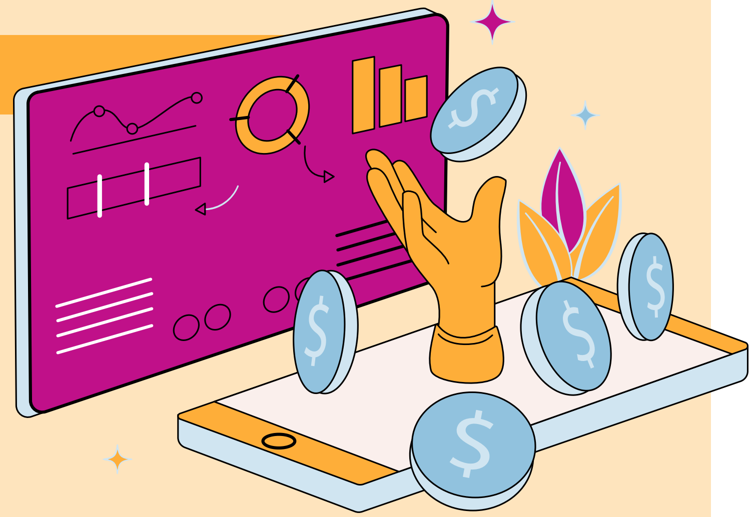
SaverLife

NOVEMBER 2024

FINTECH FOR GOOD

ARE NEW FINTECH PRODUCTS HELPING OR HURTING THE FINANCIAL HEALTH OF LOW-TO-MODERATE INCOME CONSUMERS?

Introduction



The intersection of finance and technology is now the driving force throughout the United States' financial system. This presents both tremendous opportunity and significant risk for financial health and inclusion. Tech-driven financial products and services such as Buy Now, Pay Later (BNPL), cash advance, Earned Wage Advance (EWA), and fintech banking or "neobanking" are increasingly becoming part of the financial mainstream, yet little is known – or shared – about the impact of these products on the overall financial health of consumers.

Fintech offers consumers easier access to a wide range of financial products and services, often designed to solve persistent financial challenges for lower-income consumers. Fintech offers lower-cost transactional accounts, faster ways to make and receive payments, and opportunities for consumers to visualize and interact with their personal financial data to aid financial decisions.

Despite fintech's potential advantages, advocates have raised concerns about ways in which fintech products may harm consumers, especially those living with low–to-moderate incomes (LMI). For example, cash advance and EWA products may trap consumers in cycles of reborrowing, and fintech banking may lack transparency around important consumer protections such as FDIC insurance.

As fintech products and services continue to evolve, advocates and industry leaders must ask whether fintech is helping or harming consumers' financial health, while also acknowledging that traditional banks and credit unions still struggle to provide affordable, well-designed products that meet the needs of lower-income consumers.

To explore this question, we examine SaverLife members' use of two categories of fintech that have grown rapidly in the last few years: fintech banking and short-term credit products.

As we investigate how the use of fintech banking, BNPL, cash advance, and EWA may affect SaverLife members' financial health, we analyze members' use of these products, their preferences and experiences with the products, and what differentiates fintech product users from non-users.

Fintech banking

Fintech banking offers consumers an alternative to traditional banks and credit unions for transaction accounts (checking and savings). Fintechs like Chime or Varo typically offer these key value propositions:

- They do not charge account maintenance or overdraft fees
- They have sophisticated, user-friendly digital interfaces
- They offer short-term credit options that allow customers to spend more than their current balance without a fee

However, customers cite concerns with fintech banking, such as a lack of access to branches, ATMs, and customer support. Additionally, there are transparency issues regarding FDIC insurance, which covers bank failures but not fintech failures. Advocates also highlight the limited range of products offered by fintech banking, which tend to focus on transactional services rather than wealth-building opportunities, like mortgages.

Short-term credit products

Buy Now, Pay Later (BNPL): Allows consumers to make in-store or online interest-free purchases stretched over four payments of equal amounts, the first usually made as a downpayment at the time of purchase, and the other three over the course of four to six weeks. BNPL providers charge fees for late or missed payments, may offer longer-term financing (subject to a credit check) with interest, and may charge monthly subscription fees for wider access to participating merchants. Major BNPL providers include Afterpay, Klarna, Affirm, and PayPal.

Cash Advance: Short-term, direct-to-consumer (DTC) loans usually up to $500 which can be received same day or within three business days and are repaid at a date selected by the user or at the user's next payday. Fees are paid in a variety of ways including monthly subscription fees, voluntary tips, and fees for receiving a same-day advance and/or extending the repayment date. Cash advance providers may or may not offer protection against the risk that automatic repayments may cause a bank account overdraft. Major cash advance providers include Dave, Brigit, EarnIn, and Cleo.

Earned Wage Advance (EWA): Works in a similar manner as cash advance, but is offered as a workplace benefit by employers ("employer-partnered" products according to the Consumer Financial Protection Bureau). Employers typically pay subscription fees on behalf of employees, with repayment made via payroll deduction. (The employee's next paycheck will be reduced by the amount of the advance, which is usually capped at 50% of pay.) Major EWA providers include PayActiv, DailyPay, Branch, and FlexWage.

