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# Buy Now, Pay Later: Policy Issues and Options for Congress

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## Buy Now, Pay Later: Policy Issues and Options for Congress

“Buy Now, Pay Later” (BNPL) is a form of point-of-sale financing a consumer can use to purchase an item and pay for it later on a set payment schedule. Such products fit into a broader suite of products that allow consumers to keep spending steady even when their cash flows are limited. Unlike classic layaway programs that allowed consumers to pay first and receive the items later, BNPL allows consumers to receive goods or services immediately and pay for them over time.

The most popular form of BNPL product is called “Pay in 4,” where a consumer generally pays 25% of the total cost up front for a purchase and makes the remaining three payments in equal two-week increments. This product does not charge interest but may feature late fees or other fees. While this is the most common form of BNPL, most firms also offer monthly installment products for larger purchases that can have longer terms and charge interest or sometimes other fees. Unlike general purpose credit cards, which can be used at a wide variety of retailers once issued, traditional BNPL products can generally be used only with merchants that directly partner with BNPL originators. Such transactions are underwritten at the time of payment solely for a specific purchase.

The market for BNPL products is dominated by financial technology (fintech) payment companies as opposed to banks. These fintechs include Affirm, Klarna, Block (the parent company of Afterpay), PayPal, Sezzle, and Zip. Firms often offer a wider suite of products in addition to more traditional BNPL, including subscriptions or virtual cards that allow customers to use BNPL services at merchants not in the BNPL firms’ merchant partner networks. BNPL firms rely on fintech-bank partnerships and bank offerings for certain products, including balance accounts and debit cards with pay later options. BNPL firms also partner with banks to originate many of their loans. Increasingly, these BNPL fintechs have either applied for industrial loan company (ILC) banking charters or indicated their desire to do so. While nonbank firms have traditionally offered BNPL products, banks and credit card companies have begun to offer similar interest-free products to smooth larger purchases with, but often with fees. Such products are offered after purchases have been made, as opposed to the point of sale, which is different from traditional BNPL. BNPL usage by consumers has accelerated over time. Recent research by the Consumer Financial Protection Bureau (CFPB) found that Pay in 4 originations increased from \$2.2 billion in 2019 to \$43.9 billion in 2023. CRS estimates further growth to \$63.3 billion in 2025, similar to an estimate by the Federal Reserve Bank of Richmond (\$70 billion). CRS estimates that the BNPL monthly installment loan gross merchandise volume (GMV) is roughly \$40 billion in 2025.

The primary source of BNPL-related revenue for many firms comes directly from merchants. Merchants pay a fee to BNPL companies for each related transaction. Certain BNPL firms with card businesses also earn revenue from debit card interchange. Other sources of revenue include consumer interest income from monthly installment products, late fees, advertising revenue, and subscription services. Revenue sources and underlying business models vary significantly, and for certain firms it is more difficult to assess how their BNPL businesses make money and their exact product mix.

There are a number of potential policy issues related to BNPL. Whether BNPL providers should be subject to the Truth in Lending Act (TILA, 15 U.S.C. §1601) is one of the key issues policymakers have debated. A previous interpretative rule (89 *Federal Register* 47068) issued by the CFPB in May 2024 that was later withdrawn in May 2025 (90 *Federal Register* 20084) applied subpart B of TILA to Pay in 4 and treated BNPL in some ways like credit cards. Other policy debates relate to how BNPL relates to broader consumer debt, incorporation of BNPL in credit scores, and data visibility. These include the degree to which BNPL products may encourage increased spending by consumers. Credit furnishing by BNPL firms remains inconsistent, with firms often furnishing monthly installment products to credit bureaus. As of the date of this report, only one major firm universally furnishes Pay in 4 data, even as certain credit scoring models are increasingly capable of using and scoring such data. While BNPL today remains a minority of total consumer volume for payments, a lack of central data collected on the BNPL may present risks to policymakers attempting to assess overall risks of the product if it continues to grow.

In the 118<sup>th</sup> and 119<sup>th</sup> Congresses, Members of Congress have introduced a number of bills pertinent to BNPL. These include bills that would address TILA’s applicability to Pay in 4 (H.J.Res. 190, H.J.Res. 195, H.R. 8628, H.R. 6891/S. 3561), require

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a study of BNPL and credit reporting (H.R. 5083), limit Pay in 4 payments for semiautomatic rifles (H.R. 4289), and require study of the financial effects of BNPL on military members (H.R. 5683).

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## Introduction to Buy Now, Pay Later

Buy Now, Pay Later (BNPL) is a form of predominantly point-of-sale financing.<sup>1</sup> The most common form of BNPL is “Pay in 4,” wherein a consumer can purchase (and take ownership of) an item now and pay for it over time on a predetermined payment schedule in four payments—the first made at the time of purchase—over six weeks. The structured repayment is one of the main ways BNPL is differentiated from credit cards, which are *revolving* lines of credit on which monthly payments are made on an ongoing basis as existing debt is paid down and new debt is added. Also, unlike credit cards, these products do not have interest but may have late fees like credit cards. Companies that offer Pay in 4 may also offer monthly installment loans, which generally charge interest and are offered generally for larger-dollar-value purchases. BNPL has been commonly developed by financial technology (or “fintech”) companies and offered in partnership with merchants.<sup>2</sup>

### What’s in a Name? Defining BNPL

As the availability of BNPL has grown, the term has become ubiquitous. As a result, BNPL has come to mean different things to different people, depending on how it is used. As used in the market, BNPL may refer to various forms of shorter-term, generally point-of-sale, closed-end financing options applied to discrete purchases (not open-ended like credit cards) that allow customers to take immediate ownership of purchases while making payments in the future. One form of BNPL is the “Pay in 4” product, which is interest free and requires the first payment at the time of purchase and three additional payments at two-week intervals over the next six weeks. While Pay in 4 is sometimes used synonymously with BNPL, BNPL also includes other forms of financing, including installment loans for discrete products (possession of which is also taken at the time of purchase). Finally, BNPL may refer to (usually fintech) companies that offer one or some combination of the products described but may offer a wider array of other products for consumers and businesses.

This report addresses both forms of financing. The report uses “Pay in 4” where it refers to interest-free financing for discrete purchases requiring repayment over four payments (the first at the time of purchase and the remaining three over consecutive two week periods), The report uses “installment loans” to describe financing for discrete purchases, repayment of which occurs over a longer term and may come with interest. The report also uses BNPL when referring to firms that offer one or more of these products, even if such firms offer a wider array of products.

BNPL fits into a broader category of financial products for smoothing of everyday household consumption, providing additional liquidity to households in the short to medium term and offering an instant payment mechanism at the point of sale to make purchases. This broader idea is not a new one in consumer finance even if the technology to deploy BNPL products and the specific terms popularized through these offerings is. While retailers have offered financing resembling BNPL for much of history in the form of installment plans (sometimes referred to as layaway), it is now offered by fintech intermediaries generally at point of sale and has grown dramatically in recent years. Unlike layaway, where a retailer would hold a product in store until payments were complete, with BNPL a consumer takes ownership of the product immediately. Such products complement retailers’ existing credit card offerings that they offer in conjunction with financial institutions.

<sup>1</sup> BNPL is not offered solely at the point of sale but also on centralized BNPL websites run by BNPL firms.

<sup>2</sup> For more on fintech, see CRS Report R46332, *Fintech: Overview of Innovative Financial Technology and Selected Policy Issues*, coordinated by David W. Perkins. The focus of this report is on general purpose BNPL products for consumers. However, there is a growing industry of products with some similar features focusing on medical payments and rental payments specifically. See for example Justin Bachman, “For Medical Debt, ‘Care Now, Pay Later’ Models Abound,” *Payments Dive*, April 16, 2025; Paytient, “What Is a Health Payment Account?,” <https://www.paytient.com/>; PayZen, “Patient Financing: Still Using One-Size-Fits-All Payment Plans?,” <https://payzen.com/patient-financing/>.

The first half of this report gives an introduction to the BNPL market providing an overview of the types of BNPL products offered, the growth in BNPL, and the demographics of consumers who use BNPL. This report describes the nonbank firms that originate these products and their associated revenue and funding models, as well as traditional financial players that have begun offering similar (but not equivalent) BNPL-like products to card users. BNPL has been the source of congressional interest in the form of hearings, letters, and legislation. This report details some of the policy issues and options for Congress, including BNPL's structure and applicable regulatory frameworks, credit reporting of BNPL, and impacts of BNPL on aggregate consumer debt, among other issues.

## The BNPL Market

### Product Types

The most common and distinct product offered in BNPL is Pay in 4, wherein a purchase is paid in four payments over six weeks. Nonbank firms that offer Pay in 4 lending often offer multiple different financing products as a part of their broader focus on lending and payments.<sup>3</sup> Pay in 4 products often rely on soft credit checks and never have interest payments but may include penalties and/or fees if payments are missed. They have traditionally not been reported to credit bureaus by most providers.<sup>4</sup> Generally, consumers are enrolled in autopay at origination. According to recent research from the Consumer Financial Protection Bureau (CFPB), the average value of Pay in 4 products in 2023 was \$131.<sup>5</sup> Some BNPL firms also offer similar products without interest but with perhaps different term options and sometimes without down payments.<sup>6</sup>

Some companies also offer monthly installment loans with characteristics that are more similar to a traditional consumer personal loan. These loans generally charge interest, have fixed terms that can last up to 60 months, and can generally be used for costlier purchases relative to Pay in 4.<sup>7</sup> As of 2021, according to McKinsey, the average purchase size was \$800, but such transaction sizes

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<sup>3</sup> Nonbank consumer finance companies offer consumer finance products or services such as BNPL but do not have traditional bank or credit union charters. This report begins with a discussion of nonbank BNPL providers, as they are the largest share of the BNPL market. Such firms may have or recently applied for industrial loan company bank charters but are generally referred to as fintech firms throughout this report. For more, see CRS Report R48512, *Nonbank Financial Intermediation (NBFI or "Shadow Banking") and Capital Markets Policy*, by Eva Su.

