th Cir. filed Sept. 23, 2024) (on file with NCLC/CRL), available at crl-nclc-naib-v-weiser-amicusbrief-sep2024.pdf.



standards. Until these rent-a-bank schemes are terminated, consistent with recent interagency guidance from the FDIC, OCC, and the Federal Reserve, we urge the FDIC to begin directly examining the third parties that handle origination, servicing, and other activities for high-cost rent-a-bank programs.³⁶

V. Conclusion

None of these products are a solution to the financial challenges many families face and can, in fact, exacerbate financial insecurity by trapping workers in a cycle of debt if not properly regulated.

Lawmakers and regulators addressing these products should impose meaningful guardrails on their use. These are standards that apply to similar financial products on the market.

We need consumer protections to prevent lenders from stripping wealth from low-wage workers and struggling families under the pretense of clever marketing and high-tech innovation.

³⁶ Interagency Guidance on Third-Party Relationships: Risk Management FDIC Financial Institution Letter June 6, 2023 <https://www.fdic.gov/news/financial-institution-letters/2023/fil23029.html#:~:text=The%20guidance%20serves%20as%20a%20of%20managing%20third%2Dparty%20relationships>



Ron Bushy, President & CEO
U.S. Black Chambers, Inc.

Charles O'Neal, Chair
President, Texas Association of
African American Chambers
of Commerce

**Antwanye Ford, Vice
Chair** President and Co-
Founder, Enlightened Inc.

Aimee Griffin Joyner,
Secretary & Legal Counsel
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The Honorable French Hill, Chairman
The Honorable Maxine Waters, Ranking Member
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Regarding: January 13, 2026 Hearing — “Delivering for American Consumers: A Review of FinTech Innovations and Regulations”

Dear Chairman Hill and Ranking Member Waters,

On behalf of the U.S. Black Chambers, Inc. (USBC), I write in advance of the January 13, 2026, hearing entitled “*Delivering for American Consumers: A Review of FinTech Innovations and Regulations*.” As the country’s leading representative of minority-owned businesses and a committed advocate for financial equity, the U.S. Black Chambers urges your support for Earned Wage Access (EWA) — a modern, consumer-friendly financial tool that promotes economic dignity and flexibility for working Americans, particularly in communities of color.

At the same time, I respectfully ask the Committee to take express action to curb the ongoing harm caused by payday lending, which continues to disproportionately target and exploit economically vulnerable individuals, often stripping wealth from Black, Latino, and low-income neighborhoods.

As you may be aware, the U.S. Black Chambers (“USBC”) network consists of more than 145 chambers of commerce and business organizations operating in 42 states. Collectively, USBC represents approximately 326,000 Black entrepreneurs nationwide as we advocate for economic inclusion and parity, access to capital, and contracting opportunities. We appreciate your attention and urge you to act accordingly to assist Black small businesses, consumers, and entrepreneurs.

Why Earned Wage Access Matters

Earned Wage Access allows individuals to access a portion of their wages before payday — money they have already earned — without interest, credit checks, or hidden fees. This stands in stark contrast to payday loans, which impose crushing rates and often push families into cycles of long-term debt. Put plainly, the only industry that benefits from maintaining the status quo and failing to fully integrate Earned Wage Access is the payday lending industry itself.

USBC’s Six Reasons Congress Should Support Earned Wage Access

Breaks Cycles of Debt

EWA helps workers manage financial emergencies using their own earned income — without borrowing, incurring interest, or falling into payday loan traps.

Supports Minority-Owned Small Businesses

When employees are less financially stressed, businesses experience improved attendance, retention, and performance — a meaningful advantage for minority-owned businesses competing in today’s labor market.



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Keeps Wealth in Communities of Color

Payday lenders extract billions of dollars from underserved communities each year. EWA helps keep earned income local, preserving community wealth and fostering economic development.

Promotes Financial Inclusion

Many working individuals — particularly in Black and Latino communities — remain unbanked or underbanked. EWA offers an accessible, consumer friendly option that respects their financial reality.

Upholds Economic Justice and Autonomy

EWA treats individuals with dignity by providing fair and timely access to their own earnings and enabling them to make financial decisions on their own terms.

Builds Resilience in Times of Crisis

Whether facing unexpected expenses, natural disasters, or national emergencies, EWA provides timely access to funds, reducing reliance on harmful financial products during critical moments.

The U.S. Black Chambers recognizes that different jurisdictions have chosen to regulate Earned Wage Access inconsistently, creating a patchwork of laws that confuse consumers and make providing Earned Wage Access on a nationwide basis inefficient. Thoughtful federal legislation is necessary to ensure fairness and strong consumer protection. While the EWA model itself offers meaningful advantages over payday lending, USBC asserts that legislation should ensure EWA products include no finance charges, no credit checks, no recourse, and no hidden or mandatory costs — making EWA among the most consumer-friendly financial options available.

USBC further supports legislative language that provides regulatory clarity by affirming that fees or voluntary tips associated with Earned Wage Access should not be treated as finance charges, and that Earned Wage Access should be excluded from the definitions of “credit” and “creditor” under the Truth in Lending Act (TILA), provided such products meet clear consumer-protection standards. In addition, legislation should ensure that when an EWA provider offers access for a fee, a no-cost option is also made available to consumers.

Additionally, EWA models that do not require employer payroll integration can expand access for workers whose employers do not offer such benefits. This approach is particularly valuable for low-wage and shift-based workers, entrepreneurs, and individuals employed by small or minority-owned businesses, while avoiding intrusive or overreaching involvement by employers in workers’ personal financial affairs.

Many EWA programs also incorporate financial wellness tools — such as overdraft protections and savings features — that encourage healthier financial behaviors, positioning Earned Wage Access not only as a short-term liquidity solution, but as a pathway toward longer-term financial stability and resilience.

USBC’s Call to Legislative Action for the 119th Congress

We respectfully urge Congress to:

- Support federal standards that encourage financial innovation while protecting consumers who use Earned Wage Access, including statutory clarity regarding



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fees, tips, and appropriate treatment and exclusions under TILA;

- Tighten oversight and accountability for payday lenders and other predatory financial actors, recognizing that the continued absence of clear, supportive EWA policy serves only to preserve the payday lending business model at the expense of working families; and
- Promote access to safe, consumer-centered financial options that respect individual choice and advance financial autonomy, ensuring that public policy no longer defaults to systems that reward exploitation over economic empowerment.

Earned Wage Access represents a meaningful step forward in building a more inclusive and equitable financial system — one that empowers individuals to take control of their finances while reducing dependence on exploitative services.

Thank you for your leadership and attention to this important issue. I welcome the opportunity to speak further with your offices and discuss how we can work together to support financial stability and economic opportunity for all Americans.

Sincerely

Ron Busby, Sr.
 President
 U.S. Black Chambers, Inc

Question for the Record

For the Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence
hearing on “Delivering for American Consumers: A Review of FinTech Innovations and
Regulations”

Chairman Bryan Steil

For Kevin Lefton, Global General Counsel at Stream

Question: Why have earned wage access products only emerged in the last few years?
What structural barriers or knowledge gaps previously prevented payroll companies from
integrating this functionality decades ago?