How this research intersects with current policy on financial inclusion and consumer protection

This work comes at an important moment in state and federal policymaking. The Department of Treasury just released its inaugural National Financial Inclusion Strategy, which includes the following goals:

- Promote access to transaction accounts that meet consumer needs
- Increase access to safe and affordable credit
- Expand equitable access to savings and investments
- Improve the inclusivity of financial products and services provided or backed by the government
- Foster trust in the financial system by protecting consumers from illegal and predatory practices

Meanwhile, the Consumer Financial Protection Bureau (CFPB) has been monitoring the BNPL industry and recently issued a rule concerning BNPL products, signaling that BNPL providers are "card issuers" (like credit card providers) under Regulation Z (Truth in Lending Act), which requires providers to make certain disclosures and protects consumers from misleading or deceptive practices. The CFPB also proposed Interpretive Rules in July 2024 classifying EWA (but not cash advances) as credit products per Regulation Z and addressing disclosures of EWA fees and costs. These rules will replace a 2020 advisory opinion that indicated that EWA products *that had no costs associated with them* were not credit products. Meanwhile, states are grappling with how to regulate cash advance and EWA products under state laws concerning credit products.

The Federal Deposit Insurance Corporation (FDIC) has recently proposed new regulations to enhance oversight of partnerships between banks and financial technology (fintech) companies accepting consumer deposits. Notably, the bankruptcy of Synapse Financial Technologies in April 2024 led to the freezing of thousands of customer accounts, highlighting vulnerabilities in existing bank-fintech partnerships and the need for stronger consumer protections.

The policy issues outlined above reflect a goal of balancing market competition to offer new financial products and services that meet consumer needs while protecting consumers from financial harm. Answering our central research questions can help inform these policymaking efforts by elevating the needs and experiences of SaverLife members — individuals and families living with low–to-moderate incomes who are striving to improve their financial health.

Methods

A sequential explanatory mixed methods design was used to answer the research questions. First, a total of 1,319 SaverLife members completed a survey from July 16, 2024, through August 31, 2024, concerning their experiences with various financial products and services, financial health and circumstances, and demographic characteristics. After validating survey responses, a sample of 1,192 member responses was retained for statistical analysis using bi- and multivariate methods. Second, survey results were reviewed to determine topics and lines of inquiry for interviews with 15 members in October and November 2024. Interview transcripts were reviewed and coded to identify key themes related to the research questions. Third, transaction data were analyzed to examine how the use of BNPL, cash advance, and EWA were associated with changes in member cash flow and the incidence of overdraft fees. This analysis will be featured in Brief Two (coming soon).

Acknowledgements

SaverLife is grateful for the support of the Bill & Melinda Gates Foundation for making this research possible. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the foundation. We thank our members for sharing their time and experiences related to using financial products and services, and to Lyneisha Dukes and Rehaana Herbert, doctoral candidate in the joint PhD in social work program of North Carolina A&T State University and UNC Greensboro, for assisting with member interviews. We thank the Financial Health Network for permission to use several survey questions from its FinHealth Spend Survey in our survey. Lastly, we appreciate the guidance offered by the Advisory Panel for this project:

Dan Barker, Halcyon House | Stacey Chan, JPMorganChase Institute | Brian Gilmore, Commonwealth | Aras Jizan, Bill & Melinda Gates Foundation | Delicia Hand, Consumer Reports | Laura MacCleery, UnidosUS | Nicole Sanchez, JPMorganChase | David Silberman, Financial Health Network | Jeffrey Stoltzfoos, Chime | Ky Tran-Trong, VISA | Sara Weiss, Center for Responsible Lending

Sample Demographic Characteristics

SaverLife members who completed the survey were represented in similar proportions between 25 and 44 years old (47%) and 45 to 64 years old (42%), while 8% were 65 and older, and 3% were 18 to 24 years old. The vast majority of members identified as women (78%). Just over half (51%) of members identified as White, 31% Black or African American, 8% Hispanic or Latino, 5% Asian or Pacific Islander, 4% bi-racial or multiracial, and 1% other identities.

Over half (54%) of members said they were single while 46% lived with a partner or spouse, 54% had one or more children, and 26% identified as living with a disability regardless of employment status.

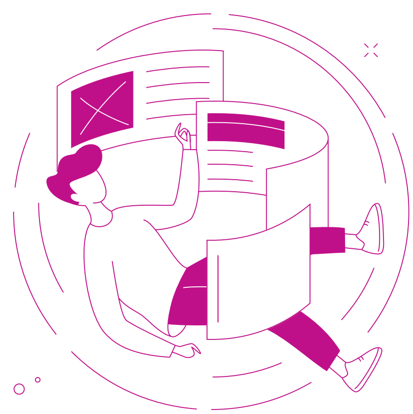
Sample Financial Characteristics

Over a quarter (29%) of members had annual household income below $25,000, 31% had income between $25,000 and $50,000, 17% had income between $50,000 and $75,000, 9% had income of $75,000 to $100,000, and 14% had income of $100,000 or higher. Concerning employment status, 46% and 12% were employed full- or part-time, respectively, 11% self-employed, 13% unemployed, 11% disabled and unable to work, 3% retired, and 4% caregivers. Nearly a fifth (17%) said they did not have a form of health insurance.

Among members who were employed full- or part-time, 80% received at least one employee benefit. On average, members received 2.75 benefits. The most common benefits were health insurance (68%) and retirement (defined contribution) plans (63%). All (100%) of members said they or a member of their household received one or more public benefits, the most common of which was Supplemental Nutrition Assistance Program (SNAP) benefits (47%) followed by disability benefits (20%). Most members (85%) received just one of these benefits.

How do fintech banking users differ from traditional bank account users?