<sup>4</sup> Cortnie Shupe and Joshua DeLuca, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, Consumer Financial Protection Bureau, January 2025, p. 5, [https://files.consumerfinance.gov/f/documents/cfpb\\_BNPL\\_Report\\_2025\\_01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_BNPL_Report_2025_01.pdf).

<sup>5</sup> Nicolas Salem and Laura Udis, *The Buy Now, Pay Later Market*, CFPB, December 2025, p. 15, [https://files.consumerfinance.gov/f/documents/cfpb\\_bnpl-market-report\\_2025-12.pdf](https://files.consumerfinance.gov/f/documents/cfpb_bnpl-market-report_2025-12.pdf).

<sup>6</sup> See, for example, Zip, "Introduction to Zip," p. 12, <https://zip.co/files/au/introduction-to-zip.pdf>; Klarna, "Get It First. Pay 30 Days Later," <https://www.klarna.com/us/payments/pay-in-30-days/>; Affirm, "Affirm Expands Payment Offerings with New Pay in 2 and Pay in 30 Options," press release, June 6, 2024, <https://investors.affirm.com/news-releases/news-release-details/affirm-expands-payment-offerings-new-pay-2-and-pay-30-options>.

<sup>7</sup> PayPal advertises that these monthly installment loans can be used for purchases from "\$49 to \$10,000," compared to "\$30 to \$1,500" for the Pay in 4 products. PayPal, "Buy Now, Pay Later with PayPal," <https://www.paypal.com/us/digital-wallet/ways-to-pay/buy-now-pay-later>. Affirm has interest-bearing plans from 30 days to 60 months and "cart sizes ranging from \$35 to \$30,000." Affirm, "The Affirm Difference: Why Merchants Choose Us over the Competition," press release, March 6, 2025, <https://investors.affirm.com/news-releases/news-release-details/affirm-difference-why-merchants-choose-us-over-competition>.

may have increased with inflation.<sup>8</sup> Such products are commonly (but not always) reported to credit bureaus.<sup>9</sup>

BNPL providers most commonly originate Pay in 4 and monthly installment loans through merchant-specific agreements at the point of sale or sometimes through the BNPL providers' centralized applications.<sup>10</sup> Such payment options are available only for merchants that are directly affiliated with a given BNPL provider. Typically, each use of the BNPL is discreet and requires new applications and approvals each time a BNPL purchase is made. This is unlike general purpose debit or credit cards, which can be used more widely at a number of retailers after an application and approval at the onset. However, there are some other BNPL-affiliated products (discussed below) that can be used at a wider variety of retailers. The merchant is paid upfront by the BNPL provider for a given purchase, less any merchant fees.

BNPL providers use their financial relationships with banks and various structured products to provide regular short-term funding to consumers while also earning revenue for themselves and shareholders. These are two key components of the business model. *BNPL funding*, which is addressed first below, refers to how BNPL companies obtain the money to lend to consumers—most often by partnering with banks and using bank deposits. They may also use forms of securitization in which they package loans and sell to investors. *Sources of revenue* refers to the ways such companies earn money through the offering of the products. BNPL companies raise money from fees from merchants, interest income, advertising, and late customer fees. Revenue sources vary dramatically by provider.

As discussed in the “Sources of Revenue” section, merchants are a primary source of BNPL revenue. There is some evidence that BNPL-related purchases drive increased purchase volume relative to credit cards or other forms of payment and decreased abandonments of carts. Merchants partner with one BNPL provider (or multiple BNPL providers in the case of certain large merchants) in order to provide BNPL financing options for their customers.

Approval rates for Pay in 4 has increased over time. According to the CFPB, approval rates for Pay in 4 products were 79% in 2022, an increase from 56% in 2019.<sup>11</sup> **Figure 1** depicts approval rates and total applications over time for a sample of applications from CFPB research.

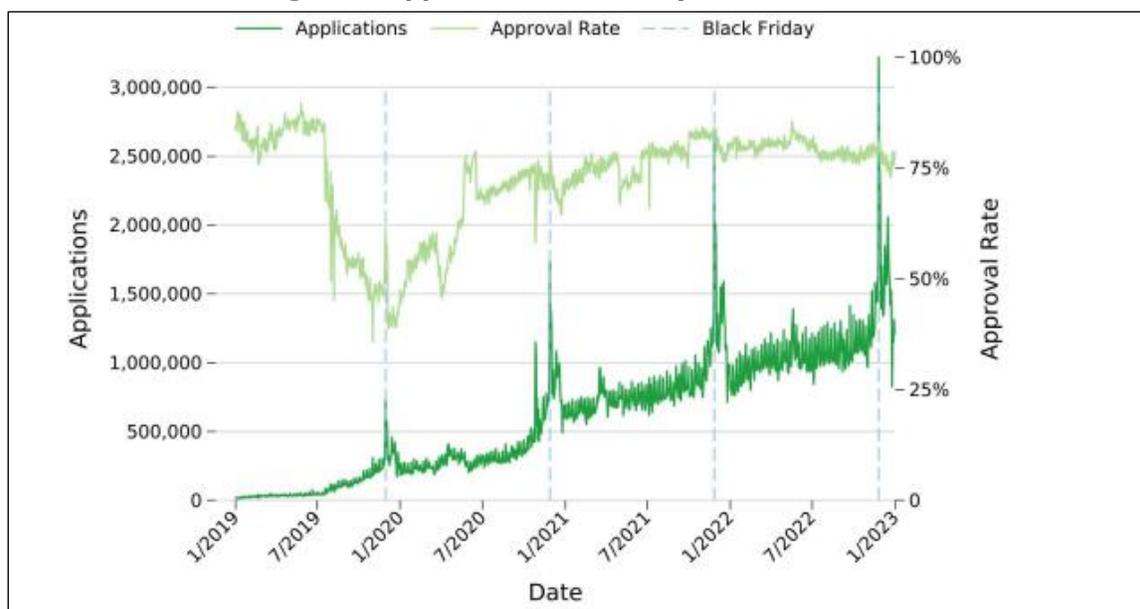
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<sup>8</sup> Puneet Dikshit et al., “Buy Now, Pay Later: Five Business Models to Compete,” McKinsey and Company, July 2021, <https://www.mckinsey.com/~media/mckinsey/industries/financial%20services/our%20insights/buy%20now%20pay%20later%20five%20business%20models%20to%20compete/buy-now-pay-later-five-business-models-to-compete-final.pdf>.

<sup>9</sup> Affirm and Klarna both furnish monthly installment origination and repayment data to credit bureaus. PayPal states that it “may” furnish such information. Klarna, “Does Klarna Report to Credit Bureaus?,” <https://www.klarna.com/us/customer-service/does-klarna-report-to-credit-bureaus/>; Affirm, “Affirm Credit Reporting,” <https://helpcenter.affirm.com/s/article/affirm-credit-reporting>; PayPal, “Questions About Pay Monthly Applications,” <https://www.paypal.com/us/cshelp/article/questions-about-pay-monthly-applications-help845>.

<sup>10</sup> According to data from Affirm, 77% of transactions are at point of sale, while GMV Klarna reports that 91% are at merchant checkout. Affirm, “Affirm FQ1’26 Historical Financials,” November 6, 2025, <https://investors.affirm.com/static-files/00e6df1a-5c4d-4700-9fd2-a1920daf916c>; Klarna Group, Form F-1, September 8, 2025, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0002003292/7c5f79a5-efbf-42b4-b001-860c138b2697.pdf>.

<sup>11</sup> Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*, p. 11.

**Figure I. Approval Rates for Pay in 4 Over Time**

**Source:** Cortnie Shupe and Joshua DeLuca, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, Consumer Financial Protection Bureau, January 2025, p. 11, [https://files.consumerfinance.gov/f/documents/cfpb\\_BNPL\\_Report\\_2025\\_01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_BNPL_Report_2025_01.pdf).

While the primary portion of BNPL providers' business is through these merchant-affiliated agreements, BNPL providers may also offer one-time-use virtual cards that enable consumers to use Pay in 4 or monthly installment loans. Such virtual cards may charge fees to consumers at origination.<sup>12</sup> At least two BNPL providers, Sezzle and Block, offer paid subscriptions that enable consumers to use Pay in 4 as virtual cards at non-partnered retailers.<sup>13</sup> BNPL companies have increasingly offered more traditional products, such as balance accounts (in partnership with banks) and physical general purpose debit cards.<sup>14</sup> In conjunction with bank partners that issue such cards, Affirm and Block both offer physical debit cards with the ability to pay transactions in full or to split transactions to pay them later, and Klarna recently began offering a debit card.<sup>15</sup>

<sup>12</sup> See, for example, Sezzle, "What Is a Single-Use Card and How Does It Work?," November 2025, <https://shopper-help.sezzle.com/hc/en-us/articles/27876656946964-What-is-a-single-use-card-and-how-does-it-work>; Klarna, "What Is a One-Time Card and How Does It Work?," <https://www.klarna.com/us/customer-service/what-is-a-one-time-card-and-how-does-it-work/>; PayPal, "Enjoy Now. Pay Later," <https://www.paypal.com/us/digital-wallet/ways-to-pay/buy-now-pay-later>.

<sup>13</sup> Sezzle, "Pay Later Anywhere Visa Is Accepted," <https://sezzle.com/anywhere/>; Afterpay, "Afterpay Plus," 2025, <https://help.afterpay.com/hc/en-au/articles/8262431060249-Afterpay-Plus>. Klarna offers a similar (but not equivalent) plan known as Klarna Plus, with no service fees on Klarna's one-time cards, that can be used at non-partnered merchants. Klarna, "Memberships," <https://www.klarna.com/us/memberships/>.

<sup>14</sup> Patrick Cooley, "BNPLs Intrude on Banks' Turf," *Payments Dive*, October 29, 2025, <https://www.paymentsdive.com/news/buy-now-pay-later-fintechs-bank-competition/803602/>.

<sup>15</sup> BNPL firms work with traditional banks to offer balance accounts associated with these services. Throughout this report, Block, a parent company with a broader focus on payments, will sometimes be referred to in conjunction with "Afterpay," an Australian BNPL provider that Block acquired in 2022. Today, many of Block's BNPL services are offered through Afterpay, but some may be offered through other methods, such as the Cash App Card.