Stream Platforms, Inc.
1201 Wilson Boulevard
Suite 25-135
Arlington, VA 22209

February 11, 2026

Chairman Bryan Steil
United States House of Representatives
Committee on Financial Services
Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence
2129 Rayburn House Office Building
Washington, DC 20515

Subject: Response to Questions for the Record related to the Hearing Titled: "Delivering for American Consumers: A Review of FinTech Innovations and Regulations"

Dear Chairman Steil,

Thank you for your follow-up inquiry regarding the recent emergence of Earned Wage Access (EWA) products and the specific structural hurdles or knowledge gaps that prevented payroll providers from offering these features in previous decades.

This question touches on the fundamental reason why EWA is so vital for American consumers today. Put simply, EWA only became viable recently because it necessitated a neutral intermediary to bridge a 50-year-old divide between HR software and Operations software.

While the concept of paying workers for their time in real-time is straightforward, the execution is technically complex. Historically, **payroll** (wages) and **workforce management** (hours worked) have operated in separate, isolated software silos. Because each system holds only half of the necessary information, these silos have been the primary roadblock to EWA's development.

Several key structural barriers have maintained these silos and hindered this consumer-centric technology:

- **Critical data is split between two systems:** Critical information is divided between two platforms. Payroll systems track an employee's hourly rate but lack real-time visibility into hours worked. That data resides exclusively in Time & Attendance or Workforce Management (WFM) systems.

- **Organizational charts are calcified to software silos:** These software divisions reflect corporate structures from the 1970s, where Human Resources managed payroll and Operations oversaw time clocks. Software platforms were designed to mirror these disconnected internal departments.
- **The "Frenemy" stalemate:** Major incumbents in the payroll and WFM spaces (such as ADP and Kronos) have been direct competitors for half a century. Consequently, they rarely grant one another the real-time API access necessary to calculate "earned" wages during a pay cycle.

EWA firms, such as Stream, succeeded by positioning themselves as neutral third parties. Since we do not compete with the core business models of these payroll or WFM giants, we are granted the data integrations that the incumbents have historically denied each other.

We often characterize EWA as an innovation in **data sovereignty** rather than just **fintech**. It required a neutral actor to finally close the 50-year gap between HR and Operations data.

Ultimately, Earned Wage Access has become a popular, worker-friendly tool that empowers American frontline employees to access their earnings on their own terms and better manage their financial lives.

We hope this provides the clarity you were looking for, and we remain at your disposal to discuss this further with you or your staff.

Sincerely,



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Kevin Lefton
Global General Counsel
Stream

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[DISCUSSION DRAFT]119TH CONGRESS
2^D SESSION**H. R.** _____

To regulate the business of offering and providing earned wage access services
to consumers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. STEIL introduced the following bill; which was referred to the Committee
on _____

A BILL

To regulate the business of offering and providing earned
wage access services to consumers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Earned Wage Access
5 Consumer Protection Act”.

6 **SEC. 2. EARNED WAGE ACCESS SERVICES.**

7 (a) PROVISION OF EARNED WAGE ACCESS SERV-
8 ICES.—

1 (1) NO-COST OPTION REQUIRED.—If an earned
2 wage access provider offers a consumer the option to
3 receive earned wages in exchange for a fee, such
4 earned wage access provider shall also offer such
5 consumer the option to obtain the same amount of
6 earned wages at no cost to the consumer.

7 (2) REQUIRED DISCLOSURES.—

8 (A) DISCLOSURES PRECEDING AGREE-
9 MENT.—Each earned wage access provider shall
10 disclose the following before entering into an
11 agreement with a consumer:

12 (i) Any limits on the amount of
13 earned wages a customer may request from
14 such provider, including—

15 (I) any limits on the amount of
16 earned wages a consumer may request
17 from the provider each day;

18 (II) any limits on the amount of
19 earned wages a consumer may request
20 from the provider each pay period;

21 (III) any limits on the amount of
22 earned wages a consumer may request
23 from the provider that are based on a
24 determination by the provider of the
25 ratio between the amount of earned

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1 wages requested by the consumer and
 2 the total wages earned by the con-
 3 sumer, and how such determination is
 4 made.

5 (ii) Any fees that such provider may
 6 apply, and the amount of such fees, includ-
 7 ing fees relating to expedited disbursement
 8 and subscriptions.

9 (iii) A description of how the con-
 10 sumer may obtain earned wages without
 11 paying a fee.

12 (iv) An overview of such provider's
 13 use of tips that describes—

14 (I) whether such provider will ac-
 15 cept tips from the consumer and in
 16 what amounts; and

17 (II) whether such provider will
 18 suggest the consumer provide tips and
 19 in what amounts.

20 (B) DISCLOSURES PRECEDING DISBURSE-
 21 MENT OF EARNED WAGES.—Each earned wage
 22 access provider shall disclose the following after
 23 approving any request from a consumer for ac-
 24 cess to earned wages but before disbursing such
 25 earned wages to such consumer:

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1 (i) The account number such provider
2 has assigned to the consumer, if applicable.

3 (ii) The amount of earned wages that
4 will be provided to the consumer by such
5 provider.

6 (iii) The total amount of any fees ap-
7 plied by such provider.

8 (iv) A list of any tips the consumer
9 has chosen to provide.

10 (v) The amount that such provider in-
11 tends to collect as repayment after dis-
12 bursing the earned wages, the date on
13 which such provider intends to collect such
14 amount or a description of when such pro-
15 vider intends to collect such amount, and
16 the manner in which such provider intends
17 to collect such amount.

18 (C) ADDITIONAL DISCLOSURES RELATING
19 TO TIPS.—If an earned wage access provider so-
20 licits, charges, or receives a tip from a con-
21 sumer, such provider—

22 (i) shall clearly and conspicuously dis-
23 close to the consumer, before the provider
24 commences the transaction to which the tip
25 is related, that such tip—

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- 1 (I) is voluntary;
- 2 (II) is not a requirement for re-
- 3 ceiving earned wage access services;
- 4 and
- 5 (III) will not impact the fre-
- 6 quency with which such earned wages
- 7 are disbursed to such consumer; and
- 8 (ii) may not state that such tip will
- 9 benefit any specific individual.

10 (D) CHANGES TO TERMS.—Each earned

11 wage access provider shall notify each consumer

12 with which such earned wage access provider

13 has entered an agreement to offer earned wage

14 access services of any material changes to the

15 terms and conditions of service used by such

16 provider not less than 30 days before such ma-

17 terial changes take effect.

18 (E) REGULATIONS.—The Bureau shall,

19 not less than 180 days after the date of the en-

20 actment of this section, issue rules that govern

21 the form and manner in which the disclosures

22 described in this section are provided to con-

23 sumers.