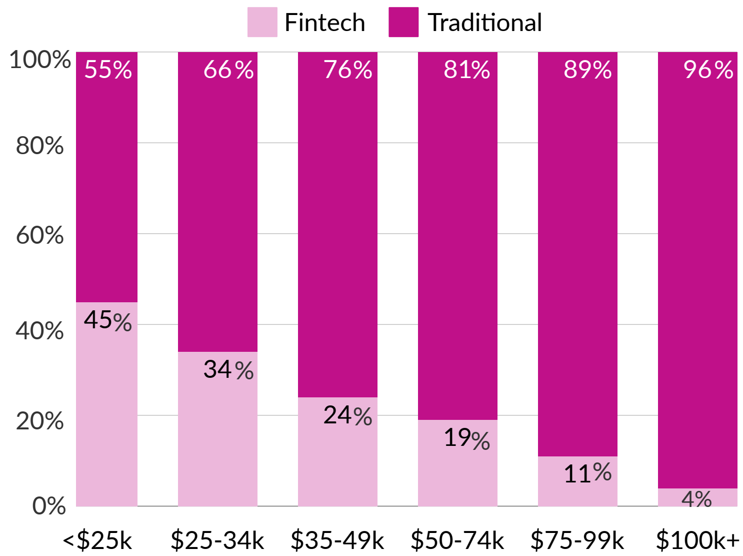
Almost half of SaverLife members (45%) in our study said they use fintech banking compared to 76% who use traditional checking accounts. But these categories are not mutually exclusive: 27% of members use both. This may be because partners or spouses use separate and different types of accounts, or that the member uses both, such as a checking account with an online provider and a savings account with a bank or credit union.



Compared to traditional bank account users, we found that fintech banking users were less likely to be employed full-time (27% vs. 55%) and more likely to be unemployed (21% vs. 9%), self-employed (14% vs. 9%), and living with a disability (17% vs. 8%) $p < .001$, suggesting that fintech banking may help members with mobility and other physical limitations.

Also, traditional bank account use rises steadily with income, likely because members with lower incomes are more motivated to use fintech banking to avoid bank fees.

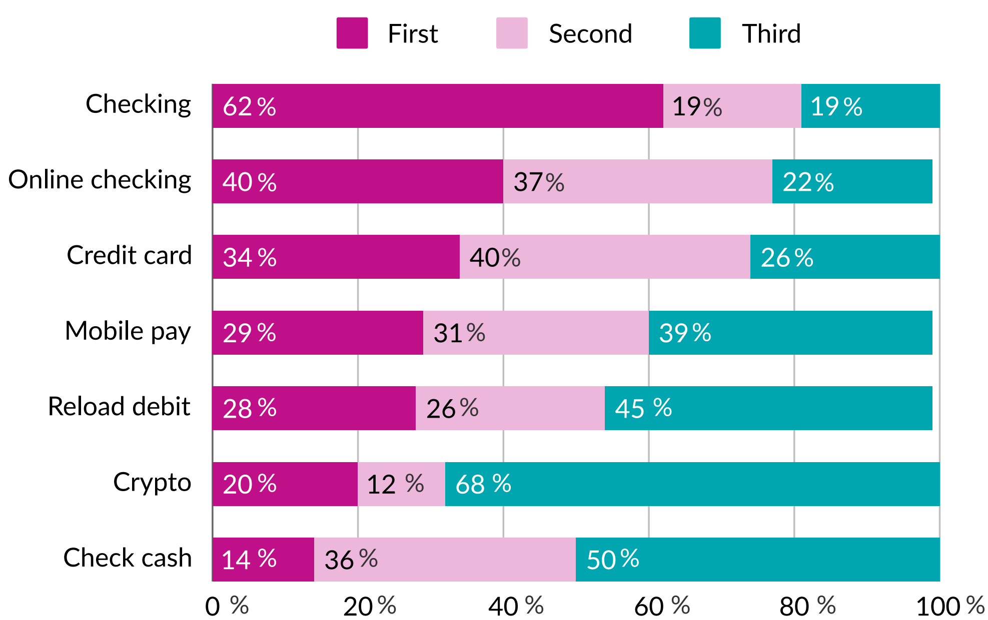
Figure 1. Fintech vs. Traditional Banking by Income of SaverLife Members



What transaction products are most important to SaverLife members? How satisfied are members with these products?

SaverLife members were asked to rank products they use to conduct transactions, which offers a “top of wallet” perspective. As seen below, there is a clear difference between traditional checking and fintech banking users, with the former being more likely to view their account as top of wallet.[1] More generally, all transaction products except checking accounts were more likely to be second and third compared to first options.

Figure 2. How SaverLife Members Rank the Transaction Products They Use



[1] Cryptocurrency was excluded from this analysis due to the small number of members who use it for transactions.

SaverLife members were also asked to indicate their satisfaction (on a scale of 0 to 10 with 10 being most satisfied) with the transaction product they ranked #1. As seen in the table below, members are generally very satisfied with the main transaction product they use.

Table 1. SaverLife Members' Satisfaction with Top of Wallet Transaction Products

Product	Average	N
Checking account with a bank or credit union	8.45	530
Fintech checking account	8.76	182
Credit card	8.68	155
Mobile payment service	9.10	50
Reloadable debit card	8.26	27

Note: SD = Standard deviation, which is the amount of variation in responses from the mean.

Why do some members use fintech banking? What do they see as advantages and disadvantages?

SaverLife members were asked why they started using fintech banking and whether they had any concerns about using it. Avoiding fees was clearly the main motivator. Members using fintech banking were also asked if they had concerns, with 71% citing at least one concern. Lack of branches to visit and inconvenient ATM locations comprised over two-thirds of concerns members had.

