Survey Summary of
Earned Wage Advance and Cash Advance Apps

August 2023

Consumers are increasingly accessing small short-term loans through digital cash advance and Earned Wage Advance (EWA) online applications. Consumers can receive advance amounts up to $750 per pay period while using these apps. Some companies contract with employers to provide this product while others work directly with consumers. In the direct-to-consumer model, the advances are often marketed as "free," but providers require a variety of fees to expedite the advance and employ pressure tactics allowing them to collect fees in the form of "tips". These fees make advances very costly for consumers, with APRs averaging over 330% for some of the biggest companies.

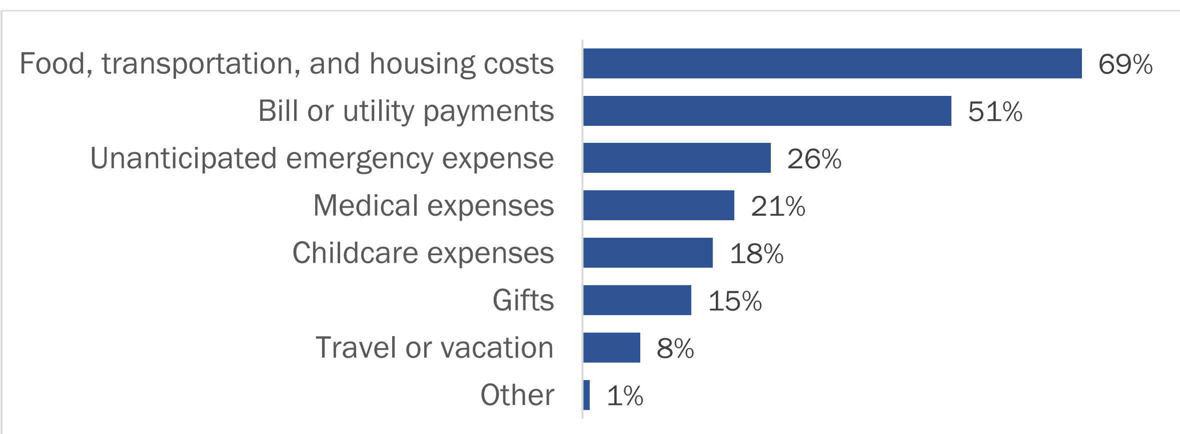
The Center for Responsible Lending conducted an online survey to better understand the usage patterns of EWA and the prevalence of tipping and expedite fees.[1] **We found that consumers are relying on EWA advances to pay for daily, recurring expenses while losing money on fees and tips.** These findings add to a growing body of evidence that suggests EWA products have additional costs and should be regulated to protect consumers.

Finding 1: Users are relying on EWA advances frequently for daily, recurring expenses.

Low-income workers are a significant customer base for EWA companies. Existing research has found that EWA consumers tend to earn less than $50,000. One survey of low-income workers receiving government benefits found that 60% used a direct-to-consumer app and the workers used multiple apps, averaging 2.45 apps used per person. The same survey found that 73% of users withdrew $100 or less, which was very similar for respondents in our survey; 63% reported $100 or less as the most common advance amount.

Most consumers in our survey reported using their EWA advance on food, transportation, housing costs (69%) or bill and utility payments (51%).