24 (3) CANCELLATION OF SERVICES.—If an

25 earned wage access provider makes earned wage ac-

1 cess services available to a consumer on a recurring
2 basis, such earned wage access provider—

3 (A) shall allow such consumer to dis-
4 continue such services if such consumer pro-
5 vides reasonable notice to such earned wage ac-
6 cess provider that such consumer desires to dis-
7 continue such services; and

8 (B) may not impose any financial penalty
9 on such consumer as a result of any discontinu-
10 ation of services.

11 (4) DISPUTE PROCESS REQUIRED.—Each
12 earned wage access provider shall develop and imple-
13 ment policies and procedures to respond to questions
14 and complaints from consumers relating to—

15 (A) unauthorized disbursement of earned
16 wages;

17 (B) disbursement of earned wages in an
18 incorrect amount;

19 (C) disbursed earned wages that were not
20 received;

21 (D) repayment of disbursed earned wages
22 that was not received or was made in an incor-
23 rect amount; and

24 (E) fees or tips that were not authorized
25 or were made in an incorrect amount.

1 (5) COMPELLING REPAYMENT OF DISBURSED
2 WAGES.—

3 (A) IN GENERAL.—An earned wage access
4 provider may not seek repayment of earned
5 wages disbursed to a consumer by such provider
6 by—

7 (i) filing a civil suit;
8 (ii) initiating arbitration proceedings;
9 (iii) using the services of a debt col-
10 lector (as such term is defined in section
11 803 of the Fair Debt Collection Practices
12 Act); or

13 (iv) selling the rights to the repay-
14 ment of the disbursed earned wages to a
15 third-party debt buyer.

16 (B) EXCEPTIONS.—Subparagraph (A)
17 shall not apply if an earned wage access pro-
18 vider is—

19 (i) seeking repayment of earned wages
20 disbursed to a consumer based on informa-
21 tion provided by the consumer that the
22 consumer knew was false; or

23 (ii) pursuing the employer of the con-
24 sumer to which such provider disbursed

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1 earned wages for breach of its contractual
2 obligations to the provider.

3 (6) REIMBURSEMENT REQUIRED.—If an earned
4 wage access provider seeks repayment of disbursed
5 earned wages, payment of a fee, or a tip directly
6 from a deposit account of a consumer, on an incor-
7 rect date or in an incorrect amount, and such at-
8 tempt triggers an overdraft fee or non-sufficient
9 funds fee from the financial institution of the con-
10 sumer, the earned wage access provider shall reim-
11 burse such consumer for such fee.

12 (7) ADDITIONAL LIMITATIONS.—An earned
13 wage access provider may not—

14 (A) share any fees or tips that were re-
15 ceived from or charged to a consumer for
16 earned wage access services with the employer
17 of such consumer;

18 (B) accept payment of fees or tips from a
19 consumer through a credit card of the con-
20 sumer, unless such credit card is provided to
21 the consumer as a part of the earned wage ac-
22 cess service; or

23 (C) require a consumer to pay a late fee,
24 deferral fee, interest, or any other penalty or
25 charge as a result of a failure by the consumer

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1 to pay a fee or tip requested or applied by such
2 provider.

3 (8) DISCLOSURE TO EMPLOYER.—An earned
4 wage access provider may disclose to an employer
5 with which such provider has a contract relating to
6 earned wage access services only such information
7 about earned wage access services used by con-
8 sumers who are employees of such employer as is
9 necessary for such earned wage access provider to
10 recover disbursed wages.

11 (9) NON-DISCRIMINATION.—

12 (A) IN GENERAL.—It shall be unlawful for
13 any earned wage access provider to discriminate
14 against any consumer on the basis of race,
15 color, religion, national origin, sex (including on
16 the basis of pregnancy, childbirth, or related
17 medical conditions), marital status, or age when
18 offering earned wage access services.

19 (B) DEFINITIONS.—In this paragraph—

20 (i) the terms “race”, “color”, “reli-
21 gion”, “national origin”, “sex”, “marital
22 status”, and “age” have the same mean-
23 ing, respectively, as used in section 701 of
24 the Equal Credit Opportunity Act (15

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1 U.S.C. 1691) and rules issued thereunder;
2 and

3 (ii) the terms “pregnancy”, “child-
4 birth”, and “related medical conditions”
5 have the same meaning, respectively, as
6 used in section 701(k) of the Civil Rights
7 Act of 1964 (42 U.S.C. 2000e(k).

8 (b) RULEMAKING.—The Bureau may issue such rules
9 as the Bureau determines appropriate to carry out this
10 section.

11 (c) RULE OF CONSTRUCTION.—Fees or tips paid by
12 a consumer to an earned wage access provider may not
13 be construed to be a “finance charge” as such term is
14 defined in the Truth in Lending Act.

15 (d) PREEMPTION OF CERTAIN STATE LAWS.—

16 (1) PREEMPTION.—No State or political sub-
17 division thereof may impose, maintain, or enforce
18 any law, regulation, or requirement related to earned
19 wage access services that—

20 (A) establishes licensing, registration, qual-
21 ification, or conduct requirements for earned
22 wage access providers that are in addition to, or
23 inconsistent with, the requirements under this
24 section or any regulations issued under this sec-
25 tion;

1 (B) establishes disclosure or reporting re-
2 quirements that conflict with the provisions of
3 this section or any regulations issued under this
4 section; or

5 (C) treats—

6 (i) earned wage access services as
7 credit, loans, or similar products or serv-
8 ices; or

9 (ii) earned wage access providers as
10 creditors, lenders, or similar product or
11 service providers.

12 (2) SAVINGS CLAUSE.—Except as specifically
13 provided in paragraph (1), nothing in this section
14 may be construed to preempt, displace, or limit the
15 authority of a State or political subdivision thereof
16 to enforce laws of general applicability, including
17 laws relating to fraud, deceit, unfair or deceptive
18 acts or practices, contracts, property, or taxation.

19 (e) DEFINITIONS.—In this section:

20 (1) BUREAU.—The term “Bureau” means the
21 Bureau of Consumer Financial Protection.

22 (2) CONSUMER.—The term “consumer” means
23 a natural person.

24 (3) EARNED WAGES.—

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1 (A) IN GENERAL.—The term “earned
 2 wages” means salary, wages, compensation, or
 3 other income that a consumer or an employer
 4 has represented and that an earned wage access
 5 provider has reasonably determined have been
 6 earned or have accrued to the benefit of the
 7 consumer in exchange for the services provided
 8 by the consumer, but that have not yet been
 9 paid to the consumer by an employer.

10 (B) SERVICES PROVIDED.— Services pro-
 11 vided by the consumer to the employer include
 12 any services provided—

13 (i) on an hourly, project-based, piece-
 14 work, or other basis; or

15 (ii) when the consumer is acting as a
 16 contractor of the employer.

17 (4) EARNED WAGE ACCESS PROVIDER.—

18 (A) IN GENERAL.—The term “earned wage
 19 access provider” means a person who provides
 20 earned wage access services to consumers.