Figure 3: Reasons SaverLife Members Starting Using Fintech Bank Accounts

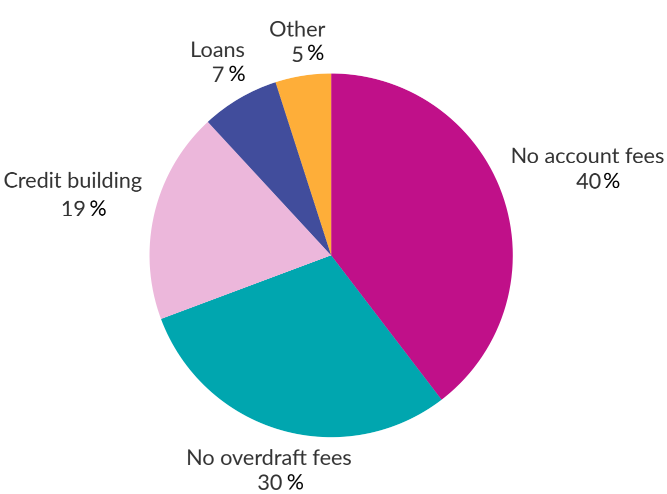
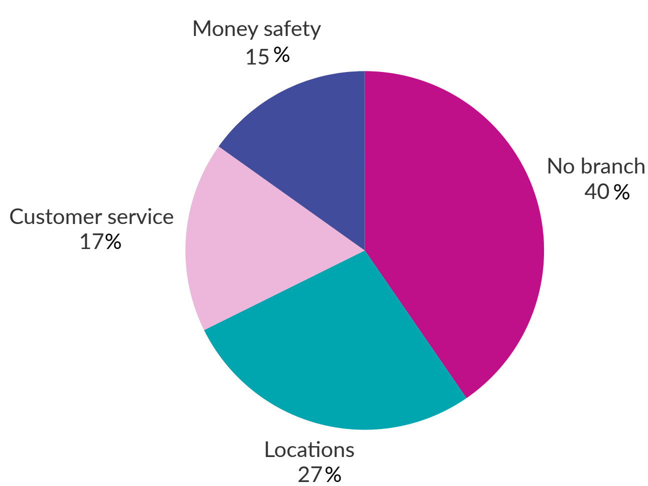


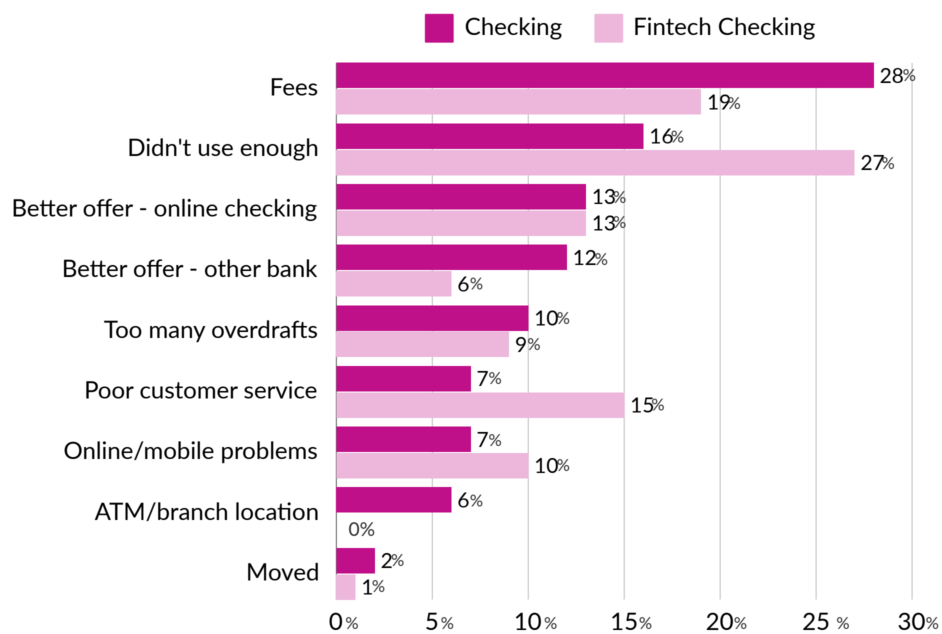
Figure 4: Concerns About Using Fintech Checking Accounts



Do SaverLife members switch types of bank accounts? What reasons do they give?

SaverLife members were asked whether they had closed a checking or a fintech banking account within the prior 12 months and why. Nearly a fifth (17%) of members said they had closed a checking account with a bank or credit union compared to 14% who closed a fintech banking account. Fees topped the list of reasons why members closed checking accounts with banks or credit unions. Over half (53%) of members gave only one reason for closing their accounts while the remainder (47%) gave two or more reasons.

Figure 5. Reasons for Closing Fintech and Traditional Bank Accounts



The reasons why SaverLife members closed fintech banking accounts were somewhat different. Not using the account enough topped the list. Low-or-no-fees is a major feature of fintech banking accounts, yet 19% of members cited fees as a reason for closing their accounts, compared to 28% of members who closed traditional checking accounts. The rate of citing poor customer service (15%) as a reason was more than double that for checking accounts, while the rate of pursuing better offers was similar for checking and fintech banking account closers. Nearly two-thirds (64%) of members gave only one reason for closing their accounts while the remainder (36%) gave two or more reasons.

