

Earned Wage Access: NCOIL Spring Meeting

April 13, 2024

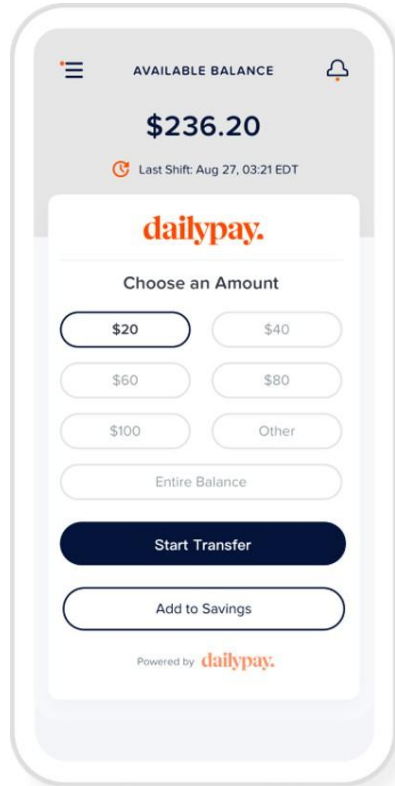
dailypay.

What is earned wage access (EWA)?

Employers can offer workers the ability to access some or all of the net pay they have earned to date, within a given pay period

A third-party EWA provider partners with an employer to offer this voluntary service

Also called “on-demand pay”



How does EWA work?

An EWA Vendor (like DailyPay) integrates with an employer's time and attendance system



The EWA Vendor keeps a running tab of net income that all employees have earned and can access during a pay period



An Employee chooses to take access to pay already earned at one or more points during the pay period, disbursing their earned wages into a bank account or other destination



The EWA Vendor tracks the employee's wages that remain at the end of the pay period; paycheck reduced accordingly

Companies run payroll on their schedule. EWA gives employees flexibility to access their earned pay when they need it

Payroll is Periodic: 2 in 3 people are paid only once or twice a month. EWA empowers employees to manage their cash flow to cover everyday essentials and unexpected expenses before payday



11%

of companies
run payroll
monthly



36%

of companies
run payroll
biweekly



32%

of companies
run payroll
weekly

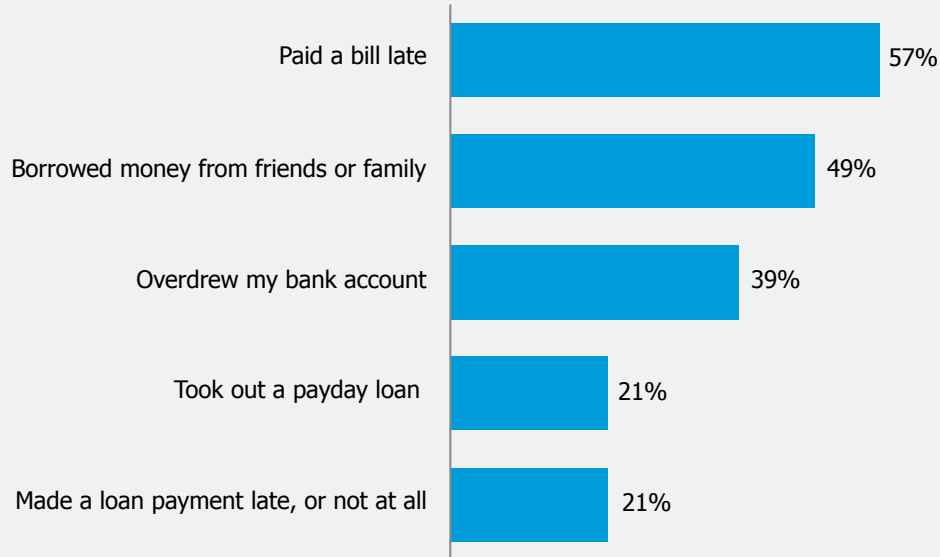


≈0%

of companies
run payroll
daily

Strategies *before* using DailyPay

Q. Did you do any of the following before you used DailyPay?



Source: Aite-Novarica Group / DailyPay survey of 1,114 DailyPay customers, May 2021

This population is historically much more reliant on expensive alternatives than the average population.