21 (B) EXCLUSIONS.—The term “earned
 22 wage access provider” does not include—

23 (i) a person who is not obligated to
 24 provide access to earned wages as part of
 25 an earned wage access service;

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1 (ii) an employer that offers a portion
 2 of salary, wages, or compensation earned
 3 by a consumer directly to such consumer
 4 prior to a normally scheduled pay date;

5 (iii) a financial institution that per-
 6 mits a consumer to access amounts associ-
 7 ated with an electronic fund transfer from
 8 the employer of the consumer for which
 9 the financial institution has received infor-
 10 mation but which has not yet settled; or

11 (iv) a payroll service vendor in its ca-
 12 pacity as a facilitator of wage payments to
 13 a consumer by an employer, exclusive of
 14 any earned wage access services that such
 15 vendor may provide.

16 (5) EARNED WAGE ACCESS SERVICES.—The
 17 term “earned wage access services” means the deliv-
 18 ery of earned wages to a consumer based on—

19 (A) employment, income, or attendance
 20 data provided by the employer of such con-
 21 sumer or a payroll service vendor contracted by
 22 the employer of such consumer; or

23 (B) representations made by the consumer
 24 and the reasonable determination of the earned

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1 wages of such consumer by an earned wage ac-
2 cess provider.

3 (6) FEE.—The term “fee” means any payment
4 made by a consumer to an earned wage access pro-
5 vider in exchange for a product or service.

6 (7) PAYROLL SERVICE VENDOR.—The term
7 “payroll service vendor” means a vendor contracted
8 by an employer to facilitate payment of employee
9 wages in accordance with Federal, State, and local
10 law, including the Fair Labor Standards Act of
11 1938.

12 (8) TIP.—The term “tip” means any gratuity,
13 donation, or other voluntary payment that is—

14 (A) made by a consumer to an earned
15 wage access provider;

16 (B) provided gratuitously and without any
17 consequence for nonpayment;

18 (C) not subject to negotiation, and

19 (D) determined by the consumer.

20 (9) STATE.—The term “State” means each of
21 the several States, the District of Columbia, and any
22 territory of the United States.

1 **SEC. 3. CONFORMING AMENDMENTS.**

2 (a) CONSUMER FINANCIAL PROTECTION ACT OF
3 2010.—Section 1002(12) of the Consumer Financial Pro-
4 tection Act of 2010 (12 U.S.C. 5481(12)) is amended—

5 (1) in subparagraph (Q), by striking “and” at
6 the end;

7 (2) in subparagraph (R), by striking the period
8 at the end and inserting “; and”; and

9 (3) by adding at the end the following:

10 “(S) the Earned Wage Access Consumer
11 Protection Act.”.

12 (b) TRUTH IN LENDING ACT.—Section 103 of the
13 Truth in Lending Act (15 U.S.C. 1602) is amended—

14 (1) in subsection (f), by striking “defer its pay-
15 ment” and inserting “defer its payment, but does
16 not include earned wage access services as defined in
17 the Earned Wage Access Consumer Protection
18 Act.”; and

19 (2) in subsection (g), by adding at the end the
20 following: “The term creditor does not include
21 earned wage access providers as such term is defined
22 in the Earned Wage Access Consumer Protection
23 Act.”.

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[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require certain supervisory agencies to assess their technological vulnerabilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. STUTZMAN introduced the following bill; which was referred to the Committee on _____

A BILL

To require certain supervisory agencies to assess their technological vulnerabilities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fostering the Use of
5 Technology to Uphold Regulatory Effectiveness in Super-
6 vision Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

1 (1) Banking regulators continue to examine and
2 monitor depository institutions without sufficient ac-
3 cess to real-time information.

4 (2) Supervisory regulators should leverage tech-
5 nologies to more effectively carry out their duties.

6 (3) When updating supervisory technology,
7 risks surrounding technology procurement must be
8 effectively managed.

9 (4) Agencies' reliance on outdated technology
10 can create vulnerabilities for the financial system,
11 through—

12 (A) difficulties in collecting, compiling, and
13 analyzing relevant information about risks and
14 noncompliance at supervised firms;

15 (B) reliance on information that is inac-
16 curate, incomplete, or not timely;

17 (C) reliance on limited and outdated tools
18 for data analysis;

19 (D) difficulties in using data to identify
20 risk trends;

21 (E) difficulties in producing accurate and
22 timely reports;

23 (F) inadequacy of cybersecurity safe-
24 guards; and

25 (G) failure to detect illegal activities.

1 (5) The rapid expansion of financial firms' use
2 of artificial intelligence may generate opportunities
3 to improve the financial system while also intro-
4 ducing a range of risks, making it essential that
5 agencies be equipped with the technology, expertise,
6 and skills needed to analyze these opportunities and
7 potential risks.

8 (6) While agencies assess their supervisory ca-
9 pabilities on an ongoing basis, it is imperative that
10 there be a unified goal of enhancing supervisory
11 technologies that ensure effective and sustainable
12 oversight.

13 **SEC. 3. TECHNOLOGICAL VULNERABILITIES AND PRO-**
14 **CUREMENT PRACTICES ASSESSMENT.**

15 (a) IN GENERAL.—

16 (1) TECHNOLOGICAL VULNERABILITIES ASSESS-
17 MENT.—Each covered agency shall, not later than
18 180 days after the date of the enactment of this sec-
19 tion, assess how existing technologies used by the
20 covered agency inhibit the covered agency from con-
21 ducting adequate, real-time supervisory assessments
22 of entities over which the covered agency has super-
23 visory authority. Such technologies include—

24 (A) core information technology infrastruc-
25 ture;

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1 (B) technologies used to supervise entities;

2 (C) technologies for monitoring general
3 market risks using reported data and external
4 data; and

5 (D) technologies for data collection, stor-
6 age, processing, and security.

7 (2) PROCUREMENT PRACTICES ASSESSMENT.—

8 Each covered agency shall, not later than 180 days
9 after the date of the enactment of this section—

10 (A) assess the procurement rules and pro-
11 tocols adhered to by such covered agency when
12 such covered agency acquires or develops new
13 technological systems; and

14 (B) identify any opportunities to further
15 streamline procurement rules and protocols, in-
16 cluding an assessment of the impact such rules
17 or protocols have on the ability of the covered
18 agency to test new technological systems.

19 (b) REPORT.—Not later than 1 year after the comple-
20 tion of the assessments required under subsection (a), and
21 every 5 years thereafter, the covered agencies shall coordi-
22 nate and jointly submit to the Committee on Financial
23 Services of the House of Representatives and the Com-
24 mittee on Banking, Housing, and Urban Affairs of the
25 Senate, in a manner that does not pose a risk to the integ-

1 rity or security of any technologies, systems, or capabili-
2 ties of covered agencies, regulated entities, or market par-
3 ticipants, a report that includes the following with respect
4 to each covered agency:

5 (1) A general overview of hardware and soft-
6 ware used for information gathering and advanced
7 analytics during supervision activities, including cat-
8 egories of technology purchased from vendors and
9 developed by the covered agency or contractors of
10 the covered agency.