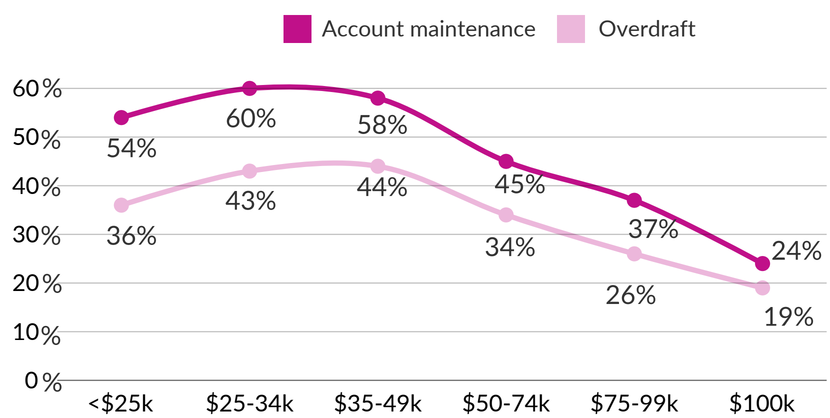
Black, Hispanic, and bi/multiracial members are more likely to pay bank fees

Finding that fees are the top reason why SaverLife members close accounts warrants a closer look at which members are most likely to pay fees. Among members with a checking account with a bank or credit union, 34% paid account maintenance fees within the prior 12 months, 59% paid no fees, and 7% were unsure if they had. For SaverLife members, race/ethnicity and income ($p < .001$) were related to paying these fees, but not age or gender identity:

- **44% of Black, Hispanic, and bi/multiracial members paid account maintenance fees compared to 27% and 23% of White and Asian members, respectively**

Concerning income, the likelihood of paying these fees rose with income up to $50,000 and then declined as income rose above this amount:

Figure 6. Frequency of Paying Bank Fees, by Income



Nearly half (46%) of members with checking accounts with a bank or credit union paid overdraft or insufficient fund fees in the prior 12 months, including 24% who paid a fee once or twice and 21% who paid these fees three or more times. Among SaverLife members, race/ethnicity ($p < .001$), age ($p < .05$), and income ($p < .001$) were related to paying these fees, but not gender identity:

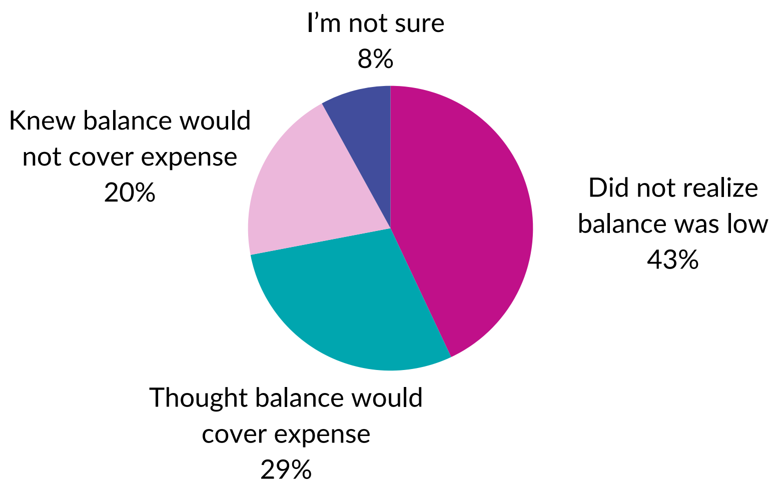
- 58% of Black members, 47% of Hispanic members, and 64% of bi/multiracial members paid overdraft fees compared to 40% and 37% of White and Asian members, respectively
- By age, rates were highest in the 35 to 44 age group (57%) and lowest in the 55-64 group (28%).

Concerning income, the likelihood of paying these fees increased with income up to $35,000 and then declined as income rose above this amount (see Figure 6 above).

Why do some SaverLife members experience bank overdrafts?

The main reason members using traditional banks and credit unions overdraft is a lack of awareness about account balances (72%), as only 20% of members knew they would be risking an overdraft.

Figure 7. Overdraft Circumstances



The pattern reflected in these results is very clear: bank fees are paid more frequently among SaverLife members who can least afford them. While overall, overdraft fee revenue has declined since the COVID-19 pandemic, SaverLife members with lower incomes continue to be affected.

Short-term credit products: Convenient solution, or trigger for debt cycle?

BNPL, cash advance, and EWA share a common purpose: they each provide short-term credit products for individuals who may be short on cash but need immediate funds to cover essential expenses, such as purchases, rent, or bills.

Over half of SaverLife members used short-term credit products in the prior twelve months

Almost half of members (44%) used BNPL at least once in the prior 12 months, nearly a quarter (24%) used cash advance, while only 13% had used EWA.[2] Altogether, 59% of SaverLife members in our study said they used at least one of these 3 short-term credit products in the prior 12 months.

[2] EWA is only offered by some employers whereas BNPL and cash advance are widely available.

We compared the demographic characteristics of users and non-users of BNPL, cash advance, and EWA, as well as comparing frequency of usage over the prior 12 months as follows:

BNPL	Cash advance and EWA
• **Low**: Less than 5 times • **Medium**: 6 to 10 times • **High**: 11 or more times	• **Low**: Once every few months or less • **Medium**: Once a month • **High**: More than once a month

Results are summarized below, with a "Yes" indicating that there was a statistically significant difference using Chi Square tests and a "No" when there was no such difference:

Table 2. Use of Fintech Short-Term Credit Products by SaverLife Member Characteristics

	Buy Now, Pay Later		Cash Advance		Earned Wage Advance	
Characteristic	**Any Use**	**Frequency**	**Any Use**	**Frequency**	**Any Use**	**Frequency**
Age	No	Yes	No	No	No	No
Gender	No	No	No	No	No	No
Race/ethnicity	Yes	No	Yes	No	No	No
Income	Yes	No	Yes	No	Yes	No
Have children	Yes	Yes	Yes	Yes	Yes	No
Employment status	Yes	No	No	Yes	–	–
Disability status	No	No	No	No	No	No

Note: EWA analysis was restricted to members who said they worked for an employer.