General population context:

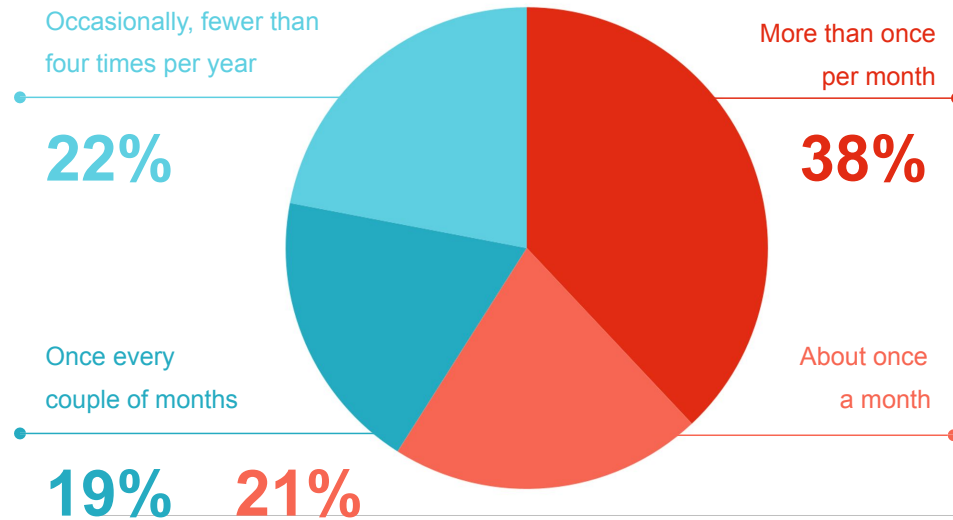
- **9%** of all accounts are overdrawn more than ten times annually;
(Source: CFPB)
- About **5%** of all consumers have been payday borrowers in the last 5 years
(Source: Pew)

Heavy reliance on expensive alternative strategies and predatory financial products *prior* to DailyPay.

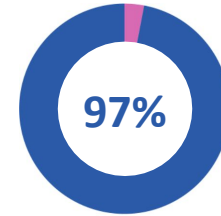
DailyPay is an Overdraft Fee Eliminator:

BEFORE

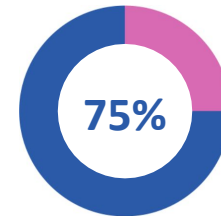
Before you began using DailyPay, about how often did you overdraw your bank account?



AFTER



Overdraw their account rarely/never (79%) or less (18%)



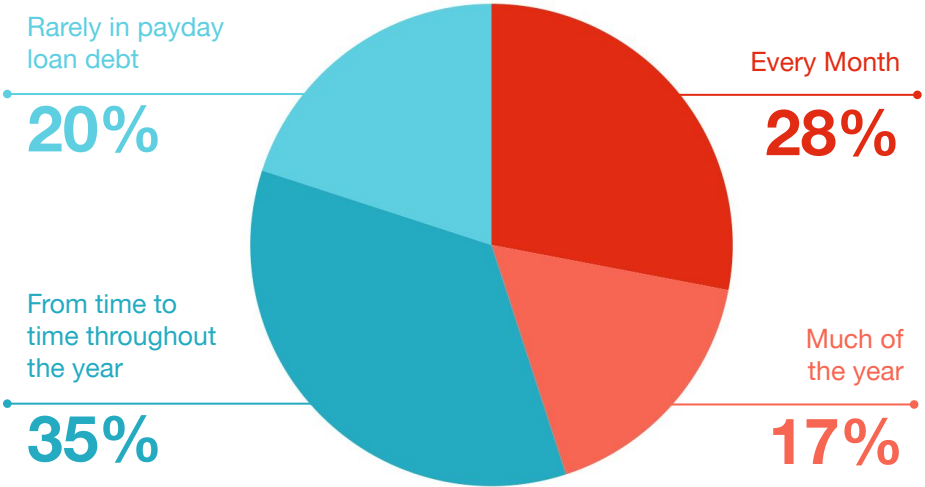
Attribute use of DailyPay for this change



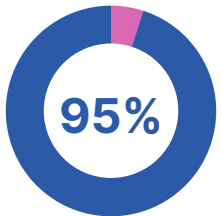
AITE estimated that customers who previously overdrew their bank account twice per month that switch to EWA will save **\$660 annually**. (Assumes 2 overdrafts per month replaced by weekly \$2.99 EWA transaction)

DailyPay is an Payday Loan Killer:

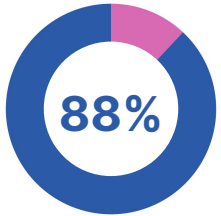
Before you began using DailyPay, what best describes how frequently you were in payday loan debt?