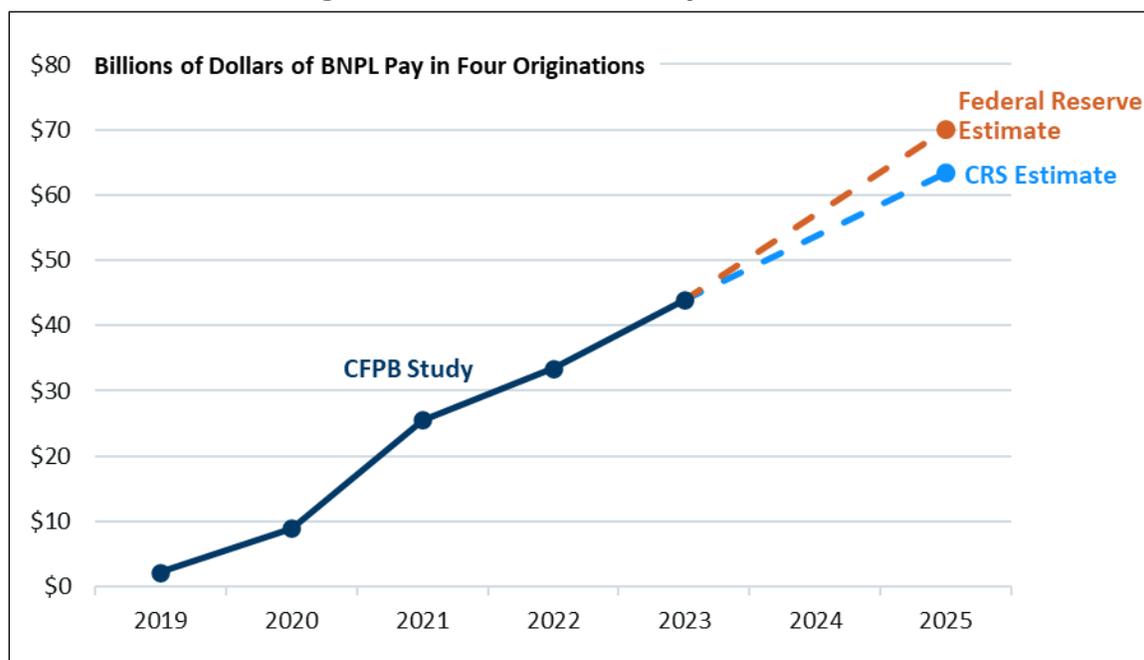
## Growth in BNPL Usage and Size

BNPL use has grown substantially in the United States in recent years. According to data from the CFPB, the originations for Pay in 4 products in the United States (excluding longer-term products or cards offered by BNPL firms) grew from \$2.2 billion in 2019 to \$43.9 billion in 2023, the last year for which aggregate data is available.<sup>16</sup> Based on trends in company annual filings, it appears the Pay in 4 market has continued to grow since 2023, and CRS estimates that originations were approximately \$63.3 billion in 2025.<sup>17</sup> **Figure 2** shows the growth in BNPL Pay in 4 volume over time and the growth as estimated by this report and a recent paper from the Federal Reserve Bank of Richmond estimated the Pay in 4 market to be \$70 billion in 2025.<sup>18</sup>

<sup>16</sup> Salem and Udis, *The Buy Now, Pay Later Market*, p. 15. This report relies on the nominal dollars, as opposed to inflation-adjusted figures. In general, this growth in BNPL outstripped that by cards and other traditional forms of payments. Cole Gottlieb, “Q2 2025 Review, Consumer Lending,” Cross River Bank, September 5, 2025, <https://www.crossriver.com/insights/q2-2025-review-consumer-lending>.

<sup>17</sup> In CRS’s review of Pay-in-4-intensive company gross merchandise volume (GMV), a number of companies experienced 44% aggregate growth between 2023 and 2025 (estimated). To estimate this increase, this uses GMV/total purchase volume (TPV) data from the three of the larger issuers of Pay in 4 the United States (PayPal, Klarna, and Block) and estimates their growth rate in such measures from 2023 to 2025. An underlying assumption presumes that increases in global GMV (not specific to the United States) are indicative of increases in the U.S. Pay in 4 market. In addition, for Block and PayPal there is not easily accessible data on Pay Later GMV volumes, meaning such calculations (except Klarna) presume that overall growth in BNPL products is equivalent to Pay in 4. This calculation also assumes that the market size of these three firms was roughly even. The range of aggregate growth from 2023 and 2025 was between 38% and 50%, and the average of these three companies’ growth was 44%, which is used for the calculation. Applying this aggregate 44% growth to the \$43.9 billion figure, this calculates to \$63.3 billion of Pay in 4 originations in 2025. See below for data relied on for BNPL volumes for these firms: Klarna Group, Form F-1; Klarna, “First Quarter 2025 Results,” 2025, [https://s205.q4cdn.com/644747736/files/doc\\_financials/2025/q1/Q1-25-Klarna-Earnings-Release.pdf](https://s205.q4cdn.com/644747736/files/doc_financials/2025/q1/Q1-25-Klarna-Earnings-Release.pdf); Klarna, “Second Quarter, 2025 Results,” 2025, [https://s205.q4cdn.com/644747736/files/doc\\_financials/2025/q2/Q2-25-Klarna-Group-plc-Earnings-Release.pdf](https://s205.q4cdn.com/644747736/files/doc_financials/2025/q2/Q2-25-Klarna-Group-plc-Earnings-Release.pdf); Klarna, “Third Quarter 2025 Results,” 2025, [https://s205.q4cdn.com/644747736/files/doc\\_financials/2025/q3/Q3-2025-Earnings-Release.pdf](https://s205.q4cdn.com/644747736/files/doc_financials/2025/q3/Q3-2025-Earnings-Release.pdf); PayPal, “PayPal Announces a Multi-Year Relationship for U.S. Buy Now, Pay Later Receivables with Funds Managed by Blue Owl Capital,” press release, September 24, 2025, <https://investor.pyppl.com/news-and-events/news-details/2025/PayPal-Announces-a-Multi-Year-Relationship-for-U-S--Buy-Now-Pay-Later-Receivables-with-Funds-Managed-by-Blue-Owl-Capital/default.aspx>; PayPal Holdings, “Q3 2025 Earnings Call,” October 28, 2025, [https://s205.q4cdn.com/875401827/files/doc\\_financials/2025/q3/CORRECTED-TRANSCRIPT-PayPal-Holdings-Inc-PYPL-US-Q3-2025-Earnings-Call-28-October-2025-8\\_00-AM-ET.pdf](https://s205.q4cdn.com/875401827/files/doc_financials/2025/q3/CORRECTED-TRANSCRIPT-PayPal-Holdings-Inc-PYPL-US-Q3-2025-Earnings-Call-28-October-2025-8_00-AM-ET.pdf); Block, “Q4 2024 Shareholder Letter,” p. 11, [https://s29.q4cdn.com/628966176/files/doc\\_financials/2024/q4/Shareholder-Letter\\_Block-4Q24.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2024/q4/Shareholder-Letter_Block-4Q24.pdf); Block, “Q1 2025 Shareholder Letter,” [https://s29.q4cdn.com/628966176/files/doc\\_financials/2025/q1/Block\\_1Q25\\_Shareholder-Letter.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2025/q1/Block_1Q25_Shareholder-Letter.pdf); Block, “Q2 2025 Shareholder Letter,” [https://s29.q4cdn.com/628966176/files/doc\\_financials/2025/q2/Shareholder-Letter-Block\\_2Q25.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2025/q2/Shareholder-Letter-Block_2Q25.pdf); Block, “Q3 2025 Shareholder Letter,” p. 8, [https://s29.q4cdn.com/628966176/files/doc\\_financials/2025/q3/Block\\_3Q25\\_Shareholder-Letter.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2025/q3/Block_3Q25_Shareholder-Letter.pdf).

<sup>18</sup> Zhu Wang, “Buy Now, Pay Later: Recent Developments and Implications,” Federal Reserve Bank of Richmond, February 2026, [https://www.richmondfed.org/publications/research/economic\\_brief/2026/eb\\_26-05](https://www.richmondfed.org/publications/research/economic_brief/2026/eb_26-05).

**Figure 2. Growth in BNPL Pay in 4 Market**

**Sources:** Nicolas Salem and Laura Udis, *The Buy Now, Pay Later Market*, Consumer Financial Protection Bureau, December 2025, p. 15, [https://files.consumerfinance.gov/f/documents/cfpb\\_bnpl-market-report\\_2025-12.pdf](https://files.consumerfinance.gov/f/documents/cfpb_bnpl-market-report_2025-12.pdf); Zhu Wang, “Buy Now, Pay Later: Recent Developments and Implications,” Federal Reserve Bank of Richmond, February 2026, [https://www.richmondfed.org/publications/research/economic\\_brief/2026/eb\\_26-05](https://www.richmondfed.org/publications/research/economic_brief/2026/eb_26-05).

**Note:** For more information on the calculation of the CRS estimate, see footnote 17.

Research quantifying the market for installment loans is sparser. CRS estimates that the GMV for monthly BNPL installment market in the United States at an annual level was approximately \$40 billion in 2025 based on company financial reports, discussions with industry analysts, and certain assumptions.<sup>19</sup> Combined, using CRS estimates, this implies that the total market for these two core products offered by BNPL firms had a GMV of roughly \$103 billion in 2025, although this does not account for related (but not equivalent) pay-later payments within cards offered by BNPL lenders or banks, BNPL subscriptions, or other closely affiliated BNPL products.