11 (2) A description of the procurement practices
12 and protocols of the covered agency, including a de-
13 scription of—

14 (A) whether such processes are voluntarily
15 adhered to or mandated; and

16 (B) any opportunities to further streamline
17 procurement rules and protocols, including an
18 assessment of the impact such rules or proto-
19 cols have on the ability of the covered agency
20 to test new technological systems.

21 (3) A general overview of the portion of the
22 workforce of the covered agency that is engaged ma-
23 terially in technology development within the covered
24 agency, including—

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1 (A) an overview of the ability of the cov-
2 ered agency to recruit and retain appropriate
3 technology experts; and

4 (B) a description of the degree to which
5 the covered agency relies on contractors to de-
6 sign, develop, or deploy technology and perform
7 technology-related tasks.

8 (4) A general description of the processes used
9 by the covered agency to obtain information from
10 entities supervised by the covered agency and any
11 impediments thereto, including regulatory obstacles.

12 (5) General information about market and tech-
13 nology trends and risks in the underlying regulated
14 markets including—

15 (A) market developments influenced by the
16 adoption of new technologies;

17 (B) the use of new technologies by super-
18 vised entities for compliance and risk manage-
19 ment purposes;

20 (C) the impact of new technologies on the
21 collection, analysis, and reporting of regulatory
22 data, including on data quality, interoperability,
23 and standardization; and

24 (D) potential risks, including risks of illicit
25 activity, related to new technologies.

1 (6) A general description of the ways in which
2 the covered agency shares information or system ac-
3 cess with other covered agencies and any impedi-
4 ments thereto, including regulatory obstacles.

5 (7) An evaluation of the costs for supervised en-
6 tities to modify systems to share data with covered
7 agencies.

8 (8) a general description of any plans of the
9 covered agency to implement future upgrades to the
10 technology it uses to supervise entities, including—

11 (B) the anticipated timeline for any
12 planned upgrades;

13 (C) the costs of any planned upgrades;

14 (D) any impediments to procuring relevant
15 technologies;

16 (E) plans for hiring and training individ-
17 uals in connection with technological upgrades;

18 (F) any aspects of any planned upgrades
19 that should be addressed on an interagency
20 basis; and

21 (G) any anticipated challenges and oppor-
22 tunities associated with entities supervised by
23 the covered agency adapting to the covered
24 agency's reporting process, including—

25 (i) estimates of transition costs; and

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1 (ii) estimates of any potential cost re-
2 ductions.

3 (d) COVERED AGENCY DEFINED.—In this section,
4 the “covered agency” means the Board of Governors of
5 the Federal Reserve System, the Federal Deposit Insur-
6 ance Corporation, the Department of the Treasury, includ-
7 ing the Office of the Comptroller of the Currency and the
8 Financial Crimes Enforcement Network, the Federal
9 Housing Finance Agency, and the National Credit Union
10 Administration.

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[DISCUSSION DRAFT]119TH CONGRESS
2D SESSION**H. R.** _____

To promote innovation in financial services, and for other purposes.

IN THE HOUSE OF REPRESENTATIVESM. _____ introduced the following bill; which was referred to the
Committee on _____

A BILLTo promote innovation in financial services, and for other
purposes.1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**4 (a) SHORT TITLE.—This Act may be cited as the
5 “Financial Services Innovation Act of 2026”.6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.
- Sec. 3. Agency identification of regulatory areas.
- Sec. 4. Establishment or designation of FSIO at agencies.
- Sec. 5. FSIO Liaison Committee and chair.

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Sec. 6. Petition to agency.
 Sec. 7. Agency determination of petition.
 Sec. 8. Enforceable compliance agreement.
 Sec. 9. Report to Congress.

1 SEC. 2. DEFINITIONS.

2 In this Act, the following definitions shall apply:

3 (1) AGENCY.—The term “agency” means each
 4 of the Board of Governors of the Federal Reserve
 5 System, the Bureau of Consumer Financial Protec-
 6 tion, the Department of Housing and Urban Devel-
 7 opment, the Department of the Treasury, the Fed-
 8 eral Deposit Insurance Corporation, the Federal
 9 Housing Finance Agency, the National Credit Union
 10 Administration, the Office of the Comptroller of the
 11 Currency, and the Securities and Exchange Commis-
 12 sion.

13 (2) AGENCY REGULATION.—The term “agency
 14 regulation” means—

15 (A) a rule (as defined in section 551 of
 16 title 5, United States Code) issued by an agen-
 17 cy;

18 (B) guidance issued by an agency; or

19 (C) a published, proposed, or interim rule,
 20 policy statement, directive, adjudication, or in-
 21 terpretation of an agency.

22 (3) BANK SECRECY ACT.—The term “Bank Se-
 23 crecy Act” means—

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1 (A) section 21 of the Federal Deposit In-
 2 surance Act (12 U.S.C. 1829b);

3 (B) chapter 2 of title I of Public Law 91-
 4 508 (12 U.S.C. 1951 et seq.); and

5 (C) subchapter II of chapter 53 of title 31,
 6 United States Code.

7 (4) ENFORCEABLE COMPLIANCE AGREE-
 8 MENT.—The term “enforceable compliance agree-
 9 ment” means an agreement described under section
 10 8.

11 (5) FINANCIAL INNOVATION.—The term “finan-
 12 cial innovation” means a financial product or service
 13 (as defined in section 1002 of the Consumer Finan-
 14 cial Protection Act of 2010 (12 U.S.C. 5481))—

15 (A) the delivery of which is enabled by
 16 technology; and

17 (B) that is or may be subject to an agency
 18 regulation or Federal statute.

19 (6) FSIO.—The term “FSIO” means a Finan-
 20 cial Services Innovation Office established pursuant
 21 to section 4.

22 (7) PERSON.—The term “person” means an in-
 23 dividual, partnership, company, corporation, associa-
 24 tion, trust, estate, cooperative organization, or other
 25 entity.

1 **SEC. 3. AGENCY IDENTIFICATION OF REGULATORY AREAS.**

2 Not later than 60 days after the date of the enact-
3 ment of this Act, and biannually thereafter, each agency
4 shall publish in the Federal Register a nonexclusive list
5 that identifies 3 or more areas of existing agency regula-
6 tion—

7 (1) that apply or may apply to a financial inno-
8 vation; and

9 (2) that the agency would consider modifying or
10 waiving if the agency were to receive a petition
11 under section 6 relating to that regulation.

12 **SEC. 4. ESTABLISHMENT OR DESIGNATION OF FSIO AT**
13 **AGENCIES.**

14 (a) IN GENERAL.—Each agency shall establish or
15 designate an office within the agency to be known as the
16 “Financial Services Innovation Office”. Each such Finan-
17 cial Services Innovation Office shall promote financial in-
18 novations and assist persons whose petitions are approved
19 under section 7.

20 (b) ADMINISTRATION.—Each agency shall designate
21 an individual to serve as the head of the agency’s FSIO.