AFTER



Stopped using payday loans (81%) or reduced use (15%)

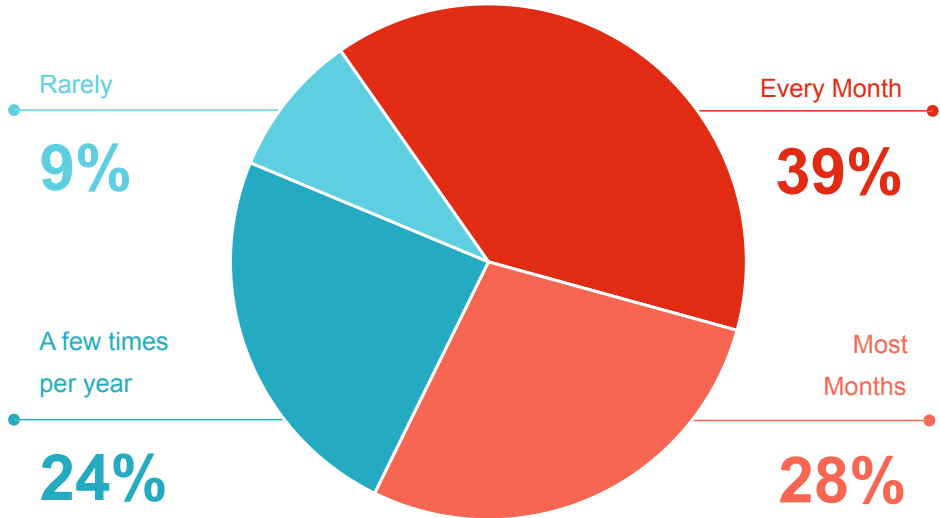


credit DailyPay for this change

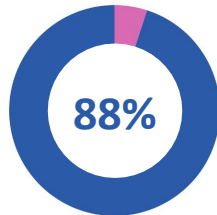
Late Bills & Missed Loan Payments:

BEFORE

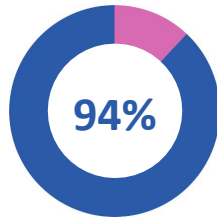
Before you began using DailyPay, about how often did you have trouble paying bills or making on-time loan payments?



AFTER



Less trouble with bills and loan payments



credit DailyPay for this change

DailyPay's Users Nationwide

970 employers¹ partner with DailyPay to provide EWA to their employees

1.6 million enrolled users

36% adoption rate nationally by the employees who work for our client partners

\$108 average transfer amount

49% of platform users make no transfers but instead access our no cost financial education and counseling services

66% of all platform users each month then **take a 3 month to 1 year break** from using our platform after making a single transfer

Data as of January 2024

Simple & Transparent Fee Structure

Employer Fee	Employee Fee		
\$0	\$0	\$0	\$2.99- \$3.49
No fee to the Employer	Standard Delivery 1-3 business days transfer to savings or checking account ¹	Instant transfer to Friday card ²	Expedited Delivery Instant transfer ³

- Two no-fee options for Employees
- Employees can *choose* to pay a small, flat, ATM-like fee for an instant transfer to a checking account
- Fees are clearly disclosed in the agreement and at the time of transfer
- No “tips”, membership fees, subscription fees, or other such fees

1 - Approximately 95% of DailyPay users in RI have access to \$0 standard delivery. 100% access coming soon.

2 - Requires setting direct deposit for regular paychecks to the Friday Card.

3 - Expedited delivery fees varies by employer. In RI – 60% have access to a \$2.99 fee, 43% have access to a \$3.49 fee.

2023 Research: DailyPay as a financial wellness tool

In 2023, an Arizent study¹ commissioned by DailyPay, surveyed employees using DailyPay on their perceived cost savings since using DailyPay.

80% of DailyPay users reported a positive influence on their financial habits.

72% of DailyPay users reported feeling more confident about managing their finances.

93% of DailyPay users check the app for their earnings to make spending decisions.

83% of DailyPay users say DailyPay helps them better understand their earned income.



¹ The Arizent study was an online survey of 10,283 active DailyPay users conducted between 8/17/23 - 8/31/23.