Survey data from the Fed at a consumer level show that around 15% of adult Americans used Pay in 4 in the past year, with some growth over time.<sup>20</sup> Relative to other forms of debt and payments, this remains fairly small, and transactions are much less common than those for credit or debit

<sup>19</sup> This calculation assumes that US share of overall BNPL GMV is equivalent for installment products. See Affirm, “Affirm FQ1’26 Historical Financials”; Klarna Group, Form F-1; Klarna, “First Quarter 2025 Results,” 2025; Klarna, “Second Quarter, 2025 Results,” 2025; Klarna, “Third Quarter 2025 Results, 2025”; PayPal Holdings, Form 10-Q, Q3-2025, [https://s205.q4cdn.com/875401827/files/doc\\_financials/2025/q3/PYPL-Q3-2025-10Q.pdf](https://s205.q4cdn.com/875401827/files/doc_financials/2025/q3/PYPL-Q3-2025-10Q.pdf).

<sup>20</sup> Board of Governors of the Federal Reserve System, “Report on the Economic Well-Being of U.S. Households in 2024—May 2025,” <https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-overall-financial-well-being.htm>. This data is broadly consistent with recent research by the CFPB, which found that 53.6 million consumers (or roughly 20% of adult Americans) took at least one Pay in 4 in 2023 but noted that “our data does not allow us to determine if a user had BNPL loans from multiple lenders and therefore overestimates the total number of BNPL users to some degree.” It is unclear to what degree such duplicates would reduce this percentage, as previous research has shown that simultaneous loans at separate BNPL firms is somewhat common. Salem and Udis, *The Buy Now, Pay Later Market*, p. 10.

cards. The growth in BNPL is not limited to the United States. In certain other developed countries, BNPL is more popular as a share of overall e-commerce payments.<sup>21</sup>

## Consumer Characteristics

Pay in 4 use is more common among younger and non-white individuals.<sup>22</sup> In addition, consumers with lower credit scores are more likely to use BNPL, potentially because they were denied other substitutable products.<sup>23</sup> Such factors could shift if BNPL use continues to grow in the United States. Despite this, and as discussed in greater detail in the subsection on “Consumer Debt” below, Pay in 4 charge-off rates at a product level have stayed around 2% from 2019 to 2023.<sup>24</sup>

Less is known about the users of longer installment products offered by BNPL firms. Affirm, which specializes in these products, stated that “three-quarters (71%) of Affirm’s consumer base are near prime, prime or superprime compared to just 35% among the aggregated figures in the CFPB’s report,” which studied solely Pay in 4 users and a wider array of companies.<sup>25</sup>

## Firms That Offer BNPL

A number of fintech firms are active in the BNPL market. Payment fintechs offering BNPL products include Klarna, Block (the parent company of Afterpay), Affirm, PayPal, Sezzle, and Zip. More recently, some of these BNPL providers have sought or contemplated applying for industrial loan company (ILC) charters, a type of bank charter.<sup>26</sup> Also recently, and presumably motivated by competitive pressures of nonbank providers, banks and certain other traditional financial institutions have begun offering BNPL-like options to their customers—for example, debit purchases whose payments are spread out over multiple months.

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<sup>21</sup> Regal Funds Management, “Morgan Stanley 7<sup>th</sup> Australia Summit 2025,” July, 2025, p. 5, <https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/Thursday-1545-Regal.pdf>.

<sup>22</sup> Federal Reserve, “Report on the Economic Well-Being of U.S. Households in 2024—May 2025”; and Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*, p. 26.

<sup>23</sup> Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*; and Joanna Stavins, “Buy Now, Pay Later: Who Uses It and Why,” Federal Reserve Bank of Boston, May 23, 2024, <https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx>.

<sup>24</sup> Salem and Udis, *The Buy Now, Pay Later Market*, pp. 12-13.

<sup>25</sup> Katherine Adkins, “A Deeper Look at Buy Now, Pay Later Users, Benefits and Common Criticisms,” Affirm, February 5, 2025, <https://investors.affirm.com/news-releases/news-release-details/deeper-look-buy-now-pay-later-users-benefits-and-common>. The report that this Affirm quote references is Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*. This data also includes individuals who use Affirm’s Pay in 4 and debit cards. *Near-prime*, *prime*, and *super-prime* represent the three higher-scored credit score buckets, and in Shupe and DeLuca referenced above they correspond to scores of “620-659 for near prime, 660-719 for prime, and 720-850 for super-prime.”

<sup>26</sup> See PayPal, “PayPal Submits Applications to Establish an Industrial Bank to Expand Access to Financial Services for U.S. Small Businesses,” press release, December 15, 2025, <https://newsroom.paypal-corp.com/2025-12-15-PayPal-Submits-Applications-to-Establish-an-Industrial-Bank-to-Expand-Access-to-Financial-Services-for-U-S-Small-Businesses>. Reasons for applying for an ILC bank charter may vary and could include a more consistent regulatory structure, stable low-cost funding, and permission to perform direct lending. Patrick Cooley, “Regulatory Patchwork Vexes BNPL,” *Payments Dive*, November 25, 2025, <https://www.paymentsdive.com/news/regulatory-patchwork-vexes-bnpl/806120/>; Patrick Cooley, “Affirm Seeks Nevada Bank Charter,” *Payments Dive*, January 23, 2026, <https://www.paymentsdive.com/news/affirm-seeks-nevada-bank-charter/810367/>; CRS Report R46489, *Industrial Loan Companies (ILCs): Background and Policy Issues*, by David W. Perkins.

## Payment Fintechs

A number of payment fintechs offer BNPL products in the American market. The following is a quick summary of each of these firms in relation to BNPL.

- Affirm primarily offers monthly interest-bearing installment loans, which represented 72% of its total gross merchandise volume (GMV) in FY2025.<sup>27</sup> As of FY2025, Affirm had \$36.7 billion in total GMV, the vast majority of which was in the United States.<sup>28</sup> Affirm universally furnishes its data (including Pay in 4) to credit bureaus.<sup>29</sup>
- Similar to most BNPL firms discussed below, Klarna primarily specializes in Pay in 4 products, which represent 75% of its total GMV in 2024 and 79% in 2025.<sup>30</sup> For the 12 months preceding June 30, 2025, Klarna’s total GMV was \$112 billion.<sup>31</sup> Unlike Affirm, which predominantly focuses on the United States, roughly one-third of Klarna’s revenue is driven by the American market.<sup>32</sup>
- Block, a fintech conglomerate, acquired Afterpay, a popular Australian BNPL provider, in 2021.<sup>33</sup> For 2025Q1-Q3, the total BNPL GMV at Block was \$26.7 billion, although the geography of this figure is unclear.<sup>34</sup> Block holds an ILC banking charter.<sup>35</sup> Block also operates Cash App.
- PayPal, a large fintech offering payment services, has been offering consumer lending since 2008, including through a service called “Bill Me Later,” which allows certain customers to pay for purchases over time without using credit cards.<sup>36</sup> As of Q3 2025, PayPal was “on track to process close to \$40 billion

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<sup>27</sup> GMV corresponds to the gross value of the merchandise purchased on the platform. Affirm’s fiscal year ends on June 30. Affirm, “10-K FY2025,” p. 6, <https://investors.affirm.com/static-files/07dafc6f-74b5-49cf-af53-65d5dce742f3>; Affirm, “Affirm Annual Report 2024,” p. 62, <https://investors.affirm.com/static-files/2722caba-16bd-4ab0-bb87-94c0e2d454aa#page=67>. The share of Affirm’s GMV allocated to interest-bearing loans has increased over time from 58% in FY2022 to 74% in FY2024. Affirm also offers a 0% monthly annual percentage rate monthly product, which has roughly the same percentage of GMV as its Pay in 4 products.

<sup>28</sup> Affirm, “Affirm Annual Report 2024,” p. 6.

<sup>29</sup> Affirm, “Affirm Credit Reporting.”

<sup>30</sup> Klarna Group, Form F-1, p. 127.

<sup>31</sup> Klarna Group, Form F-1, p. 9.

<sup>32</sup> Jevgenijs Kazanins, “Klarna Is Going Public, Here Is How It Compares to Affirm,” *Popular Fintech*, January 19, 2025, <https://www.popularfintech.com/p/klarna-is-going-public-here-is-how-it-compares-affirm>.

<sup>33</sup> Block was also formerly known as Square and is referred to as such in certain footnotes. Square, “Square, Inc. Announces Plans to Acquire Afterpay, Strengthening and Enabling Further Integration Between Its Seller and Cash App Ecosystems,” August 1, 2021, <https://squareup.com/us/en/press/square-announces-plans-to-acquire-afterpay>; Square, “Square Financial Services Begins Banking Operations,” March 1, 2021, <https://squareup.com/us/en/press/square-financial-services-begins-banking-operations>.

<sup>34</sup> Block, “Q3 2025 Shareholder Letter,” p. 8.

This BNPL GMV includes (but is not limited to) Pay in 4, installment loans, pay later flexibilities on the Cash App debit card, and BNPL virtual cards.

<sup>35</sup> For more on these specific licenses, see CRS Report R46489, *Industrial Loan Companies (ILCs): Background and Policy Issues*, by David W. Perkins. This license was issued to Square Financial Services months before the Afterpay acquisition.

<sup>36</sup> PayPal, “eBay and PayPal Now Offer Bill Me Later,” press release, October 19, 2009, <https://newsroom.paypal-corp.com/2009-10-19-eBay-and-PayPal-Now-Offer-Bill-Me-Later>.

BNPL Total Purchase Volume [TPV],” although the geography of this figure is unclear.<sup>37</sup> The company began offering a Pay in 4 product in 2020.<sup>38</sup>

- Other providers, including Sezzle and Zip, are smaller in terms of their total GMV but still fairly widely used in the United States.<sup>39</sup>

Fintechs that offer a wider suite of services (including Block and PayPal) often cross-sell among different product lines and may use the BNPL product as a means of customer acquisition in addition to driving overall revenue.<sup>40</sup> This cross-selling is common in other financial services firms. In their efforts to expand their product offerings and cross-sell, fintechs partner with banks to offer services that the fintechs are not permitted to offer on their own, such as deposit accounts and deposit-linked debit cards. Some fintechs use those partnerships to fund certain products, offer card services, or provide deposit-like “balance” products. For example, Klarna and Affirm partner with WebBank and Cross River Bank, respectively, to offer their balance accounts.<sup>41</sup>

### *Banks and Card Networks*

Some traditional banks have also begun offering closely related products to BNPL alongside their traditional loan and credit offerings assisted by firms that offer card network infrastructure.