Uses of short-term credit products were highest among Black members and members with children

Examples of statistically significant differences from the table above include:

Any Use:

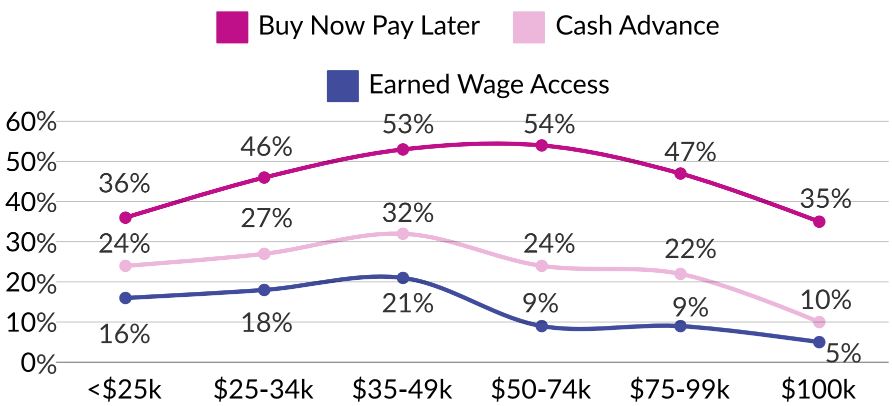
- Any use of BNPL and cash advance was highest among Black members (54% and 32%, respectively).
- Almost half of members with children (48%) used BNPL compared to 39% among those without children. Similarly, 27% and 17% of those with children used cash advance and EWA compared to 19% and 9% of those without children, respectively.

Frequency of Use:

- Members ages 35 to 54 use BNPL more frequently than members ages 18 to 34 or 55 and older.
- Members who are employed full-time are more frequent users of cash advance compared to those in all other categories (e.g., part-time, living with a disability).

The relationship between member incomes and any use of the three types of short-term credit products generally follows an inverted “U” shape where any use rises with income up to $50,000, then drops off.

Figure 8. Income and Use of Fintech Credit Products



What can we conclude from this pattern of results?

- First, having children is a consistent predictor of both use and frequency of use of short-term credit products. Having children can be expensive and can compel members to turn to short-term credit products to meet immediate cash flow needs. Having children also means there is a wider range of needs to be met within the household.

- Second, income is a consistent predictor of use of all three fintech products, but not frequency of use. Use peaks in the $35,000 to $49,999 income range which may reflect members who are experiencing public benefits cliffs and phaseouts - when income reaches a level at which members lose access to certain public benefits or receive reduced amounts.

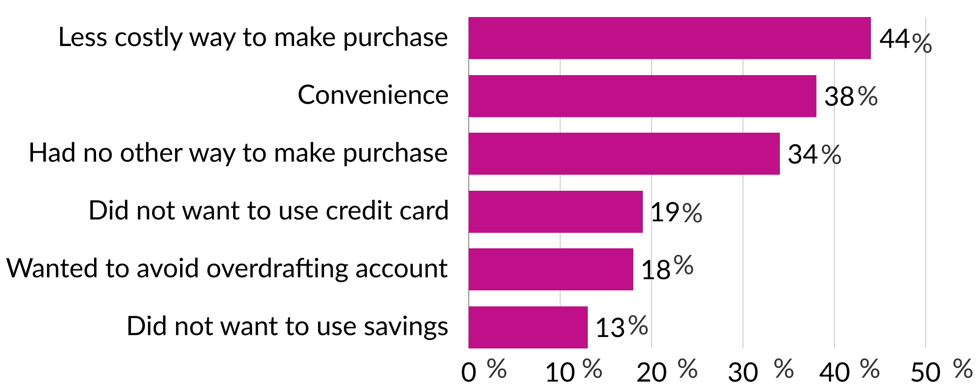
Why do members use fintech short-term credit products? What financial needs and problems do these products address?

Qualitative interviews suggest that members turn to BNPL as a tool for managing their finances more effectively by spreading the cost of purchases over time. This approach allows them to avoid significant, immediate withdrawals from their accounts, providing greater financial flexibility.

One participant explained that BNPL enables "less money down, so I can save money while still meeting my goals." Another noted that splitting payments "made expenses more manageable, especially during times when I needed to stretch my money as much as possible." Some participants shared that BNPL helps cover essential expenses during financial strain, with one stating, "I've used it for basic needs when money was tight," and another explaining, "I consider it for things like groceries and home essentials because I can't afford the full amount upfront." Another member emphasized the benefit of aligning payments with their pay schedules: "I don't want to take a giant hit right away. I like being able to split payments, so two come out this month and two the next, aligning with my paychecks."

In our survey, we asked members the reasons why they used BNPL, cash advance, and EWA. For BNPL, cost and convenience topped the list, though over a third said they had no other way to make the purchase.