22 (c) DUTIES.—

23 (1) GENERAL DUTIES.—The head of each agen-
24 cy’s FSIO shall—

25 (A) support the development of financial
26 innovations;

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1 (B) coordinate with FSIOs at other agen-
2 cies to share information and data about finan-
3 cial innovations;

4 (C) upon request, coordinate with relevant
5 State regulatory entities to provide information
6 to the public with respect to financial innova-
7 tions and agency regulations related to such fi-
8 nancial innovations; and

9 (D) establish procedures to reduce the reg-
10 ulatory burden of offering a financial innovation
11 to the public and enable greater access to finan-
12 cial innovations.

13 (2) DUTIES FOR PETITIONS.—With respect to a
14 person with an approved petition under section 7,
15 the head of each agency’s FSIO shall—

16 (A) work with the person to address issues
17 of how existing regulatory frameworks of the
18 agency apply to the financial innovation that is
19 the subject of the petition;

20 (B) assist the person in complying with
21 any requirements of the agency with respect to
22 the financial innovation; and

23 (C) assist the person in responding to any
24 challenges to a modification or a waiver granted
25 under subsection (d).

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1 (d) WAIVER AUTHORITY.—The head of each agency,
2 acting through the agency's FSIO, may modify or waive
3 the application of an agency regulation of the agency or
4 a Federal statute under which the agency has rulemaking
5 authority if—

6 (1) a petition has been approved under section
7 7; and

8 (2) the agency determines that compliance with
9 such agency regulation or Federal statute would im-
10 pede the ability of a person to offer the financial in-
11 novation that is the subject of the petition.

12 (e) TERMINATION OF OTHER PROGRAMS; TRANSFER
13 OF AUTHORITY.—

14 (1) IN GENERAL.—Not later than 90 days after
15 the establishment or designation of a FSIO at an
16 agency, the agency shall modify any offices or pro-
17 grams at the agency that promote financial innova-
18 tions or assist persons in offering financial innova-
19 tions, and merge or transfer the operations of such
20 offices or programs into the FSIO.

21 (2) TRANSFER OF AUTHORITY.—On the date
22 that is 90 days after the establishment or designa-
23 tion of a FSIO at an agency, the administration of
24 any rule, policy, or prior agency determinations re-
25 lating to promoting financial innovations or assisting

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1 persons in offering financial innovations, including
2 no-action letters and staff advisory opinions, shall be
3 transferred to the FSIO of that agency.

4 (f) REPORT.—Not later than 6 months after the date
5 of the enactment of this Act, and annually thereafter, each
6 agency shall present testimony to the Congress and submit
7 a report to the Congress and to the Financial Stability
8 Oversight Council on the activities of the FSIO of such
9 agency, including a description of the petitions considered,
10 the rationale for acceptance or rejection of petitions, and
11 the efforts of the FSIO to encourage financial innovations.

12 **SEC. 5. FSIO LIAISON COMMITTEE AND CHAIR.**

13 (a) ESTABLISHMENT.—Not later than 60 days after
14 the date of the enactment of this Act, the agencies shall
15 establish a committee to be known as the “FSIO Liaison
16 Committee”.

17 (b) MEMBERS.—The FSIO Liaison Committee shall
18 be composed of the head of each FSIO described under
19 section 4 and a State banking supervisor selected by the
20 Conference of State Bank Supervisors (or a successor or-
21 ganization).

22 (c) DUTIES.—The FSIO Liaison Committee shall—

23 (1) consult on the administration, coordination,
24 and oversight with the FSIO of each agency;

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1 (2) facilitate the cooperation of each FSIO to
2 ensure that agencies share information and data on
3 petitions submitted under section 6;

4 (3) monitor proposals for agency regulation and
5 developments related to financial innovations;

6 (4) encourage the application of uniform prin-
7 ciples and standards at each FSIO; and

8 (5) facilitate collaboration with relevant State
9 regulatory entities to provide information to the pub-
10 lic with respect to financial innovations and agency
11 regulations related to such financial innovations.

12 (d) MEETINGS.—The FSIO Liaison Committee shall
13 meet at least twice a year.

14 (e) CHAIR.—

15 (1) ESTABLISHMENT.—The first Chair of the
16 FSIO Liaison Committee shall be elected by the
17 members. The Chair shall serve for a term of 2
18 years and thereafter the chairmanship shall rotate
19 among the members of the committee.

20 (2) POWERS OF THE CHAIR.—The Chair is au-
21 thorized to carry out the internal administration of
22 the FSIO Liaison Committee, including the appoint-
23 ment and supervision of employees and the distribu-
24 tion of tasks among members, employees, and ad-
25 ministrative units.

1 (f) TESTIMONY.—Not later than 6 months after the
2 date of the enactment of this Act, and annually thereafter,
3 the Chair of the FSIO Liaison Committee shall present
4 testimony to the Congress on the activities of the FSIO
5 Liaison Committee.

6 (g) FUNDING.—

7 (1) COMPENSATION OF MEMBERS.—Each mem-
8 ber of the FSIO Liaison Committee shall serve with-
9 out additional compensation but shall be entitled to
10 reasonable expenses incurred in carrying out official
11 duties as such a member.

12 (2) GENERAL EXPENSES.—The costs and ex-
13 penses of the FSIO Liaison Committee, including
14 the salaries of employees, shall be split equally be-
15 tween, and paid by, each agency.

16 **SEC. 6. PETITION TO AGENCY.**

17 (a) IN GENERAL.—A person may submit a petition
18 to an agency, through the agency's FSIO, in such form
19 and in such manner as the agency's FSIO may require,
20 to request to enter into an enforceable compliance agree-
21 ment containing a modification or waiver of an agency reg-
22 ulation of the agency or the Federal statute under which
23 the agency has rulemaking authority with respect to—

24 (1) the person; or

1 (2) a financial innovation the person offers or
2 intends to offer.

3 (b) CONTENTS.—In a petition submitted under this
4 section, the person shall—

5 (1) identify any requirement under which the
6 agency has rulemaking authority or the agency regu-
7 lation of the agency for which the person is request-
8 ing a modification or waiver;

9 (2) explain why such modification or waiver is
10 essential to the operation of the person;

11 (3) submit an alternative compliance strategy
12 that proposes a method to comply with such require-
13 ment or agency regulation;

14 (4) demonstrate that under the alternative com-
15 pliance strategy, the financial innovation—

16 (A) would serve the public interest;

17 (B) improves consumer access to a finan-
18 cial product or service;

19 (C) would not present a national security
20 risk to the United States;

21 (D) would meet the purposes of anti-money
22 laundering and countering the financing of ter-
23 rorism obligations under the Bank Secrecy Act;

24 (E) would not present systemic risk to the
25 United States financial system; and

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1 (F) would promote consumer protection;
2 (5) provide a detailed business plan; and
3 (6) propose a date on which an enforceable
4 compliance agreement would terminate and explain
5 why such termination date would be appropriate.

6 (c) MULTIPARTY PETITIONS.—One or more persons
7 that offer or intend to offer similar financial innovations
8 may jointly submit a petition under this section.