Figure 1. Uses of funds from EWA and Cash Advance Applications

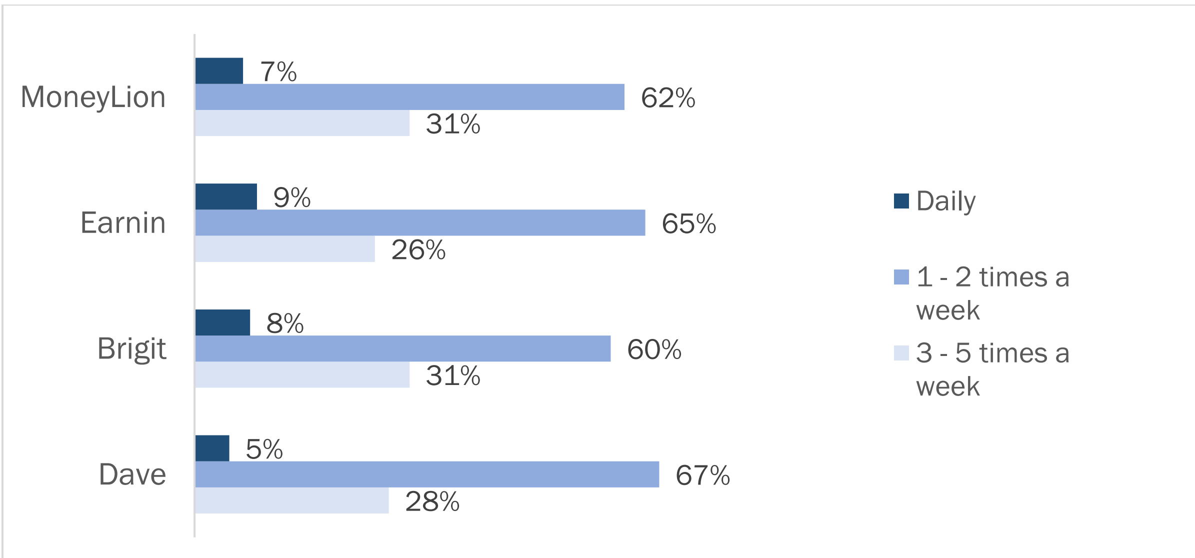


Source question: *When you receive an advance using an app, what do you most often use it for? (Select all that apply)*

[1] The Center for Responsible Lending conducted an online survey with an online polling firm between May 1 – May 5, 2023, of 300 EWA users who had taken out an advance in the past six months. Users were specifically asked about their experiences with direct-to-consumer EWA and cash advance companies.

Any advance received is debited from a consumer's bank account, making it more difficult to meet future expenses. Unable to consistently pay for daily expenses, consumers may find themselves using EWA apps more frequently. Research from the [GAO (Government Accountability Office)](#) has found users of one direct-to-consumer application used the service on average 26 to 33 times per year. Our survey found that most respondents accessed wages early one to two times a week in a typical month and 24% used more than one company regularly. Using more than one app at the same time increases the risk of shortfall upon repayment. Although consumers may not feel they are "worse off financially" over one third (39%) reported they *"feel like I must keep using the product to pay for my expenses".*

Figure 2. Frequency of EWA and Cash Advance App use by Company



Source question: *In a typical month, how often do you use [company name] to obtain a cash advance?*

Finding 2. Collection of expediting fees and so-called "tips" is common, making EWA expensive

Expediting fees ranged from $0.99 to $13.99 depending on speed of the transaction, adding to the cost of each transaction. Nearly 8 in 10 surveyed EWA users (79%) said they typically pay a fee to receive funds faster, with 72% who reported paying a fee doing so 1 – 2 times a week.

Tipping was also common with 70% of respondents using MoneyLion, Earnin or Dave leaving tips.[2] Of those who do leave tips, 62% of those surveyed do so most of the time or every time. Tips can range from $0.49 to $14.99, with respondents earning less than $50,000 typically tipping $1 to $3 for advances of less than $100.

[2] Brigit does not allow for tips on its platform and thus is not included.

Figure 4. Share of respondents paying fee and leaving tips

Source questions: *When using an app to access wages early, do you typically leave a fee to receive funds faster? When using Dave, Earnin or MoneyLion, do you leave a tip?*

Tipping and fees, especially when combined with frequent usage, make EWA and cash advance apps costly for consumers. Data from California's financial regulator shows an average annual percentage rate over 330%, which is similar to APRs for payday loans. While companies portray tipping as optional, they pressure consumers to tip through various strategies including making it seem like tips help other consumers. Of the respondents that tipped, 38% reported doing so because it felt good to “pay it forward to another user”.

Our research adds to a growing body of evidence that suggests earned wage advance and cash advance apps are effectively functioning as a new form of payday lending and should be regulated to protect consumers.