

Earned Wage Access Explained

What is Earned Wage Access?

Earned Wage Access (EWA) is an on-demand payment product that allows workers to tap into their wages as they earn them rather than waiting on scheduled pay periods, which may be as infrequent as monthly. At a time when [61% of Americans](#) are living paycheck to paycheck, EWA gives workers a powerful tool to take control of their pay cycle. Access to already-earned wages helps workers weather short-term financial shocks and manage bills like utilities, rent, or car payments. [Eight in 10 EWA users](#) feel those services are the best option to manage their spending and attest that their lives have improved since using the service. Users find many benefits from EWA, "particularly relative to other options that they would use to pay their bills and cover emergency situations while facing liquidity challenges," such as payday loans or high-cost credit, according to a recent [Financial Health Network study](#).

Is EWA credit?

EWA is not a form of credit. Unlike traditional credit products or predatory payday loans, EWA is nonrecourse, meaning users do not face lawsuits or debt collection in the event of nonpayment. Companies pause service until users can repay — it's as simple as that. Earned Wage Access products have **no late fees, no interest rates, and no impact on credit scores**. EWA providers monetize in different ways — with expedited transfer fees, tips, or membership fees — but **always offer a no-cost option**. Even users of EWA do not view it as credit; they see it as access to their wages. In the words of one user interviewed by the [Financial Health Network](#), "I believe [EWA] is different from a loan. A loan gives me access to something I need to earn in the future. EWA gives me access to something I've already earned."

How is EWA regulated?

EWA providers follow applicable consumer protection laws at the state and federal levels. As a financial product, EWA is regulated by the [Federal Trade Commission's Unfair Deceptive and Abusive Practices \(UDAP\) statute](#), the [Consumer Financial Protection Bureau's Unfair, Deceptive, or Abusive Acts or Practices \(UDAAP\) guidance](#), and state-relevant UDAP laws to ensure the product is offered and serviced in a fair, transparent, and lawful manner.

The Consumer Financial Protection Bureau (CFPB) has issued guidance and a rule relating to the treatment of EWA, and several states, including Arizona, Missouri, Montana, and Nevada, have enacted legislation and issued regulations and opinions to govern EWA as a non-credit product. At the same time, California and Connecticut have moved to categorize EWA as a loan, leading to confusion and uncertainty for the industry and EWA users. Such lending determinations could cause EWA providers to leave these states, hurting users by limiting financial choice and competition.

- **2017:** The CFPB's [payday rule](#) expressly excludes EWA products from the definition of a payday loan.

- **2020:** The CFPB issues an [Advisory Opinion](#) that certain EWA products are not credit.
- **December 2022:** The [Arizona](#) Attorney General issues an opinion that EWA products should not be considered consumer loans.
- **June 2023:** [Nevada](#) enacts a first-in-the-nation law defining EWA as a non-credit service and establishing important consumer protections.
- **August 2023:** [Missouri](#) enacts legislation establishing a framework to license and regulate EWA.
- **August 2023:** The [Maryland](#) Office of Financial Regulation publishes guidance on EWA and invites dialogue with providers.
- **September 2023:** The [Connecticut](#) Department of Banking classifies EWA as a loan.
- **November 2023:** The [California](#) Department of Financial Protection and Innovation moves to categorize EWA as a loan but exempts it from lending laws.
- **November 2023:** CFPB Director Rohit Chopra [indicates](#) in congressional testimony that he intends to update the 2020 earned wage access advisory opinion.
- **December 2023:** The [Montana](#) Attorney General determines that EWA products should not be considered consumer loans.

What's the future of EWA regulation?

Consumers are having [positive experiences with EWA](#) and would like to continue using these services. That's why the Financial Technology Association (FTA) welcomes federal legislation defining EWA as a non-credit product, establishing a licensing regime for EWA products, and providing certainty for the millions of employers and workers who rely on these tools. While there are different EWA business models – some are direct to consumer, and some are direct to the employer – lawmakers should take a model-agnostic approach to ensure that Americans can access their earned wages, regardless of who employs them. FTA endorses the consumer protections codified in [Nevada](#) and [Missouri](#) – defining EWA as non-recourse, requiring fee transparency, and not disclosing EWA to credit bureaus – and urges federal legislators to take the same approach.

Resources

- Earnin: [Everything You Need To Know About Earned Wage Access](#)
- Financial Health Network: [Exploring Earned Wage Access as a Liquidity Solution](#)
- Financial Technology Association: [Just the Facts on Earned Wage Access](#)
- FTI Consulting: [Direct to Consumer Earned Wage Access Survey Key Findings](#)
- Troutman Pepper: [A Deep Dive into Earned Wage Access](#)

ABOUT US

The Financial Technology Association (FTA) is a Washington, DC-based trade association representing industry leaders shaping the future of finance. We champion the power of technology-centered financial services and advocate for the modernization of financial regulation to support inclusion and responsible innovation.