Figure 9. Reasons Why SaverLife Members Use BNPL



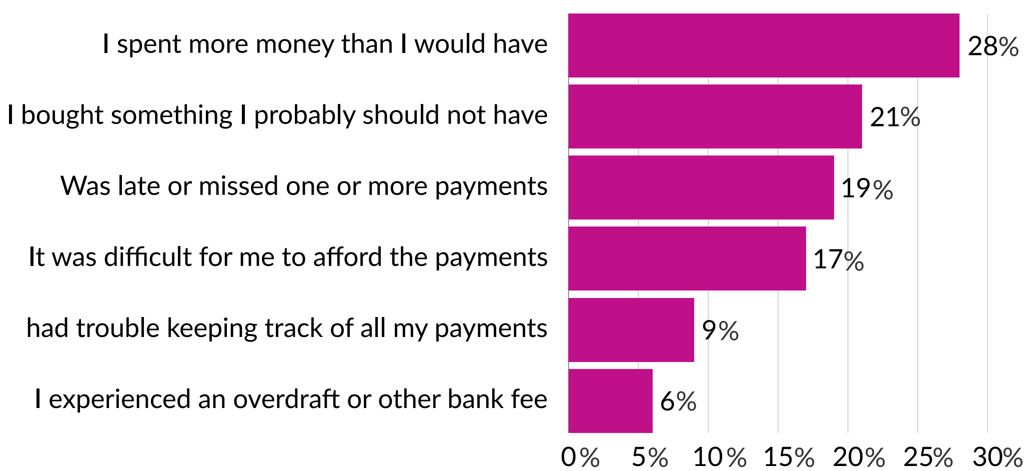
SaverLife members most commonly use BNPL to purchase clothing (29%), furniture (21%), and basic necessities such as groceries (17%).

Some consumer advocates are concerned about how BNPL is structured – that its convenience as a point-of-sale (POS) purchase option may lead to overspending and late fees when users lose track of their repayment obligations.

This concern also came across during interviews with SaverLife members. While BNPL offers flexibility, it can also lead to financial strain when payments overlap with other obligations. One member noted that while splitting payments is helpful, "if you're not careful, it can bind you when other bills come due." Another described the frustration of waking up on payday only to find their paycheck depleted due to automatic BNPL withdrawals. These experiences highlight the risk of overspending, as the ease of deferred payments can make it challenging to balance recurring expenses with upcoming BNPL commitments.

To explore these types of issues, we asked members whether they had experienced any of the following problems using BNPL:

Figure 10. Problems SaverLife Members Experienced Using BNPL



Overall, 63% of members who used BNPL had at least one problem, with the likelihood of experiencing problems rising with the number of times members used BNPL during the prior 12 months.

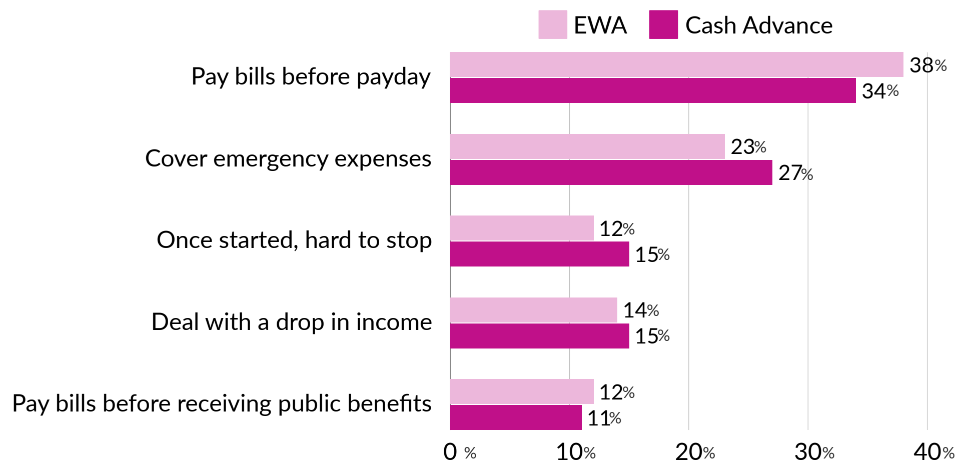
Together, these results suggest that SaverLife members see pros and cons to using BNPL. It is less costly than other ways to make purchases and provides some members a purchasing option where no other existed, but it leads over two-thirds of members to spend more than intended or to have problems with repayment.

Cash advance and EWA offer flexibility, but once started, can be hard to stop

Cash advance and employer-based EWA are different from BNPL in that users can decide what they wish to do with cash advances they receive, whereas BNPL is only available to make purchases with merchants who accept it as a form of payment. Thus, cash advance and EWA can address a wider range of financial challenges SaverLife members may experience.

Though the way in which cash advance and EWA are offered and how repayment is made are different, the reasons for using these products are remarkably similar:

Figure 11. How SaverLife Members Use Cash Advance and Earned Wage Advance



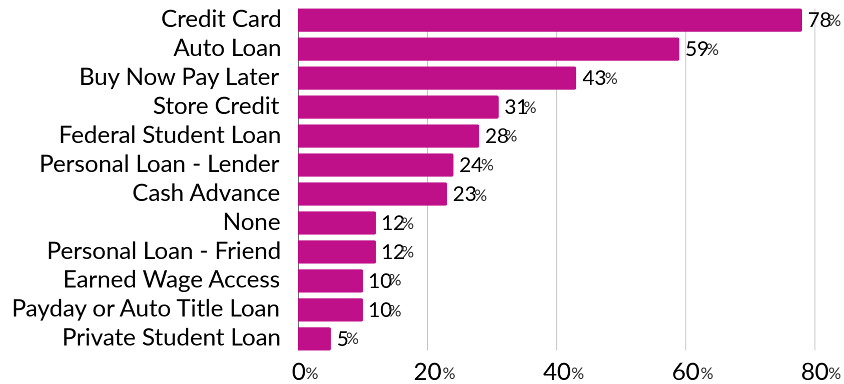
The results above indicate that members use cash advance and EWA to address ongoing cash flow challenges and deal with income and expense shocks. Interview results mirror survey results, with participants indicating that they use cash advance and EWA to stay on top of their bills and cover emergencies. One member explained, "I chose cash advance options when I needed cash for emergencies, like being short on rent," while another emphasized that EWA is "a way to handle unexpected expenses without tying up credit." Beyond emergencies, EWA helps users stay on top of paying bills on time. As one participant noted, "If it’s due now, I’ll be able to pay it instead of waiting for my paycheck." Another shared that EWA allowed them to cover essential expenses, such as car repairs, which they "couldn’t afford on a two-week paycheck."