For example, J. P. Morgan Chase offers similar (but not equivalent) options to those offered by BNPL firms for its customers. In 2020, it began allowing credit card customers to pay for certain purchases over a set amount of time for a set fee but with no associated interest.<sup>42</sup> The bank offers this option after a customer has already made a (generally larger) purchase with a credit card. This is unlike traditional BNPL as previously introduced, which is offered before purchase at the point of sale or through the BNPL centralized system. Such offerings are offered by numerous other banks and nonbanks, including Citibank, Synchrony, and Amazon.<sup>43</sup> According to the CFPB, such products have grown rapidly from 5.2 million originations in 2021 to 26.8 million in 2024.<sup>44</sup> In 2024, such purchases had an average size of roughly \$700, and total originations were over \$18 billion.<sup>45</sup> Because such data represents a sample of eight credit card issuers in the marketplace, this is likely an underestimate of the total size of this market. For example, Block offers Cash App debit card users a similar post-purchase option for purchases greater than \$25,

<sup>37</sup> PayPal Holdings, “Q3 2025 Earnings Call.”

<sup>38</sup> PayPal, “PayPal Introduces New Interest-Free Buy Now Pay Later Installment Solution,” August 31, 2020, <https://newsroom.paypal-corp.com/2020-08-31-PayPal-Introduces-New-Interest-Free-Buy-Now-Pay-Later-Installment-Solution>.

<sup>39</sup> Sezzle, Form 10-K, <https://www.sec.gov/Archives/edgar/data/1662991/000166299125000041/szl-20241231.htm>; Zip, “Annual Report 2025,” [https://ctfassets.zip.co/1u65qlkmtuw/4SNsBOMTzuTmKL2LF0iubx/89d8e19a7d704b578cb4d716fc5b63d0/FY25\\_Annual\\_Report.pdf](https://ctfassets.zip.co/1u65qlkmtuw/4SNsBOMTzuTmKL2LF0iubx/89d8e19a7d704b578cb4d716fc5b63d0/FY25_Annual_Report.pdf); Regal Funds Management, “Morgan Stanley 7<sup>th</sup> Australia Summit 2025,” p. 5.

<sup>40</sup> Discussed in Anthony Eisen et al., “Connecting Cash App and Square Ecosystems,” Afterpay, 2022, pp. 11, 18, 33, [https://s29.q4cdn.com/628966176/files/doc\\_presentations/2022/05/Afterpay-Block-Investor-Day-2022.pdf](https://s29.q4cdn.com/628966176/files/doc_presentations/2022/05/Afterpay-Block-Investor-Day-2022.pdf).

<sup>41</sup> See Klarna, “Pay with Klarna Everywhere,” <https://www.klarna.com/us/klarna-card/>; Affirm, “Create an Affirm Money Account,” <https://helpcenter.affirm.com/s/article/create-an-affirm-money-account>.

<sup>42</sup> Chase, “Get More Flexibility with Chase Pay Over Time,” <https://www.chase.com/personal/credit-cards/chasepayvertime>. Inclusion of this product is meant to be illustrative and is not intended to imply legal or regulatory equivalence. “The Chase Pay Over Time Fee for plans set up after purchase is 1.72% of the amount of each eligible purchase transaction or amount selected to create a Pay Over Time plan.”

<sup>43</sup> CFPB, *The Consumer Credit Card Market: Report to Congress*, December 2025, p. 148, [https://files.consumerfinance.gov/f/documents/cfpb\\_consumer-credit-card-market-report\\_2025.pdf](https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf).

<sup>44</sup> CFPB, *The Consumer Credit Card Market*, p. 149. This growth was primarily from 2022 to 2023. Between 2023 and 2024, the total number of installment loans of this variety issued declined by roughly 200,000.

<sup>45</sup> CFPB, *The Consumer Credit Card Market*, pp. 148-150.

which comes with a flat finance fee.<sup>46</sup> This product totaled \$3 billion in annualized originations as of October 2025.<sup>47</sup> Currently, J. P. Morgan Chase also offers another product to debit card holders that allows them to pay for certain purchases over four equal payments with no fees or interest.<sup>48</sup> The bank has a partnership with Klarna to offer BNPL services to business clients.<sup>49</sup> A number of other depository institutions have begun offering similar options directly to account holders.<sup>50</sup> BNPL firms also partner with banks to finance their offerings, discussed in the “Bank Partnerships” section.

Credit card networks have also begun providing the infrastructure to enable BNPL capability for their bank partners. Credit card networks are not card issuers and do not make loans, so their involvement specific to BNPL consists of providing technology that facilitates payment among consumers, banks, and merchants. Visa began offering BNPL-capable infrastructure to banks’ existing debit and credit cards, allowing customers to pay for certain purchases over time without the need for new applications.<sup>51</sup> Mastercard, another network provider, offers a similar option to issuers.<sup>52</sup> As discussed in greater detail below, Affirm and Klarna have entered into a partnership with Visa that will allow them to issue physical cards with pay-later capabilities. These networks also work with BNPL providers to issue single-use cards.

## Business Models: Sources of Revenue and Funding

BNPL providers use their financial relationships with banks and various structured products to provide regular short-term funding to consumers while also earning revenue for themselves and shareholders. Funding and revenue sources are two key, connected, but distinct components of the business model. *BNPL funding* refers to how the companies get the money to lend to consumers. *Sources of revenue* refers to the ways such companies earn money through the offering of the products.

### Sources of Funding

BNPL companies may fund their offerings in different ways, including through partnerships with banks and subsequent securitizations.

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<sup>46</sup> Cash App, “Pay Over Time with Afterpay for Past Purchases,” <https://cash.app/help/6566-pay-over-time-with-afterpay-for-past-purchases>.

<sup>47</sup> Block, “Q3 2025 Shareholder Letter,” p. 4.

<sup>48</sup> Chase, “Flexible Payment Options—Chase Pay in 4,” <https://www.chase.com/personal/checking/chasepayin4>. The consumer can make the decision within seven days of making the purchase.

<sup>49</sup> Klarna, “Klarna Signs with J.P. Morgan Payments to Expand Merchant Services Offering,” press release, February 11, 2025, <https://www.klarna.com/international/press/klarna-signs-with-j-p-morgan-payments-to-expand-merchant-services-offering/>.

<sup>50</sup> Stephen Gandel, “Big Banks Play Catch-Up with Fintech Start-Ups in Deferred Payments,” *Financial Times*, March 8, 2025, <https://www.ft.com/content/7e7ba266-cc70-49e6-acde-dd873b81a399> (subscription required). For an example of a smaller financial institution, see MSU Federal Credit Union, “Same Debit Card, More Flexible Payments,” <https://www.msufcu.org/buynowpaylater>.

<sup>51</sup> Visa, “Buy Now Pay Later,” <https://corporate.visa.com/content/dam/VCOM/global/solutions/documents/visa-vis-infographic-us-accessible.pdf>.

<sup>52</sup> Sohini Podder, “Mastercard Taps into Buy Now, Pay Later Market with Latest Offering,” Reuters, September 28, 2021, <https://www.reuters.com/business/finance/mastercard-launches-buy-now-pay-later-program-2021-09-28/>.

## Bank Partnerships

Providers may use ongoing partnerships with one or more banks to fund their BNPL lending. Traditionally, the BNPL nonbank firm serves as the platform that engages customers, while the bank provides the funds.<sup>53</sup> According to regulatory filings, various BNPL companies imply that they regularly work with partner banks to offer the service.

## Deposits

To the extent that a fintech firm partners with a bank and the bank uses its deposits to provide funding for the fintech firm's customers, bank deposits are the funding source. While some fintechs may have partnerships with unaffiliated banks, others in the industry are owned by or directly affiliated with banks.

One BNPL provider, Klarna, is a digital bank chartered in Europe and thus has access to the European bank's consumer deposits. Klarna accepts deposits from customers in various European countries, where it had \$14 billion of deposits as of June 30, 2025. According to its regulatory filings, it uses those deposits to fund BNPL offerings to consumers. The company's European bank deposits funded 94% of its lending activities through June 30, 2025.<sup>54</sup> (This proportion of deposit-funded lending has dropped to around 91%, according to more recent documents.<sup>55</sup>) The company has said that it considers deposit funding to be cheaper and more stable relative to other forms of funding. Interest rates on this form of funding were 2.8% on average, and funding costs for Klarna were \$503 million for 2024. Klarna is not licensed as a bank in the United States and is not able to hold deposits. It partners with WebBank, a Utah-based ILC, for certain services.

Affirm, which is most active in the longer-term installment loan market, also notes in regulatory filings that substantially all of the loans facilitated through its platform are issued through a small number of originating bank partners.<sup>56</sup>

Block (which owns Afterpay) also owns a bank with an ILC charter. CRS has not been able to determine whether, or to what extent, the Block-owned ILC underwrote any of Afterpay's receivables.

## Securitization and Post Origination Financing

After origination, and depending on the arrangement, partner banks or BNPL providers may hold the loans or securitize the loan receivables to sell to investors.<sup>57</sup> Securitization is a process

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<sup>53</sup> According to one provider, "[s]ubstantially all of the loans facilitated through our platform in the U.S. are originated through Celtic Bank, an FDIC-insured Utah state-chartered industrial bank, and Lead Bank, an FDIC-insured Missouri state-chartered bank." Affirm, "10-K FY2025," p. 14.

<sup>54</sup> See Klarna's prospectus for a discussion of its funding strategy. Similar to other BNPL firms with bank partners, Klarna partners with WebBank, a U.S.-based ILC from Utah. It is not clear what share of Klarna's customers receivables are funded by U.S.-based deposits through that mechanism. Klarna, "Prospectus Filed Pursuant to Rule 424(b)(4)," September 10, 2025, pp. 10, 51, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0002003292/0c7186c5-cb3d-4642-b675-10477ee86b31.pdf>.

