

FlexWage Leads Charge For EWA Regulatory Change

Five crucial regulatory recommendations ensure fairness and protection of Earned Wage Access users.



FlexWage Solutions Logo

SCOTTSDALE, ARIZONA, USA, May 3, 2023 /EINPresswire.com/ -- FlexWage

today announced five recommendations for state regulation of the Earned Wage Access (EWA) Industry. "Our objective is to help legislators ensure the EWA industry delivers safe, responsible, and scalable solutions to the citizens of their state while at the same time ensuring that new laws prevent loopholes and unintended negative consequences," said Frank Dombroski, founding CEO of FlexWage Solutions.

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As legislators grapple with how to regulate EWA, we offer five recommendations to ground legislation in a proven model that meets existing federal and state labor, lending, and money transmitter laws.”

*Frank Dombroski, Founder,
President & CEO*

“Since 2009 when we first embarked on our patented technology solution for EWA, we’ve watched the market grow to include a diverse set of vendors and models. Federal and state regulations have begun to scrutinize the many EWA solutions.” Mr. Dombroski explained. “Now, as more state legislators grapple with how to regulate this fintech solution, we offer five recommendations to ground legislation in a proven EWA model that meets existing federal and state labor, lending, and money transmitter laws.”

FlexWage believes that the following EWA model elements are required to ensure a safe, responsible, transparent, and scalable EWA solution:

1. The employer funds EWA. Employees and EWA solution vendors (Providers) should remain separate and independent of each other. An EWA solution that is funded by the employer achieves this separation. Alternatively, a licensed lender may offer a line of credit to assist the employer in funding the EWA solution.
2. Data accuracy in EWA calculations. The connection to payroll and time reporting systems ensures the accuracy of data used to calculate accrued wages at the employee level. In addition, it prevents estimations and any risk assessments by providers that may unfairly discriminate.

3. Transparent and capped EWA fees. Consumers understand and willingly pay for EWA solutions that provide instant access to funds and charge nominal transaction fees consistent with an ATM withdrawal. Charging a per transaction fee and then capping those fees per pay cycle and month (based on the frequency of usage) is the most transparent and responsible way to minimize employee fees.

4. Payroll deduction of EWA transactions. Deducting EWA transactions and any fee amounts from an employee's payroll and showing them as line-item deductions on the pay statement keeps everything fully transparent and employment centric, clearly differentiating an employer-based solution from other direct-to-consumer or hybrid options. Payroll deduction eliminates the need to either intercept employees' payroll funds or debit employee checking accounts, thus avoiding acting as money transmitters or generating employee NSF fees.

5. Real-time funding to the employee's account of choice. In some EWA models, employees are required to send EWA transfers first to a Provider-owned card or account, and then the employee can transfer the funds to their bank account for additional varying fees. This creates unnecessary and non-transparent steps and fees for the employee. EWA users should be protected from these non-transparent add-on fees with real-time EWA funding to the employee's account of choice. Providers must allow employees to instantly transfer EWA funds to their own bank account.

The factual foundation for the five recommendations is supported by existing legislation, opinions, and government reports, as listed below.

December 10, 2020 - Consumer Financial Protection Board (CFPB) Advisory Opinion

January 18, 2022 - Consumer Financial Protection Board (CFPB) Acting General Counsel Letter

February 11, 2022 - California Department of Financial Protection and Innovation (DFPI) Final Ruling OP 8206

July 15, 2022 - Kansas Office of the State Bank Commissioner (OSBC) EWA Opinion

March 8, 2023 - U.S. Government Accountability Office (GAO) Financial Technology Report

March 2023 - California Department of Financial Protection and Innovation (DFPI) EWA Data Findings

To learn more about the supporting legislation, legal opinions, and government reports, please visit <https://flexwage.com/five-crucial-recommendations-for-ewa-regulators/>

About FlexWage Solutions

FlexWage helps employers attract, engage, and retain employees with financial wellness benefit solutions. FlexWage's OnDemand Pay solution is an employer-funded, regulatory-compliant Earned Wage Access (EWA) solution. It helps employees manage cash flow volatility by accessing their earned wages between pay cycles. FlexWage prevents the high cost and stress of bank overdraft fees, late fees, and short-term loans by providing employees access to their money

when they need it. Once established on a more solid footing, employees can focus on financial education, budgeting, and planning solutions with FlexWage's Sum180 solutions. FlexWage provides financial wellness services to partner institutions and directly through employers. Founded in 2009, FlexWage invented and patented Earned Wage Access. Learn more at flexwage.com.

Frank Dombroski
FlexWage Solutions
+1 908-577-1625
[email us here](#)

Visit us on social media:
[LinkedIn](#)

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