



Innovative Payments Association

777 6th Street, 11th Floor
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202.548.7200

December 15, 2020

The Honorable Gordon M. Johnson
New Jersey State Assemblyman
545 Cedar Lane
Teaneck, NJ 07666

RE: The IPA Supports [A3450](#)

Dear Assemblyman Johnson,

The Innovative Payments Association (IPA)¹ is writing today to express our support for A3450, which would establish a legal and consumer protection framework for earned income access (EIA) in New Jersey. EIA services satisfy a legitimate and critical need in the marketplace for wage access by providing benefits for both businesses and workers. The IPA believes this forward-thinking legislation would be positive for both workers, employers, and EIA providers by creating the certainty EIA providers need in order to offer their vital services in the State of New Jersey, while also ensuring that consumers are protected.

Workers Need Faster Access to Their Earned Income

American businesses generally pay their workers in arrears—usually on a bi-weekly schedule. Millions of American workers living paycheck-to-paycheck must often borrow to manage financial pressures before their next wage payment arrives.

EIA services allow workers to gain faster access to their earned income without disrupting payroll processing, therefore saving workers some or all of the cost associated with living paycheck-to-paycheck.

The IPA believes that, in addition to alleviating some or all of the liquidity constraints and costs faced by workers between paychecks, EIA services are good for businesses in New Jersey as well. Numerous studies² have found that employees who have access to their earned income

¹ The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses and governments at all levels. The IPA's goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.

² See Todd Baker and Snigdha Kumar, *The Power of the Salary Link: Assessing the Benefits of Employer-Sponsored FinTech Liquidity and Credit Solutions for Low-Wage Working Americans and their Employers*, M-RCBG Associate Working Paper Series No. 88 (May 2018), available at https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/working_papers/88_final.pdf (last accessed Nov. 13, 2020); also Center for Social Development at Washington University in St. Louis, *Workplace Financial Wellness*



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have more stability at work and are less likely to leave employment. This provides a benefit to employers in the form of reduced turnover (and a reduction in the costs associated with retention and recruitment) at little or no cost to the business.

A3450 Establishes an Appropriate Regulatory Framework for Earned Income Access

A3450 would authorize the provision of earned income access services and regulate the providers of such services. Providers may deliver earned income to consumers based upon verified earned income due to be paid to the consumer and then recoup the amount of the advance from the consumer's next scheduled payment. The bill clarifies that employers may recover earned income advances through the process of payroll deduction.

We believe that A3450 establishes appropriate consumer protection measures to ensure that New Jersey workers who choose to use these services are shielded from harm. The bill requires earned income access service providers to make appropriate disclosures to consumers and obtain consent before obtaining information about the consumer. In addition, providers must register with the New Jersey Department of Banking and Insurance.

The bill is also a pro-business measure because the availability of earned income access services will allow New Jersey companies to provide workers with a benefit they value and want which, in turn, will reduce employee turnover rates and increase corporate stability.

Finally, by establishing when earned income access services are subject to state lending regulations, A3450 clarifies the regulatory landscape for providers and employees which will promote innovative new financial products that harness the availability of capital and payments technology to improve the lives of working people in New Jersey.

The IPA and our members regularly work with policymakers, regulators, law enforcement, and merchants to identify, mitigate, and resolve consumer related issues. We welcome the opportunity to provide you and your colleagues any assistance you may require.

In closing, we appreciate and commend your leadership on this bill. In addition, the IPA appreciates the opportunity to share our views on this bill. If you have any questions or wish to discuss any issues, please contact me directly at the number listed below or at btate@ipa.org.

Respectfully submitted,

Brian Tate
President and CEO

Services: A Primer for Employers, (2017), at 10 available at <https://csd.wustl.edu/17-33/> (last accessed Nov. 13, 2020) (EWA helps employees “eliminate[] costly short-term loans” and “moderate income volatility”).



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