<sup>55</sup> Klarna, "Investor Presentation: 3rd Quarter," [https://s205.q4cdn.com/644747736/files/doc\\_financials/2025/q3/v3/Klarna-Investor-presentation.pdf](https://s205.q4cdn.com/644747736/files/doc_financials/2025/q3/v3/Klarna-Investor-presentation.pdf).

<sup>56</sup> Affirm Holdings, "Form 10-K," pp. 14, 26.

<sup>57</sup> Klarna Group, Form F-1, p. 145. Brooke Major-Reid, "Affirm's Capital Strategy 2.0—A Silicon Valley Approach to Building Bridges Between Wall Street, Main Street, and Everywhere in Between," Affirm, March 12, 2025, <https://investors.affirm.com/news-releases/news-release-details/affirms-capital-strategy-20-silicon-valley-approach-building>. For a brief description of securitizations, see Office of the Comptroller of the Currency, "Securitization," (continued...)

whereby loans or other receivables are packaged and the right to receive the repayment streams sold as asset-backed securities.<sup>58</sup> Firms may use warehouse facilities, which are revolving ongoing lines of credit in which underlying loans are pledged as collateral in return for funding.<sup>59</sup> In these situations, a BNPL borrows funds from some financial institution or bank, using the proceeds to lend to its customers. The BNPL firm compiles a portfolio of loans (which serve as collateral for the initial funding), securitizes the group of loans, and sells them into the secondary market. Proceeds from the sale of the securitized loan portfolio are used to repay the initial financing.<sup>60</sup> A lender can make loans up to some total dollar commitment promised by the financial institution and for the duration of the term.

BNPL firms may also engage in forward flow arrangements, a form of asset-backed securitized financing in which a funder commits to purchasing newly originated and eligible receivables up to a certain amount in a specific period. Collections are paid to the purchaser and may be reinvested in additional receivables, used to pay an investor's funding, or extracted.<sup>61</sup> At the end of 2024, Affirm entered a deal with Sixth Street, an investment firm, to purchase \$4 billion in loans over a three-year period.<sup>62</sup> Affirm believes this will allow them to make \$20 billion in loans by providing additional off-balance-sheet funding.<sup>63</sup> Affirm made similar arrangements with New York Life up to \$750 million.<sup>64</sup> Similarly, Klarna agreed in August 2025 to sell \$26 billion of its receivables to Nelnet, a student loan company.<sup>65</sup>

## Merchant-Financed

At least one provider allows merchants to help fund some of the purchases made (at least temporarily). Under the “Delayed settlement incentive program (interest plan)” offered by the BNPL provider Sezzle, merchants may allow customers to use Sezzle to pay for goods. Typically, a merchant can request that Sezzle pay the merchant on a daily basis for purchases made using the Sezzle product. However, merchants can defer automatic payment from the company in

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<https://www.occ.treas.gov/topics/supervision-and-examination/capital-markets/financial-markets/securitization/index-securitization.html>.

<sup>58</sup> Office of the Comptroller of the Currency, “Securitization.”

<sup>59</sup> Affirm Holdings, “Form 10-K,” p. 63. In BNPL, the funding is short term, but this process can also be used for longer-term lending, such as for mortgages. See Customers Bank, “How to Get a Warehouse Line of Credit,” <https://www.customersbank.com/resources/how-to-get-a-warehouse-line-of-credit/>; Mortgage Bankers Association, “Warehouse Lending Fact Sheet,” <https://www.mba.org/docs/default-source/uploadedfiles/policy/22841-mba-warehouse-lending-brochure-pages.pdf>. There are different types of warehouse facilities with different terms and structures.

<sup>60</sup> For a description of warehouse financing, see Tao Solutions, “Bank Structured Finance Warehouse Facilities,” <https://www.taosolutions.ca/Bank-Structured-Finance-Warehouse-Facilities>; and Jennifer Young, “Warehouse Financing Explained: Capital Raising Strategies for Lenders,” Fortra Law, September 17, 2025, <https://fortralaw.com/warehouse-financing-explained/>.

<sup>61</sup> David Palmer et al., “Going with the Flow—The Appeal of the Forward Flow Transaction in Structured Finance,” Hogan Lovells, June 2023, <https://www.hoganlovells.com/en/publications/going-with-the-flow-the-appeal-of-the-forward-flow-transaction-in-structured-finance>.

<sup>62</sup> Affirm, “Affirm and Sixth Street Announce Long-Term Capital Partnership to Invest up to \$4 Billion in Affirm Loans,” press release, December 13, 2024, <https://investors.affirm.com/news-releases/news-release-details/affirm-and-sixth-street-announce-long-term-capital-partnership>.

<sup>63</sup> Affirm, “Affirm and Sixth Street Announce Long-Term Capital Partnership.”

<sup>64</sup> Affirm, “Affirm Expands Long-Term Capital Partnership with New York Life to Increase Access to Flexible and Transparent Payment Options,” press release, October 31, 2025, <https://investors.affirm.com/news-releases/news-release-details/affirm-expands-long-term-capital-partnership-new-york-life>.

<sup>65</sup> Aisha S. Gani, “Nelnet to Buy Up to \$26 Billion of Klarna’s Short-Term Loans,” *Bloomberg*, August 14, 2025, <https://www.bloomberg.com/news/articles/2025-08-14/klarna-signs-26-billion-forward-flow-agreement-for-us-loans>.

exchange for an annual percentage rate of 5.3% on the amount borrowed by the customer and not yet paid by the BNPL.<sup>66</sup> This amounts to short-term funding to Sezzle by merchants that choose to forgo immediate payment. It is not clear what percentage of Sezzle’s funding this type of financing represents.

## Sources of Revenue

BNPL firms can generate revenue from both merchants and consumers, although the specific sources of such revenue vary by BNPL firm.<sup>67</sup> This analysis uses global revenue, as opposed to revenue solely in the United States, due to data limitations. While this analysis provides a few of the broad sources of revenue, it is not comprehensive, and the ways firms report revenue and the degree of detail firms provide varies substantially.<sup>68</sup>

### From Merchants

- *Merchant fees.* Fees paid directly from merchants to BNPL firms comprise a large portion of BNPL firms’ revenue. For each transaction, a BNPL firm charges a fee to the affiliated merchant, and such transaction-level fees are often higher than those charged by credit cards to merchants.<sup>69</sup> Another source of payments from merchants are interchange fees or any other fees collected from virtual cards or physical debit cards to use at merchants outside of those directly listed by the BNPL platform.<sup>70</sup> In total, these sources comprise between 32% and 57% of revenue, and this is the primary source of revenue for certain BNPL firms.<sup>71</sup>

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<sup>66</sup> Sezzle, “What Is the Delayed Settlement Incentive Program (Interest Plan)?,” <https://merchant-help.sezzle.com/hc/en-us/articles/360040086252-What-is-the-Delayed-Settlement-Incentive-Program-Interest-Plan>.

<sup>67</sup> This analysis focuses on Affirm, Klarna, and Sezzle, where the most up-to-date and public information is available that specifically focuses on their BNPL products, while other firms generally report revenue aggregated with other products. Such calculations may suffer from errors in the underlying math or assumptions.

<sup>68</sup> There are certain other forms of revenue, such as from sales of loans to third-party buyers and servicing income, that may be a smaller component of revenue. Combined, these sources comprised 12% of Affirm’s revenue in 2024. Other BNPL firms certainly generate revenue from this source (for example, PayPal). However, quantifying the degree to which such sales matter to their overall BNPL business is more difficult. There are other forms of revenue not discussed here, such as what Block refers to as “post-purchase BNPL.” PayPal, “PayPal Announces a Multi-Year Relationship for U.S. Buy Now, Pay Later Receivables with Funds Managed by Blue Owl Capital.”

<sup>69</sup> Zhu Wang, “Buy Now, Pay Later: Market Impact and Policy Considerations,” Federal Reserve Bank of Richmond, January 2025, [https://www.richmondfed.org/publications/research/economic\\_brief/2025/eb\\_25-03](https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-03). Sezzle, for example, states that its “standard payment processing fee is 6.1% plus 30¢ per transaction” but “may vary by industry classification and could be higher due to our view of the associated risk profile of the industry.” Sezzle, “Sezzle Merchant Agreement,” July 14, 2025, <https://legal.sezzle.com/merchant/en-us>; Affirm, “Getting Started with Affirm: Frequently Asked Questions Before Starting,” 2025, <https://businesshub.affirm.com/hc/en-us/articles/5995432933652-Getting-started-with-Affirm-Frequently-asked-questions-before-starting>. According to Klarna’s Form F-1, its average fee from a \$100 transaction was \$2.69. Klarna Group, Form F-1, p. 122. Affirm charges the highest “merchant fees, transaction fees, and virtual card network fees divided by product level GMV” for no-interest long-term products (roughly 10%), followed by Pay in X products (roughly 5%) and the smallest for monthly installment loan products with interest (roughly 2%). This difference is likely driven by the relative profitability of each of these products absent merchant fees. Affirm, “FY Q1 2026 Earnings,” November 6, 2025, p. 16, <https://investors.affirm.com/static-files/c516694f-82c5-4637-b39f-bce66b526ced>.

<sup>70</sup> Both Affirm and Klarna offer physical debit cards, but Klarna is in the earlier stages of its new card. All BNPL firms discussed above offer virtual cards in at least some form, either branded with another part of the business, as a subscription or one-time use at a non-affiliated retailer, or otherwise.

<sup>71</sup> Transaction revenue from merchants, excluding advertising, in 2024 was 57% of Klarna’s revenue, 32% of Sezzle’s revenue, and 36% of Affirm’s net revenue. Sezzle, Form 10-K; Affirm, “Affirm Annual Report 2024,” p. 102; Klarna (continued...)

