



FACT SHEET: Training Repayment Agreement Provision (TRAPs), Stay-or-Pay Contracts and the Economy

FTC’s blanket ban on TRAPs and stay-or-pay contracts will protect tens of millions of workers.

The Federal Trade Commission’s decision to ban de facto non-competes, like stay-or-pay contracts and TRAPs, will empower millions of workers to bargain for better wages and working conditions, or freely leave their jobs for better opportunities elsewhere. This is a critical step that will protect millions of workers, most notably those who are just starting their careers.

In March 2024, academics released [new findings](#) about the prevalence of TRAPs, uncovering a rise in survey respondents indicating they have worked under a TRAP, from 4.1 percent in 2014 to 8.7 percent in 2020. This means that with today’s rule in effect, millions of workers under stay-or-pay contract schemes will now have the ability to leave their jobs without triggering tens of thousands of dollars of contingent loan obligations.

How the Biden Administration is Challenging the Use of TRAPs:

The Biden Administration has taken the threat of TRAPs seriously. In addition to the final rule released by the FTC today that restricts their use, the administration has mobilized a “whole-of-government” approach to challenge these terms:

- In March 2023, the U.S. Department of Labor (DOL) [filed](#) its first-ever lawsuit against a company for allegedly using a “stay-or-pay” contract that required employees to pay the employer if they left their jobs before the end of a contract. The suit alleges that Advanced Care Staffing, LLC and its CEO, Sam Kelin, required employees to stay with the firm for three years or pay the company for “damages” resulting from their exit. Those alleged damages include the company’s “lost profits.”
- In May 2023, the National Labor Relations Board (NLRB) General Counsel similarly found that non-competes, TRAPs, and other types of stay-or-pay contracts violate workers’ rights under the National Labor Relations Act and [issued guidance](#) to all of their regions. On January 30, 2024, the NLRB reached its [first settlement](#) with a company that agreed to cease their use of TRAPs and traditional non-competes, and make whole the two former employees who filed unfair labor practices by providing backpay, interest, expenses, and excess tax.
- In July 2023, the Consumer Financial Protection Bureau [released new findings](#) highlighting the risks workers face from employers’ increasing use of predatory debt to trap people in abusive jobs and poor working conditions.

A growing body of evidence indicates that employers nationwide are increasingly using a new de-facto non-competes called stay-or-pay contracts, such as **Training Repayment Agreement Provisions (TRAPs)**, to hold workers hostage in bad jobs.

In addition to these federal agencies, state lawmakers are also [taking steps](#) to [ban these contracts](#) under state law.



Workers Standing Up to Workplace Traps

In July 2022, a former PetSmart pet groomer [filed a groundbreaking class action lawsuit](#) against the retail pet supply giant, alleging that the firm is engaged in a scheme to trap trainee pet groomers in low-wage jobs by levying thousands of dollars in abusive and unenforceable debts against them. The lawsuit alleged that PetSmart uses TRAPs to limit groomers from seeking out better working conditions, locking low-wage workers for years into high-volume groomer jobs that can be grueling and dangerous. For groomers who quit within two years of training, the groomer alleged PetSmart uses debt collectors to pursue workers for training debts that can total more than \$5,000.

In January 2023, a former Ameriflight pilot filed a [class action lawsuit](#) alleging that Ameriflight, the nation's largest Part 135 cargo airline, indebted pilots with unlawful training costs of up to \$30,000 to lock pilots into grueling work for wages starting as low as \$12.50 an hour—even as the rest of the industry suffered from a pilot shortage. The complaint alleged that Ameriflight routinely used TRAPs to limit pilots' mobility and suppress wages. In March 2024, Judge Brantley Starr of the Northern District of Texas denied Ameriflight's motion to dismiss the plaintiff's claims in full, holding that she had plausibly pleaded that the Part 135 training she was required to complete was primarily for Ameriflight's benefit and that the TRAP operated as a "de facto" non-compete by preventing workers from leaving their jobs.

In April 2023, a former Smoothstack employee filed a [class action lawsuit](#) against the tech-training and employee-staffing agency. The lawsuit alleged that Smoothstack steals wages from employees and requires them to sign predatory TRAPs as a precondition of employment, putting them on the hook for tens of thousands of dollars in debt if they tried to leave or were fired from low-wage tech jobs working on projects for some of the largest corporations in the world.

These federal government actions and private enforcement lawsuits highlight how TRAPs impose significant financial burdens on workers and foster unfair methods of competition by reducing worker mobility and bargaining power.

Further Reading:

- [Background on Training Repayment Agreement Provisions](#)

###

About Student Borrower Protection Center

Student Borrower Protection Center (SBPC) is a nonprofit organization focused on eliminating the burden of student debt for millions of Americans. We engage in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance racial and economic justice.

Learn more at protectborrowers.org or follow SBPC on Twitter [@theSBPC](https://twitter.com/theSBPC).