

Connecticut Concludes FlexWage Earned Wage Access Not A Loan

FlexWage's earned wage access solution does not require state lender licensing.

SCOTTSDALE, ARIZONA, USA, January 3, 2024 /EINPresswire.com/ -- FlexWage today announced that the Connecticut

Department of Banking (CDoB) has concluded that the FlexWage Earned Wage Access (EWA) product is not a loan and does not require state licensing.



FlexWage Solutions Logo

According to the CDoB, “We...conclude that small loan company licensure will not be required by FlexWage to continue offering its earned wage access product in Connecticut on and after January 1, 2024.”



We're honored to be able to offer this vital financial wellness benefit to the employers and citizens of Connecticut.”

Carl Morris, VP Compliance at FlexWage Solutions

On September 11, 2023, the Connecticut Banking Commissioner released [Industry Guidance Regarding Public Act 23-126](#) which included “Analysis Concerning ‘Earned Wage Access’ Advances.” The analysis stated that EWA products were covered by the Connecticut Small Loan Lending and Related Activities Act and would require licensure. As stated in the guidance, “Accordingly,

transactions where monies are advanced to consumers for future wages or salary that have been earned but not yet paid, are within the statutory definition of ‘small loan’ when the amount is \$50,000 or less and the APR exceeds 12% when taking into account any amounts paid deemed to be finance charges pursuant to P.A. 23-126.”

As stated in the correspondence provided to FlexWage by the CDoB, “As we understand it, FlexWage partners with employers to assist employers in providing earned wages to employees prior to the scheduled payday for a fee paid to FlexWage. Monies paid to employees before payday are always employer-funded and never paid by FlexWage and constitute earned wages that are never repaid by the consumer to the employer or FlexWage. In this scenario, since neither FlexWage nor the employer provides a loan of money or extension of credit, or a purchase or advance of money, to a consumer, FlexWage does not make, offer, or otherwise engage in small loan activity regulated pursuant to Sections 36a-555 to 36a-573, inclusive, of the Connecticut General Statutes, as amended by Public Act 23-126.

Carl Morris, VP Compliance at FlexWage Solutions engaged with the CDoB to clarify the FlexWage EWA solution. “Some vendors, in an effort to appease funding partners and increase revenue, have created complicated EWA models that increase consumer risks. EWA ‘Done Right’ is really very easy to understand.” Mr. Morris continued, “When the EWA solution is offered as a benefit through, and funded by, the employer, there is no loan. The EWA vendor does not come between the employer and the employee. It’s a simple and elegant financial wellness benefit and we’re honored to be able to offer this vital financial wellness benefit to the employers and citizens of Connecticut.”

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. This achieves a separation and independence between the EWA consumer and the EWA solution provider.
2. Data accuracy in EWA calculations. Accurate accrued wages requires a connection to the employer’s payroll and time reporting systems.
3. Transparent and capped EWA fees. The best way to minimize consumer fees is to charge a per transaction fee and then cap those fees per pay cycle and month.
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.
5. Real-time funding to the employee’s account of choice. EWA users should be protected from 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.

Frank Dombroski, founding CEO of FlexWage Solutions said, “Our goal is to aid legislators in understanding the benefits and risks of different EWA solutions and to ensure that new laws don’t create loopholes and unanticipated bad outcomes for citizens of their state.” Mr. Dombroski further explained, “Our FlexWage EWA solution is based on five model components that deliver a safe, responsible, scalable solution that meets current federal and state labor, lending, and money transmitter laws.”

For more information, and to view the CDoB correspondence, [please click here](#).

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.

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