- *Advertising fees.* Merchants may also pay BNPL firms to sponsor themselves or particular products directly on the websites of the BNPL firms, thereby generating revenue for the BNPL firms and generating leads for the merchants through the BNPL platforms.<sup>72</sup>

## From Consumers

Firms may generate revenue from customers in various ways:

- *Interest income.* Firms may collect interest on their monthly installment loans. This interest income collected is particularly important for firms that make a disproportionate number of longer-term loans.<sup>73</sup> As mentioned earlier, other products, such as Pay in 4 offerings, do not charge interest.
- *Late payments.* Firms may collect fees associated with late payments, payment deferrals, or other fees paid directly by consumers.<sup>74</sup> Recent research from the CFPB found that late fees have declined at an absolute level (when adjusted for inflation) and as a share of total loans over time and that certain firms do not impose fees or offer certain flexibilities in their fee assessments.<sup>75</sup> On average, this CFPB research finds that 4.1% of Pay in 4 loans were assessed late fees, with \$9.70 assessed and \$5.70 collected per late fee.<sup>76</sup>
- *Subscriptions.* As a tool separate from their core business line, certain BNPL firms offer subscriptions associated with their brands and cards for access to particular rewards, brands, deals, or other services.<sup>77</sup>

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Group, Form F-1, p. F-54. In addition, Afterpay states that as of 2022: “Revenue is generated primarily from Afterpay active seller fees in return for high repeat usage, new consumer acquisition, higher transaction values, and lower return rates.” Eisen et al., “Connecting Cash App and Square Ecosystems,” p. 11.

<sup>72</sup> See, for example, Klarna Group, Form F-1, p. 237, Block, Form 10-K, 2024, [https://s29.q4cdn.com/628966176/files/doc\\_financials/2024/q4/bc6dab01-b430-4b1d-ac7b-0e6b96903592.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2024/q4/bc6dab01-b430-4b1d-ac7b-0e6b96903592.pdf); Affirm, “Affirm Annual Report 2024,” p. 7.

<sup>73</sup> In 2024, interest income collected from consumers is roughly 52% of Affirm’s revenue and 18% of Klarna’s revenue. (For Klarna we exclude revenue collected from debt securities and incremental merchant fees as included in their F-1 forms under interest income.) Additionally, for Klarna, excluding snooze fees (included in the fee section below), this would calculate to roughly 14% of GMV. By GMV in 2024, 74% of Affirm’s loans were interest-bearing installment loans, while 5% of Klarna’s were interest-bearing installment loans. Sezzle does not directly offer interest-bearing installment loans but does refer consumers to third-party lenders through which it gets fees. Sezzle., Form 10-K, p. 9; Affirm, “Affirm Annual Report 2024,” pp. 6, 67; Klarna Group, Form F-1, pp. 121, 131.

<sup>74</sup> Affirm does not charge fees with their products. Sezzle notes in its filings that total consumer fees accounted for roughly 22% of total revenue in 2024. For 2024, Klarna made 17% of its revenue from consumer fees, as designated under “customer service revenue” and “snooze fees” in interest income in their F-1. Sezzle, Form 10-K, p. 56, <https://www.sec.gov/Archives/edgar/data/1662991/000166299125000041/szl-20241231.htm>; Klarna Group, Form F-1, p. F-54.

<sup>75</sup> Salem and Udis, *The Buy Now, Pay Later Market*, pp. 11-12.

<sup>76</sup> It is unclear if the difference between assessment and collection is driven by waiving late fees as borrowers become current and working out alternative arrangements, the loans eventually becoming delinquent and charged off, or alternative explanations. Salem and Udis, *The Buy Now, Pay Later Market*, p. 15.

<sup>77</sup> Sezzle generates 30% of its revenue from a subscription model. Klarna also has a subscription service. Sezzle, Form 10-K, p. 13; Klarna, “Unlock More Value with Klarna,” <https://www.klarna.com/us/memberships/>.

# Policy Issues

## Regulatory Structure

### Truth in Lending Act

Policy debates surround whether Pay in 4 products should be considered credit for the purposes of the Truth in Lending Act (TILA, 15 U.S.C. §§1601 et seq.), a law that requires creditors to disclose standardized information for various financing products and offers additional consumer protections for certain products.<sup>78</sup> In general, many of the longer-term monthly installment products issued by BNPL firms are already covered by TILA, as such products are in some ways more facially similar to a monthly personal loan.<sup>79</sup>

In May 2024, the CFPB issued an interpretative rule<sup>80</sup> that expanded the definition of *credit card* to include Pay in 4 products for the purposes of subpart B of TILA, which applies to open-end credit, namely credit cards. This rule did not generally apply to subpart G, which includes certain rules for credit cards, including an ability-to-repay requirement.<sup>81</sup> The interpretative rule, while in force, meant BNPL providers had to provide certain disclosures at origination and protections, including the right to dispute transactions. In May 2025, acting CFPB Director Russell Vought withdrew the BNPL interpretative rule, which was also being challenged in the U.S. District Court for the District of Columbia by the Financial Technology Association.<sup>82</sup>

The reaction to this interpretative rule was mixed.<sup>83</sup> Before the rule was withdrawn, some industry proponents argued that such requirements under TILA were unnecessary, because the industry has already implemented many of these protections, including the ability to dispute

<sup>78</sup> For more on TILA, see CRS In Focus IF12769, *Overview of the Truth in Lending Act*, by Karl E. Schneider.

<sup>79</sup> For further information on the applicability for closed-end credit, see 12 C.F.R. §1026.2(a)(17)(iv).

<sup>80</sup> CFPB, “Truth in Lending (Regulation Z); Use of Digital User Accounts to Access Buy Now, Pay Later,” 12 C.F.R. Part 1026, *Federal Register*, May 22, 2024.

<sup>81</sup> In the interpretative rule, the CFPB did suggest that Section 1026.60 in subpart G “may apply,” although the CFPB did not specify under which conditions such provisions may apply or provide legal justifications. Certain BNPL firms suggested that this phrase caused regulatory uncertainty in reviewing the interpretative rule. Brian J. Hurl and Jonathan B. Engel, “Where to Begin with the CFPB’s ‘Buy Now, Pay Later’ Interpretative Rule...,” Davis Wright Tremaine LLP, June 3, 2024, <https://www.dwt.com/blogs/financial-services-law-advisor/2024/06/buy-now-pay-later-and-cfpb-regulation-z-rules>; David Sykes of Klarna, letter to Legal Division Docket Manager, CFPB, July 30, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0020>. Certain consumer advocates suggested that the CFPB extend this rule to include subpart G more broadly, namely advocating for an ability-to-repay requirement, similar to the way it applies to credit cards. See 90 consumer, civil rights, and community organizations, and academics, letter to the Legal Division Docket Manager, CFPB, August 1, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0026>; Consumer Reports and National Consumer Law Center, letter to the Legal Division Docket Manager, CFPB, August 1, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0028>.

<sup>82</sup> *Financial Technology Association vs. Consumer Financial Protection Bureau* (U.S. District Court for the District of Columbia 2024), [https://www.pacermonitor.com/public/case/55513574/FINANCIAL\\_TECHNOLOGY\\_ASSOCIATION\\_v\\_CONSUMER\\_FINANCIAL\\_PROTECTION\\_BUREAU\\_et\\_al.](https://www.pacermonitor.com/public/case/55513574/FINANCIAL_TECHNOLOGY_ASSOCIATION_v_CONSUMER_FINANCIAL_PROTECTION_BUREAU_et_al.); CFPB, “Interpretive Rules, Policy Statements, and Advisory Opinions; Withdrawal,” 90 *Federal Register* 20084, May 12, 2025.

<sup>83</sup> Jeffrey Levine, Senior Vice President, PayPal, letter to Rohit Chopra, Director, CFPB, July 31, 2024, [https://downloads.regulations.gov/CFPB-2024-0017-0025/attachment\\_1.pdf](https://downloads.regulations.gov/CFPB-2024-0017-0025/attachment_1.pdf); Woodstock Institute, Prosperity Now, National Association for Latino Community Asset Builders, LatinoProsperity, letter to Rohit Chopra, Director, CFPB, July 22, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0014>.

charges and disclosures on the cost of credit.<sup>84</sup> Certain consumer advocate groups argued that “problems frequently arise [with those voluntary-provided protections] and consumers do not presently have clear legal rights,” suggesting that the interpretive rule was necessary.<sup>85</sup> According to research by the Financial Health Network prior to the interpretative rule, 99% of users understood the terms and conditions associated with BNPL.<sup>86</sup> Other comments and research argued that consumer understanding of existing Pay in 4 disclosures was not as robust.<sup>87</sup>

In hearings and letters, Members of Congress have considered this topic, presenting differing views and reflecting this broader debate.<sup>88</sup>

## **Additional Federal Regulatory Frameworks**

Whether a BNPL firm is subject to certain federal regulatory frameworks likely depends on what function the BNPL issuer is providing. In certain instances, the division of labor of various tasks (origination, underwriting, and funding)—all of which may traditionally be conducted by a bank—may be shared between the bank and the BNPL firm. In such cases, the specific role would dictate the framework. For example, the applicable regulatory framework(s) may differ depending on whether a BNPL funds a loan from its own balance sheet or serves as an originator. The Office of the Comptroller of the Currency, a federal banking regulator, issued guidance in 2023 advising bank management to determine the applicability of consumer-protection-related laws and regulations based on a bank’s specific BNPL offerings.<sup>89</sup>

The remainder of this section discusses select laws that may apply to BNPL firm/bank relationships or individual components based on activity. This does not discuss all relevant consumer protections or potential regulatory frameworks that apply to BNPL products or providers:

- The Equal Credit Opportunity Act (ECOA, P.L. 93-495) prohibits banks and financial institutions from making decisions based on certain protected classes, including sex, race, religion, color, national origin, religion, marital status, age,

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<sup>84</sup> Nicholas Anthony, “Buy Now, Pay Later, Regulate Ever?,” Cato Institute, January 30, 2023, <https://www.cato.org/blog/buy-now-pay-later-regulate-ever>. For information on protections provided by certain BNPL firms prior to the interpretative rule, see PYMNTS, “As CFPB Targets BNPL Firms, Some Consumer ‘Protections’ Are Already in Place,” May 22, 2024, <https://www.pymnts.com/bnpl/2024/as-cfpb-targets-bnpl-firms-some-consumer-protections-are-already-in-place/>.

