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Smart Ventures, by Anthony Bucci

Making Payday Flexible

FlexWage introduces WageBank to help workers through financial difficulties.

In today's economy, approximately 60 million financially underserved American workers need access to money more than ever before, and Mountainside-based FlexWage is helping those workers obtain those funds.

FlexWage works with employers to give employees access to earned wages before a scheduled payday, and by doing so, it eliminates the need for those employees to seek a high interest loan or other high cost financial services, from unscrupulous payday lenders.

"We've recently introduced Wagebank, which is our proprietary application that interfaces to a company's payroll and time and attendance applications. This enables us to track and value the labor that employees have worked since their last payday," says Frank Dombroski, founder, president and CEO of FlexWage. "Then on a managed basis, we make a portion of that pay available to them in times of financial need."

According to Dombroski, the underserved, which is a classification of "employees who don't have either traditional bank accounts or access to traditional credit means like a credit card," usually pay more for basic services like check cashing and money orders, and high interest on short-term payday loans. He says that FlexWage and the WageBank program avoid these fees and high interest, and gives people a chance to save money in order to get out of debt.

"An average payday loan is \$300, and an average fee to the employee on that loan is \$60. With FlexWage there is a \$3 to \$5 flat fee so the relative savings is enormous. It is a very direct replacement for high cost alternative financial services. The way we do that is by eliminating risk, because they are not really taking a loan, they are actually just taking a disbursement of their accrued wages."

Not only do employees benefit from Wagebank, but Dombroski says employers do as well.

"Employers benefit financially by eliminating paper checks and utilizing the payroll card as an electronic payment form, so they don't have to produce, deliver and replace lost or stolen paper checks," says Dombroski. "As a benefit of offering WageBank, [employers] help their employees minimize financial stress, and in doing so they get productivity increases, they develop happier, more loyal employees, and that drives retention and lowers costs for recruiting and training."

FlexWage has been an entity for a year and a half and currently has six employers in the WageBank program. Its Mountainside office has 12 employees. Dombroski believes these numbers will grow in the coming months.

"We expect to add 30 people in addition to what we have now, [and] we anticipate exiting the year with 15 clients on board and growing very rapidly next year," he says. "We hope to become the household name of socially responsible financial services for the underserved. Our goal is to provide them with reasonably cost, high value services across the board for their financial needs."

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