9 (d) NOTICE AND COMMENT.—

10 (1) IN GENERAL.—Not later than 30 days after
11 receiving a petition, the agency that receives the pe-
12 tition shall publish the petition in the Federal Reg-
13 ister and provide a 60-day period for public notice
14 and comment.

15 (2) EXCEPTION FOR NOTICE AND COMMENT PE-
16 RIOD.—The agency that receives the petition may
17 waive the notice and comment period described in
18 paragraph (1) if such agency determines that the
19 person submitting the petition is similarly situated
20 to another person that has been granted approval of
21 a petition pursuant to section 7.

22 (3) CONFIDENTIALITY.—The agency shall
23 maintain the confidentiality of any nonpublicly avail-
24 able data or information in any petition submitted
25 under this section. The agency shall give reasonable

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1 consideration to maintaining the confidentiality of
2 data or information identified by the person in the
3 petition submitted under this section.

4 **SEC. 7. AGENCY DETERMINATION OF PETITION.**

5 (a) IN GENERAL.—Not later than 30 days after the
6 end of the comment period described under section 6 (or
7 if the comment period was waived, not later than 90 days
8 after receipt of a petition under section 6), the head of
9 the agency receiving the petition shall complete a review
10 of the petition and notify the person who submitted the
11 petition, in writing, of the agency's determination of the
12 petition.

13 (b) APPROVAL OF PETITION.—

14 (1) IN GENERAL.—An agency shall approve a
15 petition if the agency has determined that—

16 (A) the alternative compliance strategy
17 proposed by the person in the petition satisfies
18 the requirements described in section 6(b)(4);
19 and

20 (B) the person who submitted the petition
21 has, with respect to the financial innovation the
22 person offers or intends to offer, sufficiently
23 identified—

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1 (i) the regulations and Federal stat-
 2 utes of which the person is seeking waiver
 3 or modification; and

4 (ii) other applicable regulations and
 5 Federal statutes with which the person in-
 6 tends to comply.

7 (2) NOTIFICATION TO STATE REGULATORY
 8 AGENCIES.—If an agency approves a petition, the
 9 agency shall, with respect to each State regulatory
 10 agency with jurisdiction over the person who sub-
 11 mitted the petition or the financial innovation about
 12 which the person submitted the petition—

13 (A) notify such State regulatory agency
 14 that the agency has approved the petition; and

15 (B) provide such State regulatory agency
 16 information about the terms of the enforceable
 17 compliance agreement entered into between the
 18 person and the agency.

19 (c) DISAPPROVAL OF PETITION.—

20 (1) IN GENERAL.—An agency may disapprove a
 21 petition if the agency has determined that—

22 (A) the alternative compliance strategy
 23 proposed by the person in the petition does not
 24 satisfy the requirements described in section
 25 6(b)(4); or

1 (B) the person who submitted the petition
2 has not, with respect to the financial innovation
3 the person offers or intends to offer, sufficiently
4 identified—

5 (i) the regulations and Federal stat-
6 utes of which the person is seeking waiver
7 or modification; and

8 (ii) other applicable regulations and
9 Federal statutes with which the person in-
10 tends to comply.

11 (2) WRITTEN NOTICE REQUIRED.—If an agency
12 disapproves a petition the agency shall provide the
13 person who submitted the petition with a written no-
14 tice explaining the reason for such disapproval and
15 such written notice shall include a description of—

16 (A) any benefits of disapproving the peti-
17 tion, including an identification of persons likely
18 to benefit from the disapproval of the petition;

19 (B) any costs, including potential costs, of
20 disapproving the petition, including an identi-
21 fication of persons likely to bear the costs asso-
22 ciated with the disapproval of the petition; and

23 (C) the baseline used by the agency to de-
24 termine the likely economic consequences of dis-
25 approving the petition.

1 (d) RESUBMITTAL.—Receipt of a notice of dis-
 2 approval of a petition under this subsection shall not pre-
 3 clude a person from revising and resubmitting such peti-
 4 tion to the agency under section 6.

5 (e) JUDICIAL REVIEW.—A person may seek judicial
 6 review of an agency’s determination on a petition in ac-
 7 cordance with subchapter II of chapter 5 of title 5, United
 8 States Code, and chapter 7 of such title (commonly known
 9 as the “Administrative Procedure Act”).

10 **SEC. 8. ENFORCEABLE COMPLIANCE AGREEMENT.**

11 (a) IN GENERAL.—If an agency approves a petition
 12 under section 7, the person who submitted such petition
 13 shall enter into an enforceable compliance agreement with
 14 such agency, which shall include—

15 (1) the terms under which the approved finan-
 16 cial innovation may be developed or offered to the
 17 public; and

18 (2) any requirements of the person and such
 19 agency with respect to the financial innovation.

20 (b) REQUIREMENTS.—Each agency, by rule, shall es-
 21 tablish requirements relating to enforceable compliance
 22 agreements that include—

23 (1) procedures for modifying the terms of the
 24 agreement;

1 (2) consequences for failure to comply with the
2 terms of the agreement;

3 (3) a compliance examination process that—

4 (A) solicits feedback from other agencies
5 on the agreement; and

6 (B) occurs not less frequently than annu-
7 ally;

8 (4) a termination date for the agreement that
9 is at least 1 year and not more than 3 years after
10 the date on which the agreement is entered into;

11 (5) procedures and standards for extending the
12 termination date, including procedures and stand-
13 ards for evaluating the effectiveness of the agree-
14 ment; and

15 (6) procedures for maintaining the confiden-
16 tiality of any information disclosed to the agency
17 during the process of drafting and entering into
18 agreement.

19 (c) JOINING OF AGREEMENT BY ADDITIONAL AGEN-
20 CIES.—With respect to a financial innovation that is the
21 subject of an enforceable compliance agreement entered
22 into under this section, an agency that did not enter into
23 such enforceable compliance agreement may join as a
24 party to the enforceable compliance agreement entered
25 into pursuant to this section.

1 (d) ENFORCEMENT ACTIONS BY NON-PARTY AGEN-
2 CIES.—An agency that is not a party to an enforceable
3 compliance agreement entered into under this section—

4 (1) may not attempt to enforce, against the
5 person who is party to the enforceable compliance
6 agreement, any regulation or Federal statute modi-
7 fied or waived by the enforceable compliance agree-
8 ment; and

9 (2) may continue to enforce, against the person
10 who is party to the enforceable compliance agree-
11 ment, any regulation or Federal law over which the
12 agency has enforcement authority that has not been
13 modified or waived by the enforceable compliance
14 agreement.

15 (e) ARBITRATION.—A person who is party to the en-
16 forceable compliance agreement may elect to arbitrate any
17 action initiated by another person relating to a financial
18 innovation that is the subject of the enforceable compli-
19 ance agreement.

20 (f) RULE OF CONSTRUCTION.—Nothing in this Act
21 shall be construed to limit the ability of an agency to en-
22 force the requirements of an enforceable compliance agree-
23 ment entered into under this Act.

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1 SEC. 9. REPORT TO CONGRESS.

