S.7898 (Bailey) / A.3570-A (Hevesi)

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BILL
S.7898 (Bailey) / A.3570-A (Hevesi)
SUBJECT
Regulation and Licensing of Employer-Integrated and Non-Verified On-Demand Pay Providers
DATE
January 31, 2022
SUPPORT

The Business Council of New York State supports S.7898 (Bailey) / A.3570-A (Hevesi), which would provide regulatory clarity for employer-integrated and non-verified on-demand pay providers. This legislation would allow this new financial technology to comply with standards that would protect employees who need to quickly get a pay advance.

Most workforces are paid every week or two based on the law and an employer's traditional payroll process. On-demand pay allows workers to get paid at their convenience without disrupting the pay cycle for employers. It allows them to access income as they earn it rather than waiting until the next payroll cycle and is a sounder alternative for it allows an employee to utilize a low-cost option that avoids the use of a payday loan and late fees. Companies that have utilized this service have reported that in cases where employees face a disparity between income and expenses, on-demand pay has been useful in paying bills before paychecks have been received.

The legislation puts forth strong consumer protections for both employer-integrated and non-verified pay providers. It provides safeguards against predatory lending and deceptive and unfair business practices by amending the banking law to allow users to know the fees associated with the service, afford them of their rights prior to an agreement with an on-demand contract, and their right to cancel. For non-verified pay providers, it requires that their services shall be considered loans (employer-integrated will not be considered a loan) and that fees and interest for these loans will not exceed ten percent. These measures appear to be a practical approach in regulating on-demand pay providers and protecting users.

There are several challenges in payment mechanisms that hamper businesses' ability to implement shorter pay cycles. By allowing employees to get a fixed amount of accrued wages and then later recouping those funds through payroll deductions or other means, on-demand pay providers provide an important stop-gap option for many between traditional pay-days. This bill is a practical approach in regulating this issue. Allowing workers to access their daily wages for work they perform is a practice that will empower them and provide a financial safety net in the event of an unexpected expense.

For these reasons, The Business Council supports S.7898 (Bailey) / A.3570-A (Hevesi).