Positive Employer Impacts

Good for payroll



↑ Digitization of Pay
Adopting a modernized pay experience has helped clients stay ahead of market competition



↓ Time Clock Corrections
DailyPay has proven to improve time clock compliance for our partners by an average of **15% - 30%**



↓ Paper Checks
DailyPay partners see a 40% reduction in paper checks

Good for the business



↓ Turnover
DailyPay partners see **45% average reduction** in turnover among DailyPay users vs. non-users



↑ Recruiting
Our partners **fill open positions** in half the time (**52% faster**).



↑ Engagement
Employees are **3x more likely to pick up additional shifts** with DailyPay.



↓ Absenteeism
Data shows that DailyPay users **no call/no show 38% less than non-DailyPay users**

Public Policy History

State Legislative and Regulatory Activity:

- 2017 - CFPB Explicitly Excludes EWA from Payday Lending Rule
- 2019 - 2020 First State Bills
- 2020 - Industry Advisory Opinion
- 2021 - CA DFPI MOUs
- 2022 - ALEC passage of a model bill
- 2023 - CSG Model bill adopted based on NV bill
- EWA Licensing Laws Passed:
 - [Nevada Law](#), Signed, June 2023; Senate (20-1); Assembly (35-7)
 - [Missouri Law](#), Signed, July 2023; Senate (27-5); House (136-1)
 - [Wisconsin Law](#), Signed, March 2024; Senate (31-1); Assembly (99-0)

State Legislative 2023-2024 Sessions:

- Bills introduced in GA, KS, MD, MA, MS, NY, NC, SC, TX, VA
- 6 States passed at least 1 House
- 2 States passed 2 Houses
- California Rulemaking: 1st Draft Nov 2021; 3rd Draft Nov 2023; Final rule expected in 2024

Strong Consumer Protections

- **Credit Invisible.** Providers may not use credit reports or credit scores to determine a user's eligibility for earned wage access services
- **Fee Disclosures.** Before entering into an agreement with a user, a provider must inform the user of his or her rights under the agreement and fully and clearly disclose all fees associated with the earned wage access services. ****This goes beyond federal Truth in Lending Act requirements: which do not require APR disclosure or any disclosure for fees under \$7 if financing \$75 or more.***
- **Mandatory Free Option.** Applicants must identify at least one option for a user to obtain the applicant's earned wage access services at no cost to the user
- **Tip Rules.** Providers who solicit tips must conspicuously disclose (1) that tips do not inure to the direct benefit of any particular employee of the provider and (2) an option for the user to select zero as a tip amount
- **Ban on Late Fees & Penalty Fees.** Providers may not impose late fees or other penalties for a user's nonpayment
- **No Sharing Fees or Tips with Employers.** Providers may not share with a user's employer any fees (including expedited delivery fees and subscription or membership fees) or tips received from or charged to a user for earned wage access services
- **Overdraft Fee Reimbursement.** A provider who seeks payment by debiting a user's bank account must reimburse the user's overdraft or non-sufficient funds fees caused by the provider in certain circumstances
- **No Debt Reporting or Collection.** Providers may not (1) report a user's nonpayment to a consumer agency or debt collector, (2) use a third party to pursue collection from a user, (3) sell or assign a user's outstanding amounts to a third-party collector or a debt buyer for collection, or (4) attempt to compel a user to pay in a civil action

Contact Information

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Appendix

Substitution Savings: Payday and Overdraft

Customers previously in **payday loan debt** every month or most of the year that switch to EWA will save:

\$624 to \$930 annually

Assumptions:

Consumer used to take out a \$300 payday loan with a \$45 fee each pay period (every 2 to 4 weeks) in each month in which they had payday loan debt

Now takes an EWA every week at a cost of \$2.99 per transfer

Customers who previously **overdrew their bank account** twice per month that switch to EWA will save:

\$660 annually

Assumptions:

Consumer used to overdraw their bank account and incur a \$34 fee twice monthly

Now takes an EWA every week at a cost of \$2.99 per transfer

General impact / savings hold true for other inferior alternatives

DailyPay Offerings

Benefits to Employees

- Access to earned but unpaid pay through direct employer integration
- Visibility into hours worked and pay earned
- Savings tool
- Free 1:1 Financial Counseling through a third party

Benefits to Employers

- Recruitment Tool
- Improvement in Employee Retention

Enterprise-Grade Data Security



Architecture

- Mandatory AES-256 encryption for data in transit and at rest
- Firewalls & Access Controls
- Cloud based servers



Certifications

- SOC 2 Type 2 compliant
- PCI-DSS certified
- ISO 27001 certified



Business Continuity

- Failover redundancy
- Disaster Recovery Planning



Reliability

- Automated nightly backups of all data
- Cloudwatch, Datadog, ElasticSearch & ScoutAPM data logging and monitoring