“Credit-stacking” is common: 39% of SaverLife members use four or more credit products at once.

BNPL, cash advance, and EWA are short-term credit products that members may use alongside other options like credit cards and personal loans. Credit cards topped the list of options used by SaverLife members, followed by auto loans, BNPL, and store credit.

Out of the 11 credit products listed below in Figure 12, SaverLife members used an average of 3.24 products. Almost two-fifths (39%) of members used four or more products, indicating that many members are “credit stacking” (depending on multiple sources of credit at the same time).

Figure 12. All Credit Sources Used by SaverLife Members



We looked at whether SaverLife members who use BNPL, cash advance, and EWA were more or less likely to use other credit options, focusing only on differences that were statistically significant:

Table 3. Other Types of Credit Used by SaverLife Members

	Buy Now, Pay Later	Cash Advance	Earned Wage Advance
Credit card	No difference	Less	Less
Auto loan	More	Less	No difference
Store credit	More	Less	Less
Student loan	More	No difference	No difference
Personal loan	More	More	More
Personal loan - friend or family	No difference	Less	No difference
Payday or auto title loan	More	More	More

BNPL, cash advance, and EWA products are being used in addition to, not as an alternative to other forms of credit:

- BNPL users have higher rates of credit use across types than cash advance and EWA users, yet users of all three of these products have higher rates of personal loans and payday or auto title loans, which suggests their incomes and assets are not enough to cover their expenses.
- BNPL users are neither more nor less likely to have a credit card, suggesting that BNPL is used as an additional but not alternative source of credit.
- Users of cash advance and EWA may have less access to credit that requires credit checks such as credit cards and more use of sources that do not require these checks, such as payday loans and many online personal loans.

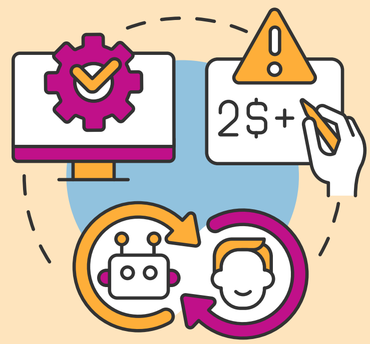
The rate of payday loan use was 5 times greater among cash advance users and almost 3 times greater among EWA users. Also, only 20% and 30% of cash advance and EWA users said they had a credit score that was good to excellent, compared to 53% and 52% of non-users, respectively ($p < .001$).

Implications

This study examined SaverLife members' use of fintech banking and short-term credit products including BNPL, cash advance, and EWA, along with traditional banking services. The findings underscore key financial challenges and opportunities for lower-income households, people of color, and households with children.

Transaction accounts: A costly necessity for consumers living on lower incomes

The study reveals that lower-income individuals and those with less stable employment are more likely to rely on fintech banking products due to their low or no-cost structures. Account fees at traditional banks and credit unions– especially maintenance and overdraft fees – remain a significant burden, disproportionately affecting members with lower incomes and those who identify as Black or Hispanic. While fintech banking fees are lower, fee sensitivity is still the leading reason for account closures across both traditional and fintech banking options.



Despite this, most SaverLife members report being satisfied with their banking choices, and traditional checking accounts still hold a “top of wallet” position for most. These findings highlight an enduring problem: lower-income households continue to pay more for basic financial services, while traditional banks and credit unions struggle to offer affordable, fee-free options for these consumers.

In alignment with the U.S. Department of the Treasury’s recently launched National Financial Inclusion Strategy, financial service providers - whether traditional or fintech - should strive to do no financial harm. Avoiding harm would mean limiting account fees and eliminating overdraft fees to customers to ensure that access to banking is affordable and accessible for all consumers. Given the limited features that come with basic transactional accounts, financial service providers should also ensure broad access and onramps to savings products, affordable small-dollar loans, and other lending products such as auto loans and mortgages that all households require to truly bolster financial health.

BNPL, cash advance, and EWA: Helpful tools with hidden risks

Fintech products like BNPL, Cash Advance, and EWA offer alternatives for members struggling with cash flow, but these products come with significant trade-offs:

- **BNPL**: While many members use BNPL for convenience, a substantial 63% report challenges such as overspending and missed payments, echoing concerns from consumer advocates. These member challenges provide evidence for why BNPL should be regulated as a form of credit similar to credit cards under Regulation Z (Truth in Lending Act).

- **Cash Advance and EWA**: These products are often used by members who lack credit cards, highlighting their role as stopgap solutions for urgent financial needs. Their usage declines in households earning above $50,000, with the highest utilization seen in families earning $35,000–$49,999 (likely due to benefits cliffs such as reduced Earned Income Tax Credit (EITC) eligibility). These products are often used in addition to, not in place of, other forms of high-cost credit reflecting the financial precarity of those earning below $50,000 a year.

- **Households with children**: These households are particularly reliant on short-term credit products, indicating greater financial vulnerability compared to those without children. These families would benefit from expanded support, such as enhancements to the Child Tax Credit that could reduce their reliance on costly short-term credit products.

These findings suggest that the use of fintech products reflects deeper financial vulnerabilities among low- to-moderate-income households. While these tools can provide short-term relief, their longer-term implications on financial health require careful scrutiny. In our forthcoming second brief, we will explore how these products impact members' financial health outcomes, for better or worse.

SaverLife

Learn more
Website (about.saverlife.org)

Contact
research@saverlife.org