



April 16, 2024

House Financial Services Committee
US House of Representatives
Washington, DC 20515

Dear Representative McHenry, Ranking Member Waters, and members of the committee:

I am writing today on behalf of Consumer Reports¹ in **opposition to H.R. 7428, the “Earned Wage Access Consumer Protection Act,” and H.R. 7440, the “Financial Services Innovation Act of 2024,”** as well as the amendments in the nature of a substitute to those bills that the committee is considering. Both of these bills prioritize enabling untested innovations over instituting proper consumer safeguards. Encouraging competition and expanding access to helpful products is important, but it must not come at the cost of exposing consumers to harm.

We share the concerns other consumer groups have voiced about **H.R. 7440. The “Financial Services Innovation Act of 2024”** creates regulatory sandboxes that would allow financial companies to circumvent important consumer protection laws and regulations in the name of encouraging innovation. The legislation fails to provide adequate protections to ensure these so-called innovations are safe for consumers.

This legislation imposes an overly hasty and rubber-stamp approval process which will not provide regulators sufficient time to vet proposed products and services for risks to consumers. The committee should consider amendments to extend the timeline for agencies to review petitions to allow for thorough vetting. Companies applying to operate in the regulatory sandbox should be required to provide information detailing potential risks to consumers and steps they will take to mitigate those risks as part of the approval process. The approval standard should be raised to ensure only safe and consumer-friendly innovations are greenlighted.

Provisions allowing companies to force parties into arbitration and provisions that prevent federal and state agencies from taking enforcement actions simply by filing a petition should be removed. The legislation also provides a shield for companies to engage in potentially illegal conduct under the guise of an approved “innovation.” The committee should consider amendments to establish stricter oversight on companies offering an approved innovation by requiring ongoing monitoring and data reporting to detect any emerging consumer harms.

¹ Founded in 1936, Consumer Reports (CR) is an independent, nonprofit and nonpartisan organization that works with consumers to create a fair and just marketplace. Known for its rigorous testing and ratings of products, CR advocates for laws and company practices that put consumers first. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability. The organization surveys millions of Americans every year, reports extensively on the challenges and opportunities for today’s consumers, and provides ad-free content and tools to 6 million members across the U.S.

Blind endorsement of untested financial "innovations", without proper oversight, often leads to consumer abuses - whether it's the toxic mortgages that fueled the foreclosure crisis, discriminatory algorithms, or predatory loans designed to evade credit laws. This bill would make it easier for bad actors to exploit consumers.

H.R. 7428, the “Earned Wage Access Consumer Protection Act,” aims to provide some guardrails for earned wage access (EWA) products but raises similar concerns. The legislation preempts stronger state laws that protect consumers from attempts to circumvent state usury caps. Federal laws should set a strong floor for consumer protections, not a ceiling. While we support the requirements for providers to offer “no-cost” options, the bill still allows providers to charge fees and solicit tips and donations which could add significant costs for financially vulnerable workers.

The committee should consider amendments to provide more robust protections around dispute resolution, liability for unauthorized transfers, and data privacy and security. The bill should also be amended to remove provisions allowing providers to access a consumer’s bank account to seek repayment. These provisions could trigger overdraft fees if the timing of the withdrawal does not align with a worker’s payday. The committee should also consider amendments that would establish a clear and accessible dispute resolution process. Any process considered should include a designated point of contact and method for consumers to file disputes, a reasonable timeframe for providers to investigate and resolve disputes, and a requirement for providers to provide a written explanation of their findings and any actions taken to resolve the dispute.

The committee amendments that removed the requirement for EWA providers to comply with the Electronic Funds Transfer Act should be reinserted. This would ensure that consumers have the same rights and protections against unauthorized transactions and errors as they do with traditional financial institutions. The amendments also remove an explicit requirement for providers to promptly reimburse consumers for any overdraft or NSF fees caused by the provider's actions. This should be reincorporated into the bill along with a clear timeframe for reimbursement and a prohibition on charging consumers any additional fees related to the reimbursement process.

Thank you for your consideration. If you have any questions or would like additional information, please contact Ryan Reynolds at ryan.reynolds@consumer.org.

Sincerely,



Ryan Reynolds, Financial Policy Analyst
Consumer Reports
1101 17th St NW #500
Washington, DC 20036
ryan.reynolds@consumer.org