Hard work should pay off for everyone.

That's the American dream.

That's what the dignity of work is all about – it's a concept that Pope Leo XIII spoke of in the 19th century, and popularized by Dr. King.

And when work has dignity, you can support yourself, your family, and your future.

But we all know what's happened over the last four decades.

Corporate profits have gone up. The stock market has soared. Executive compensation has exploded.

But wages have not kept up with the cost of living. Millions of workers with full-time jobs who aspire to the middle class can't join it, no matter how hard they work. And even people we may define as middle class don't feel much security and stability.

And when workers are forced to find ways to make up for the gap between what they're paid and what they should earn, what are they left with?

Debt.

Sometimes people will have to borrow money. Products that are well-designed, transparent, and regulated can help workers pay off an unexpected car repair, or help with the grocery bill, or cover a medical expense.

But as we heard at our listening session with workers last week, too often these products aren't well designed, they're rarely transparent, and they're not well-regulated.

For too many workers, the only credit products available lead to more debt and more financial instability.

We've discussed in this Committee the impact predatory payday lenders have on working families.

Today, we examine the impact some newer consumer financial products have on workers.

Companies tell us these new products are innovative, they're easy to use, they'll give people more options.

But so often, "innovation" is just a new way for companies to make money – while trapping people in debt.

Newer credit products, like "buy now, pay later," could help consumers pay for products in installments, with strong consumer protections.

Yet many of these products come with hidden fees, they lack transparency, and they aren't underwritten properly. Ads encourage consumers to use these plans for multiple purchases, at multiple online stores – racking up debt they cannot afford to repay.

Consumers like Briana Gordley.

As a college student, Briana started off with one of these loans. First one BNPL company, then two, then three. One company told her they were raising her credit limit from $100 to $1,000.

Initially, 18-year-old Briana wasn't too concerned. As she put it, if the companies "believed in my ability to repay my debt, then I did too."

With the approval of more and more credit, Briana was juggling $1,500 in loans with different payment dates throughout the month, and her account kept getting overdrawn.

Briana's story gets to the core of the problem. With little-to-no underwriting, the "Buy Now, Pay Later" companies don't know if they're the only ones a consumer has credit with. And without proper term disclosures, a consumer is left in the dark.

For this model to work for consumers, we need real rules companies must follow, and proper disclosures.

Then there are new consumer products that use a so-called "tip model" – structuring themselves to deliberately avoid disclosing their terms, specifically avoiding important disclosures required by the Truth in Lending Act.

Products like cash advances, overdraft coverage, and Earned Wage Advances—that are not offered in conjunction with employers—use a model where consumers are asked to pay a "tip" to the lender, instead of a fee or interest rate to use the products.

Companies claim that because a tip is not presented as a finance charge or interest rate, Truth in Lending and other consumer protection laws, like the Military Lending Act, do not apply.

The tip is just "voluntary," they say.

But these tips are not voluntary at all.

It's just a way to cheat the system and hide the true cost to workers.

Employer-based Earned Wage Advances with strong consumer protections can help workers cover unexpected expenses or emergencies – though the better alternative would simply be for the companies to pay their workers enough to live on.

And then there are debt products that are so predatory, so offensive, they should have no place in our financial system – schemes like Training Repayment Agreement Provisions, appropriately known as "TRAPs."

I'll say this for that term – it's truth in advertising.

These provisions in employment contracts allow employers to recoup the cost of training employees who leave the job.

It's an offensive concept.

It's the employer's job to train their workers. On-the-job training isn't some special perk for workers – it's a smart investment for companies.

TRAPs require workers to pay back their employers for training if they leave their job within a certain period of time, saddling workers with debt.

It's just a modern day version of the scrip that left coal miners exhausted, destitute, and trapped by their employers.

Remember what Tennessee Ernie Ford sang about owing his soul to the company store: "You load 16 tons, what do you get? Another day older and deeper in debt."

Employers use TRAPs to prevent workers from pursuing higher paying or better opportunities. They decide how much the training would supposedly cost on the market and go after their workers – threatening their credit and economic mobility.

Last week, Cassie Pennings from Colorado told members of the Committee about her experience with TRAPs.

Ms. Pennings pursued her calling as a nurse during the COVID-19 pandemic.

At the start of her job, her employer made Ms. Pennings sign an employment contract, and buried in the fine print, it said that if she left before two years, she would be indebted to her employer for $7,500 for the supposed training they provided.

When Ms. Pennings decided to leave her nursing job after a year because of a bad work environment, her employer took $1,000 out of her second to last paycheck to payback her "training." That was half of her paycheck.

Her former employer told her they will send the rest of the amount to collections.

Last I checked, indentured servitude was illegal in the United States.

But it looks like some enterprising companies are rebranding it, with these new employment contracts.

And that is the focus of today's hearing: to ensure that so-called "innovation" is not a substitute for good pay and does not come at the cost of workers' dignity of work.