$500 Million and Counting: How Unchecked Payday Loan Apps Are Draining New Yorkers' Paychecks

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In 2019, the NYS Department of Financial Services announced it was leading a multi-state investigation into the emerging paycheck advance industry—only to quietly shelve it.[1] Meanwhile, the industry has expanded unchecked, preying on working people across New York State. Paycheck or cash advance apps, also known as Earned Wage Access (EWA), provide high-cost, small-dollar, short-term loans, automatically deducting repayment—plus fees and "tips"—from the worker's next paycheck.

FINDING: New Economy Project estimates that payday loan apps have siphoned over half a billion dollars in deceptive fees from New Yorkers' paychecks since 2019. *See methodology below.*

The Government Accountability Office found that EWA apps are primarily used by people earning less than $50,000 annually,[2] meaning these fees have disproportionately burdened low-wage workers already struggling to make ends meet amid New York's affordability crisis. Like traditional payday lenders, EWA companies prey on low-income people and communities of color, driving them deeper into financial instability while fueling the racial wealth gap.

<u>Illegal in New York, Yet Thriving</u>

In New York, charging more than 25% APR on a loan is a felony—yet EWA companies operate with impunity, **charging over 330% APR on average**.[3] At a state Assembly hearing last year, a representative of EarnIn, one of the largest EWA companies, boasted that the company had over 80,000 users in New York in 2023.[4]

EWA FEE DRAIN IN NEW YORK (2019-FEB. 2025)	
City/Region	**Total Fee Drain**
Buffalo/Niagara MSA	$29 million
Hudson Valley	$55 million
Long Island	$74 million
New York City	$217 million
Rochester MSA	$27 million
New York State	**$502 million**

EWA companies falsely claim their advances are free and even that they aren't loans at all—a claim flatly rejected by the federal Consumer Financial Protection Bureau in its proposed 2024 interpretive rule, which confirmed that EWA advances are loans subject to federal lending laws.[5]

<u>The Industry's Deceptive Playbook</u>

- **"Fee-free" lies** – Companies lure in desperate borrowers by claiming advances are free, then hit them with costly expedite fees to access their wages immediately, rather than waiting 48 hours.
- **Manipulative "tipping" schemes** – Companies induce users into tipping, even reportedly claiming tips help feed hungry children. In fact, most tip revenue boosts profits. *California regulators found 73% of users tip.*[6]

- **Pay-to-borrow fees** – Some services layer on even more costs, charging monthly subscription fees in addition to per-loan charges.
- **Auto-drafted paychecks that trap people in debt** – EWA lenders pull repayment directly from users' bank accounts, often triggering overdraft fees and pushing people further into financial precarity. They don't need to send debt collectors when they already control workers' paychecks.

New Yorkers Speak Out

New Economy Project has increasingly heard from New Yorkers misled by these companies' deceptive marketing. In an online survey of New York EWA users, the majority of respondents described themselves as trapped in a cycle, or indicated repeat use of the app. One New York user explained, **"I've used all of them. It seems helpful but it quickly becomes a death spiral—an impossible cycle to get out of."** A Bronx user told us how Dave, another EWA company, made him two loans on the same day—one for $40 and another for $35—with a repayment period of just one week, each with a $5 fee. **These fees equate to an effective APR of 695%.**

State Regulators Asleep at the Wheel

State regulators in New York have thus far failed to crack down on EWA. Under past superintendents the New York State Department of Financial Services (DFS) aggressively pursued illegal online payday lenders and others that sought to circumvent our state's usury laws.[7] The current department's inaction raises serious concerns, especially considering Superintendent Adrienne A. Harris's previous affiliations with financial technology companies[8] and her sympathetic and deferential stance toward the EWA industry.[9]

In contrast, other jurisdictions have taken decisive action against EWA lenders. And the Attorney General for the District of Columbia filed a lawsuit against EarnIn in December 2024, alleging that the company's practices violated the district's 24% interest rate cap and that it operated without the required lending license.[10] New York's Attorney General must take similar action.

Recommendations

Without action from New York State, the EWA industry will continue its unchecked expansion, siphoning workers' hard-earned wages and trapping them in cycles of debt. Policymakers must act to stop app-based predatory lending before it becomes further entrenched.

- **Reject S3332 (Cooney) / A258 (Vanel)** – This bill would carve out a loophole in New York's usury law, sanctioning payday lending in the state for the first time in history.
- **Pass the End Loan Sharking Act S1726 (Brouk) / A4918 (Raga)** – Strengthen New York's usury laws to prevent fintech companies and other bad actors from using malicious product design to evade consumer protections.
- **Ensure a living wage** – Financial insecurity is what allows predatory lenders to thrive; raising wages is a direct intervention against exploitative lending.
- **Support public banking and community development financial institutions** – Advance fair and affordable financial services that build wealth rather than extract it.

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Endnotes

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Methodology

We used data from the CFPB's July 18, 2024 report, "Data Spotlight: Developments in the Paycheck Advance Market," adjusted for direct-to-consumer (B2C) models, and incorporated working-age population estimates from the U.S. Census Bureau's 2022 American Community Survey (ACS). Key assumptions:

- National EWA Usage & Volume: The CFPB reported that 10 million workers accessed $31.9 billion through direct-to-consumer (B2C) and employer-partnered (B2B) EWA in 2022.
- User Rate: 4.7% of working-age adults used EWA in 2022 (10M users / 211M working-age adults in the U.S.).
- New York Share of Volume: Estimated total EWA volume in New York based on proportional user rate, using ACS working-age population data.
- Annual Growth Rate: Total volume: 95% annual increase, per CFPB report.
- Fee Drain Estimate: Based on 3% of total estimated volume, derived from: 2% fee drain from employer-partnered (B2B) EWA models per CFPB. Adjusted upward for B2C models, which have significantly higher fees (5-6%) and make up ~28.5% of the total market, according to the CFPB.
- Regional Breakdown Using ACS Data: To estimate EWA fee extraction by region, we used working-age population data from the 2022 1-Year ACS for each metro area. This allows for a proportional allocation of total New York EWA volume and fee drain across: New York City; Long Island (Nassau & Suffolk Counties); Hudson Valley (Westchester, Rockland, Orange, Dutchess, and Ulster); Buffalo-Niagara Falls MSA; Rochester MSA.

This methodology provides a conservative estimate given that the California Department of Financial Protection and Innovation found an average APR of 331-334%, suggesting actual fee extraction could be significantly higher—particularly in B2C models that rely on tipping, expedite fees, and subscription charges. New Economy Project acknowledges the Center for Responsible Lending (CRL) for its support in refining this methodology.