2 Not later than 1 year after the date of the enactment
3 of this Act, and annually thereafter, the Financial Sta-
4 bility Oversight Council shall submit to the Congress a
5 report on the aggregate impact of enforceable compliance
6 agreements entered into under this Act, which shall in-
7 clude—

8 (1) the number and characteristics of the agree-
9 ments;

10 (2) the most innovative and least burdensome
11 tools that the agencies' FSIOs have implemented to
12 allow a financial innovation that is the subject of an
13 enforceable compliance agreement to be offered;

14 (3) strategies implemented to coordinate and
15 facilitate cooperation among FSIOs;

16 (4) the existing Federal laws, regulations, or
17 practices that the Financial Stability Oversight
18 Council identifies as the most burdensome to innova-
19 tion that adversely affect competition in the financial
20 services industry, or that restrict improvements for
21 consumers of financial products or services; and

22 (5) an identification of the overlap or frag-
23 mentation of agency regulations of financial prod-
24 ucts or services and recommendations for reducing,
25 consolidating, or eliminating such overlap or frag-
26 mentation.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the clarification and modernization of certain guidance relating
to model risk management, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the clarification and modernization of certain
guidance relating to model risk management, and for
other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Model Risk Manage-
5 ment Modernization Act”.

1 **SEC. 2. MODERNIZATION OF GUIDANCE RELATING TO**
2 **MODEL RISK MANAGEMENT.**

3 (a) REVIEW AND CLARIFICATION.—Not later than 1
4 year after the date of the enactment of this Act, the pru-
5 dential regulators shall clarify model risk management
6 guidance with respect to models making substantial use
7 of artificial intelligence by issuing or revising guidance, as
8 appropriate, based on the considerations described in sub-
9 section (c) and such other considerations as the prudential
10 regulators determine appropriate.

11 (b) NOTICE AND COMMENT.—In the case of the guid-
12 ance issued or revised pursuant to subsection (a), the pru-
13 dential regulators shall provide a notice and comment pro-
14 cedure for a proposed rule under section 553 of title 5,
15 United States Code.

16 (c) CONSIDERATIONS.—

17 (1) SCOPING.—For purposes of appropriately
18 scoping the guidance issued or revised under sub-
19 section (a), with respect to models making substan-
20 tial use of artificial intelligence, the prudential regu-
21 lators shall consider the following:

22 (A) CLASSES OF AI.—Any material distinc-
23 tions between and among classes of artificial in-
24 telligence methodologies and technologies, in-
25 cluding—

1 (i) AI architectures, including deep
 2 learning, neural network, and rule-based
 3 architectures;

4 (ii) training paradigms, including su-
 5 pervised, unsupervised, and reinforcement
 6 learning (including reinforcement learning
 7 with human feedback);

8 (iii) system types, including retrieval
 9 augmented generation, agentie, and multi-
 10 agent systems;

11 (iv) output types, including quan-
 12 titative and qualitative outputs; and

13 (v) capabilities, including generative
 14 and predictive capabilities.

15 (B) APPLICATIONS.—How artificial intel-
 16 ligence is applied in connection with such mod-
 17 els, including—

18 (i) whether and to what extent the ar-
 19 tificial intelligence is used in connection
 20 with model design, model inputs, model
 21 processing, generation of model outputs,
 22 interpretation of model outputs, model val-
 23 idation, and model governance;

24 (ii) whether and to what extent the
 25 artificial intelligence or the model is de-

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1 signed, developed, provided, or maintained
2 by a third-party; and

3 (iii) how such models are used in con-
4 nection with the functions and operations
5 of an institution.

6 (C) BENEFITS.—The benefits afforded by
7 such models, including whether and to what ex-
8 tent the use of such models offers benefits re-
9 lated to regulatory compliance, risk assessment
10 and mitigation, access to financial products and
11 services, reducing the costs of financial prod-
12 ucts and services, enhancing the functionality
13 or quality of financial products and services,
14 and enhancing forecasts, analysis, strategy, and
15 decision-making.

16 (D) RISKS.—The risks posed by such mod-
17 els, including whether and to what extent the
18 use of such models poses risks related to con-
19 sumer protection, data security, institutional re-
20 silience, systemic risk, safety and soundness of
21 the institution, and financial stability.

22 (2) TAILORING.—For purposes of appropriately
23 tailoring the guidance issued or revised under sub-
24 section (a), based on the factors identified under
25 paragraph (1), the prudential regulators shall con-

sider, with respect to models making substantial use
of artificial intelligence, the following:

(A) EXCEPTIONS.—Whether to exempt
under such guidance certain low-risk applica-
tions of artificial intelligence in relation to such
models.

(B) MODULATION AND CALIBRATION.—
How to appropriately modulate and calibrate
such guidance, including with respect to—

(i) thresholds for acceptable levels of
error;

(ii) the frequency of ongoing moni-
toring, testing, and policy updates;

(iii) the frequency and independence
of validation, stress testing, and sensitivity
analysis;

(iv) the necessity of model adjust-
ment, recalibration, or redevelopment in
relation to error thresholds;

(v) the rejection, or degree of limita-
tion, of an application of such models;

(vi) the degree and nature of compen-
sating controls, including, where applica-
ble, model challenges, understanding and
accounting for model uncertainty, output

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1 supplementation and de-emphasis, capital
2 cushions, and systems and processes re-
3 lated to the expert and interpretive judg-
4 ment of users;

5 (vii) the degree and nature of report-
6 ing and documentation, including of any
7 model deficiencies, assumptions, and limi-
8 tations; and

9 (viii) the degree and nature of govern-
10 ance oversight.

11 (C) OBLIGATIONS.—Third-party risk man-
12 agement obligations, including with respect to—

13 (i) vendor selection and due diligence;
14 (ii) responsibility for testing, valida-
15 tion, monitoring, documentation, and re-
16 porting;

17 (iii) the ability to rely on representa-
18 tions of a vendor;

19 (iv) contingency planning; and

20 (v) implementation of compensating
21 controls.

22 (D) RISK REDUCTION.—Regulatory prin-
23 ciples that prioritize outcomes that reduce net
24 risk.

1 (d) VALIDATION.—Unless otherwise required by ap-
2 plicable Federal law, the prudential regulators shall not
3 treat explainability of a model making substantial use of
4 artificial intelligence as a prerequisite to use of such model
5 where such use is otherwise consistent with the guidance
6 issued or revised under subsection (a), including by means
7 of appropriate validation (including output- and outcome-
8 based validation) and compensating controls.

9 (e) DEFINITIONS.—In this section:

10 (1) ARTIFICIAL INTELLIGENCE.—The terms
11 “artificial intelligence” and “AI” have the meaning
12 given the term “artificial intelligence” in section
13 5002 of the National Artificial Intelligence Initiative
14 Act of 2020 (15 U.S.C. 9401).

15 (2) PRUDENTIAL REGULATORS.—The term
16 “prudential regulators” means the Board of Gov-
17 ernors of the Federal Reserve System, the Office of
18 the Comptroller of the Currency, the Federal De-
19 posit Insurance Corporation, and the National Cred-
20 it Union Administration.