



Earned wage advances (EWA) are a form of payday loan—an advance on future pay not yet due, repaid on payday. The Consumer Financial Protection Bureau (CFPB) recently explained that these advances are credit, and their various costs, even if purportedly voluntary, are finance charges. These and similar app-based cash advances are balloon-payment loans that lead to a similar cycle of reborrowing and mounting costs.

**CYCLE OF DEBT.** A worker who cannot afford an expense from this week's pay and borrows from next week's will have a hole, triggering another loan. Most workers who use EWAs do so nearly every pay period – the California Department of Financial Protection and Innovation (DFPI) found workers who use EWA used them an [average of 9 times per quarter](#) (36 times a year) and as high as 25 times per quarter (100 times per year).

**COSTLY & DECEPTIVE.** EWAs [average over 300% APR in California](#) but disclose 0% APR or no APR at all. Despite claims that EWAs can be free and that fees are voluntary, most people pay expedite fees and/or so-called “tips.” DFPI found “multiple strategies that lenders use to make tips almost as certain as required fees,” with lenders receiving tips 73% of the time. Similarly, the CFPB [found](#) that when employers do not cover the cost, and few do, roughly 90% of workers paid at least one fee.

**INCREASED OVERDRAFT FEES & PAYDAY LOAN USE.** A [recent study](#) found that after consumers started using cash advance apps, overdraft fees increased by an average of 67%; among those who also used payday loans, 58% took out more payday loans in the year following their first EWA loan. Researchers noted an extreme example of this: “one individual in California saw the number of payday loans increase from six in the year before their initial EWA advance to 52 in the year following initial EWA use, which drained an additional \$1,996.61 in fees from their bank account.”

**POTENTIAL INDUSTRY ACTION COMING TO CA IN 2025.** While recent [DFPI rules](#) pose no limits on the EWA business models, the fact that EWA loans are still defined as loans means industry may still push California to exempt their products from even that common sense definition.

**WITH CHANGE IN FEDERAL PRIORITIES, CA WORKERS NEED STATE PROTECTIONS.** With a new administration in Washington D.C., [proposed federal protections](#) may be reversed. So states like California with a proud tradition of protecting workers must make clear that:

1. EWAs are loans;
2. Workers should not pay to be paid;
3. Cash advance providers must comply with existing California fee caps.

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