Closed Network

- Service never requires full SSN or online banking credentials
- No storing of debit card information on DailyPay server

Impact for Your Employees



of DailyPay users have less trouble with bills and loan payments now than they did before using DailyPay. 94% credit DailyPay for this change.¹



\$660

Annual savings estimated for frequent overdrafters due to using DailyPay.¹



of DailyPay users say the app helps them understand how much they earn daily.²



of users surveyed say DailyPay has had a positive influence on their financial habits.²

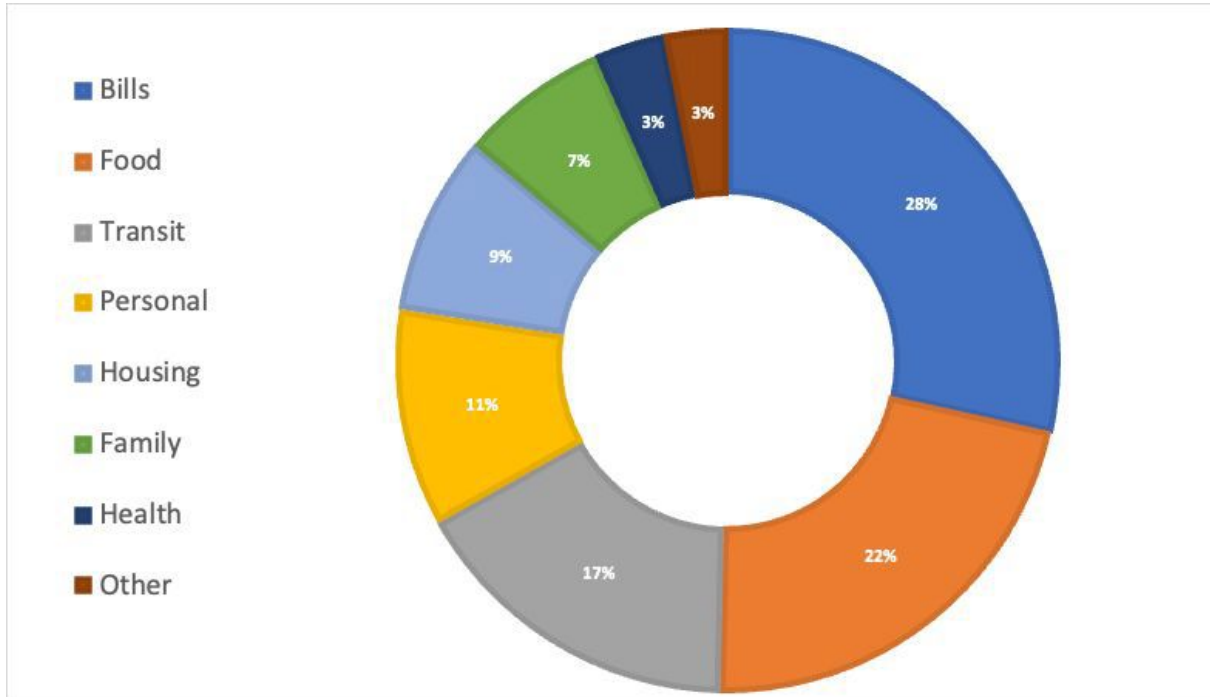
Sources:

¹[DailyPay Use and Impacts: A Summary of Consumer Survey Findings, Aite Group commissioned by DailyPay \(June 2021\)](#)

²[DailyPay Employee Experience Research, Arizent study commissioned by DailyPay, September 2023](#)