<sup>85</sup> 90 consumer, civil rights, and community organizations, and academics, letter to the Legal Division Docket Manager.

<sup>86</sup> Hannah Gdalmann et al., “Buy Now, Pay Later: Implications for Financial Health,” Financial Health Network, March 2022, <https://finhealthnetwork.org/wp-content/uploads/2022/03/Buy-Now-Pay-Later-Brief-2022.pdf>.

<sup>87</sup> Letter from David Certner, Legislative Counsel and Legislative Policy Director, AARP, to Rohit Chopra, Director, CFPB, July 30, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0021>.

<sup>88</sup> See, for example, French Hill, Chairman of Committee on Financial Services; Bryan Steil, Chairman of Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence; and Bill Huizenga, Vice Chairman of Committee on Financial Services, et al., to Russell Vought, Acting Director, CFPB, March 31, 2025, p. 2, [https://financialservices.house.gov/uploadedfiles/2025-03-31\\_letter\\_to\\_cfpb.pdf](https://financialservices.house.gov/uploadedfiles/2025-03-31_letter_to_cfpb.pdf); Sen. Jack Reed; Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs; and Tammy Duckworth, United States Senator; to Rohit Chopra, Director, CFPB, September 10, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0042>; Byron Donalds, Member of Congress; and French Hill, Chairman, Subcommittee on Digital Assets, Financial Technology and Inclusion; to Rohit Chopra, Director, CFPB, August 1, 2024, <https://www.regulations.gov/comment/CFPB-2024-0017-0037>; Yvette D. Clarke, Member of Congress, André Carson, Member of Congress, and Greg Landsman, Member of Congress, et al. to William J. Lansing, President and CEO, Fair Isaac Corporation, November 4, 2025.

<sup>89</sup> Office of the Comptroller of the Currency, “Retail Lending: Risk Management of ‘Buy Now, Pay Later’ Lending,” December 6, 2023, <https://www.occ.gov/news-issuances/bulletins/2023/bulletin-2023-37.html>.

and “because all or part of the applicant’s income derives from any public assistance program.”<sup>90</sup> ECOA also requires that banks and other financial institutions provide notice and explanation to applicants when taking adverse actions (such as refusing a loan). Consumer loan underwriting models can introduce fair lending risks due to biases in data or model development. Firms that reject customers for Pay-in-4-style loans for protected reasons may be subject to ECOA if they fail to or cannot provide explicit rationale for adverse consequences.

- The Gramm-Leach-Bliley Act (GLBA, P.L. 106-102) refers to the series of laws that govern financial institution use, storage, and protection of data.<sup>91</sup> GLBA places limits on what institutions can do with information they have collected, generally requiring that they not disclose information to nonaffiliated third parties unless they notify customers and give them the opportunity to opt out. BNPL business models rely on a free circulation of data. This may include a BNPL firm sharing data with its merchants and BNPL firms and banks sharing data and thus interacting with GLBA. As data use among fintechs has grown, some have debated whether the law covers all sensitive individual financial information or whether the scope of these laws should be expanded.<sup>92</sup>
- The Bank Service Company Act (BSCA, P.L. 87-856) regulates how banks may rely on bank service companies and other third-party service providers (vendors) for various functions, including onboarding clients through loan origination.<sup>93</sup> Therefore, BNPL firms that regularly partner with banks for such activities are likely covered by the BSCA. Certain parts of the BSCA stipulates that federal regulators have regulatory and examination authority “whenever a depository institution that is regularly examined by an appropriate Federal banking agency ... causes to be performed for itself, by contract or otherwise, any services authorized under this chapter, whether on or off its premises.”<sup>94</sup> According to bank regulators’ guidance issued as of 2023, a bank’s “use of third parties does not diminish its responsibility to meet these requirements to the same extent as if its activities were performed by the banking organization in-house.”<sup>95</sup> As such, banks that rely on third-party service providers—including presumably BNPLs that originate loans—must ensure that these vendors satisfy safety and soundness regulatory requirements under the BSCA.

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<sup>90</sup> 15 U.S.C. §1691.

<sup>91</sup> For more on GLBA, see CRS Report R47434, *Banking, Data Privacy, and Cybersecurity Regulation*, by Andrew P. Scott and Paul Tierno.

<sup>92</sup> Government Accountability Office, *Information Resellers: Consumer Privacy Framework Needs to Reflect Changes in Technology and the Marketplace*, GAO-13-663, September 2013, p. 19, <https://www.gao.gov/assets/660/658151.pdf>. For more information on data privacy and data protection law, see CRS Report R45631, *Data Protection Law: An Overview*, by Stephen P. Mulligan, Wilson C. Freeman, and Chris D. Linebaugh.

<sup>93</sup> Cooley, “BNPLs Intrude on Banks’ Turf?” (wherein is discussed the ease of origination for BNPL firms compared to banks). For more on the BSCA, see CRS Report R46648, *Bank Supervision by Federal Regulators: Overview and Policy Issues*, by David W. Perkins; and CRS In Focus IF10935, *Technology Service Providers for Banks*, by Darryl E. Getter.

<sup>94</sup> 12 U.S.C. §1867(c).

<sup>95</sup> Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Interagency Guidance on Third-Party Relationships: Risk Management,” June 7, 2023, p. 1, <https://www.federalreserve.gov/supervisionreg/srletters/sr2304a1.pdf>.

## State Regulation

Certain states have imposed specific and differing regulations on BNPL companies, while a wider range of states have long-standing licenses and specific obligations for consumer loans generally, which may or may not apply to specific BNPL products.<sup>96</sup> This patchwork of laws and rules can increase complexity for firms and potentially reduce access to credit—depending on the extent of the regulation—but may offer certain protections for consumers.<sup>97</sup> For example, in California, BNPL providers must hold a BNPL-specific license to operate as lenders, while New York recently passed a law that imposes certain disclosure and licensing requirements and usury rates.<sup>98</sup> Violations of various state rules and laws have triggered consent agreements or settlements against BNPL providers.<sup>99</sup> In December 2025, seven state attorneys general sent letters to BNPL providers requesting more information regarding their business practices “to determine if BNPL companies are complying with consumer protection laws.”<sup>100</sup>

## Bank Charters

Various funding and regulatory considerations may ultimately push BNPLs to seek bank charters of their own. Indeed, some BNPL firms have already applied for or have considered applying for ILC charters.<sup>101</sup> This could affect product mixes, invite further scrutiny of BNPL relationships with merchants, and revive interest in the charter type by other applicants.<sup>102</sup> Separately, an interest in obtaining a banking license could build on the recent trend of new fintech entrants applying for and being granted other forms of charters and potential resulting regulatory issues.<sup>103</sup>

<sup>96</sup> Bloomberg Law, “Banking, Comparison Table—Buy Now, Pay Later and State Loan Licensing,” <https://www.bloomberglaw.com/external/document/XUVAVGS000000/banking-comparison-table-buy-now-pay-later-and-state-loan-licens> (subscription required).

<sup>97</sup> Cooley, “Regulatory Patchwork Vexes BNPL.”

<sup>98</sup> Daniel B. Pearson and Eric T. Mitzenmacher, “New York Enacts First-of-Its-Kind Law to License Buy-Now-Pay-Later Lenders,” Mayer Brown, June 6, 2025, <https://www.mayerbrown.com/en/insights/publications/2025/06/new-york-enacts-first-of-its-kind-law-to-license-buy-now-pay-later-lenders>; Gregory T. Parks and Kristin M. Hadgis, “Regulatory Scrutiny of the Buy Now, Pay Later Industry,” Morgan Lewis, March 20, 2023, <https://www.morganlewis.com/pubs/2023/03/retail-dyk-regulatory-scrutiny-of-the-buy-now-pay-later-industry>.

<sup>99</sup> Massachusetts Division of Banks, “Consent Agreement, Affirm, Inc. Agreement July 2, 2020,” July 2, 2020, <https://www.mass.gov/consent-agreement/affirm-inc-agreement-july-2-2020>; California Department of Financial Protection and Innovation, “Point-of-Sale Lender Sezzle Agrees to Cease Illegal Loans, Pay Refunds in Settlement with the California Department of Business Oversight,” press release, January 16, 2020, [https://dfpi.ca.gov/press\\_release/point-of-sale-lender-sezzle-agrees-to-cease-illegal-loans-pay-refunds-in-settlement-with-the-california-department-of-business-oversight/](https://dfpi.ca.gov/press_release/point-of-sale-lender-sezzle-agrees-to-cease-illegal-loans-pay-refunds-in-settlement-with-the-california-department-of-business-oversight/).

<sup>100</sup> Office of the Attorney General of Connecticut, “Attorney General Tong Launches Inquiry into Buy Now, Pay Later Lenders,” press release, December 2025, <https://portal.ct.gov/ag/press-releases/2025-press-releases/attorney-general-tong-launches-inquiry-into-buy-now-pay-later-lenders>.

<sup>101</sup> Cooley, “Affirm Seeks Nevada Bank Charter”; and Cooley, “Regulatory Patchwork Vexes BNPL.”

<sup>102</sup> ILC-chartered banks cannot offer *traditional* demand deposits. “Instead, ILCs generally offer negotiable order of withdraw (NOW) accounts. NOW accounts are not considered demand deposits because the depository reserves the right to require seven days’ notice or more to transfer the funds. In practice, ILCs may choose to make funds available upon request and not avail themselves of the allowable seven days. Thus, a NOW account functions as a checking account from the perspective of an ILC customer, although it is not technically a demand deposit account.” See CRS Report R46489, *Industrial Loan Companies (ILCs): Background and Policy Issues*, by David W. Perkins.

<sup>103</sup> Office of the Comptroller of the Currency, “OCC Announces Conditional Approvals for Five National Trust Bank Charter Applications,” press release, December 12, 2025, <https://occ.gov/news-issuances/news-releases/2025/nr-occ-2025-125.html>.

## Legislation in the 118<sup>th</sup> and 119<sup>th</sup> Congresses

This section highlights bills directly related to BNPL in the 118<sup>th</sup> and 119<sup>th</sup> