



State of Connecticut
Department of Banking



National Conference of Insurance Legislators
April 13, 2024
Earned Wage Advances

Connecticut Department of Banking Offices at 260 Constitution Plaza, Hartford



Connecticut's Small Loan and Related Activities Act

- **Allows lenders to exceed the state's 12% usury cap if they are licensed by the Department, adhere to statutory requirements, and refrain from receiving finance charges from consumers that result in Annual Percentage Rates (APR) of more than 36%.**
- **The Act requires licensure for companies that make, offer, or service any loan of money or extension of credit, or the purchase of, or an advance of money on, a borrower's future potential source of money, including, but not limited to, future pay, salary, pension income or a tax refund**



Connecticut's Small Loan and Related Activities Act

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- **Licensure is required if:**

the amount or value is fifty thousand dollars or less, and

the APR is greater than twelve per cent.

Some companies offering “earned wage access” advances that meet these criteria above are covered by the Act. Advances (including earned wage access advances) have been covered by the Act since 2016.



Connecticut Public Act 23-126

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- **P.A. 23-126 revised the Act so that tips, subscription fees, and expedited transfer fees are now treated as “finance charges” when calculating the APR on a loan or advance.**
 - **As a result of this legislative change, (which applies to many types of small loans and advances, including peer-to-peer lending and earned wage access advances), companies that only accept tips or charge subscription or expedited transfer fees are now covered by the Act if the APR on their loans or advances is greater than 12%**
 - **On September 11, 2023 the Department issued industry guidance on this matter.**
 - **Some companies that had not been covered by the Act prior to prior to P.A. 23-126 had routinely imposed finance charges on Connecticut consumers resulting in APR’s exceeding 300%.**
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EWA
**The need for
oversight**

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- **EarnIn recently settled a class action lawsuit brought against it by consumers who incurred at least one overdraft fee or insufficient funds fee charged by a bank. The federal court order approving the settlement required Earnin to provide \$3 million in monetary relief to consumers and forgive \$9.5 million. Perks, et al., v. ActiveHours, Inc, (dba EarnIn) 19-cv-05543**
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EWA **The need for oversight**

- In addition, an earned wage access provider operating a direct-to-consumer model similar to EarnIn's was recently ordered to pay \$18 million in refunds to resolve an [enforcement action filed against it by the Federal Trade Commission \(FTC\)](#) for unfair and deceptive practices that harmed consumers. In an order dated November 8, 2023, a federal court prohibited the provider from further misleading consumers about earned wage access cash advances and associated fees. The order also prohibits the provider from trapping consumers without providing a simple way to cancel and avoid fees.

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**Thank You
NCOIL**

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- **Thank you NCOIL for hosting this discussion on a very important topic**

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