Typical Employee Usage

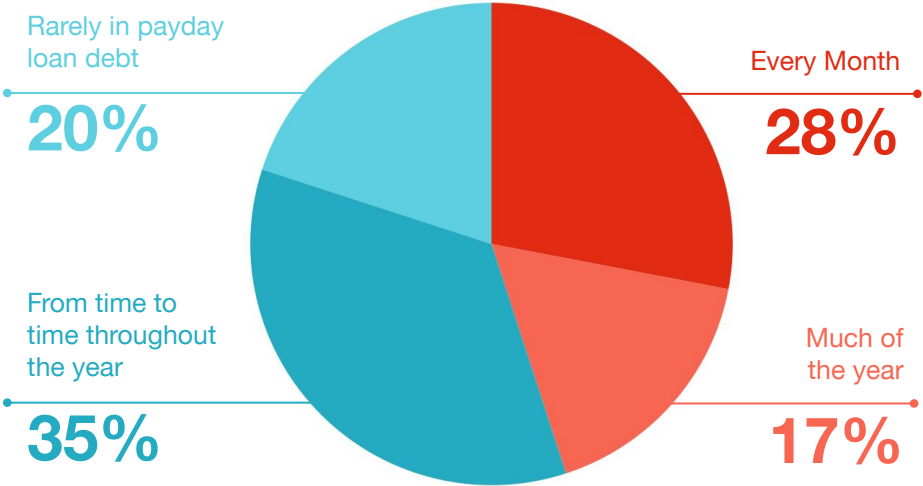
Users are accessing their pay to pay for important everyday essentials



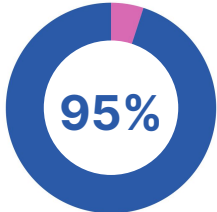
1 DailyPay User Data May 2022- May 2023.. Transfer reasons as reported by users with approx 10% of users reporting. Fractions of percentages are rounded to the nearest whole number)

DailyPay is an Payday Loan Killer:

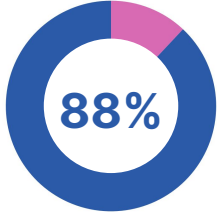
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Stopped using payday loans (81%) or reduced use (15%)



credit DailyPay for this change

2021 Research: DailyPay as a Substitute for Costly Alternatives

DailyPay commissioned the Aite-Novarica Group in 2021 to conduct a study of its nationwide EWA customer base. The results found that employees who use DailyPay either stop or significantly reduce their use of payday loans, overdraw their accounts less and had less trouble with bills and loans payments.

95% of users stopped using payday loans (81%) or reduced use (15%) after using DailyPay

88% attribute this change in the use of payday loans to DailyPay

97% overdraw their account rarely/never (79%) or less (18%) after using DailyPay

75% attribute this change in the use of overdrafts to DailyPay

88% had less trouble with bills and loan payments after using DailyPay

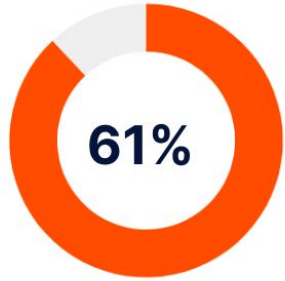
94% attribute this change in ability to make bill/loan payments to DailyPay



See Leslie Parrish, Aite-Novarica, *DailyPay Use and Impacts: A Summary of Survey Findings* (Aug. 2021), available at <https://www.dailypay.com/wp-content/uploads/daily-pay-use-and-outcomes-aite-report.pdf>. Aite-Novarica is a widely respected data research company that partners with clients in many industries to provide market insights.

Confidential Treatment Requested

Why Do Employees Need DailyPay?



Americans are living paycheck to paycheck.¹



8 in 10 consumers earning less than \$50,000 a year are unable to cover their future bills until their next paycheck arrives.¹



4 in 10 high-income Americans earning more than \$100,000 say they're in the same position.¹

Populations including under or unbanked people, recent immigrants, low income, and recent grads have resorted to predatory payday loans in their times of need.

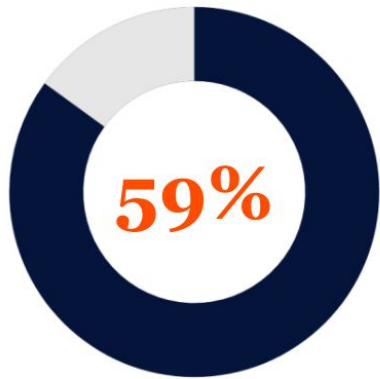
DailyPay not only is a payday loan killer but provides a better way for all to pay bills on time with transparent, low-cost/no-fee options and is accessible to all.

Sources:

¹[More than 60% of Americans are living paycheck to paycheck](#), CBS News August 2023

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Accessing Pay Leads to More Financial Responsibility, Not Less



Team members use DailyPay to pay for their bills, transit and food

DailyPay helped reduce my financial stress



My opinion of my employer has improved since they began using DailyPay



DailyPay helps me to avoid late or overdraft fees



DailyPay has helped me plan for the future and pay my regular bills on time



DailyPay helped me gain better control over my finances



Source: DailyPay User data across all sectors 2022 and DailyPay User Survey November 2022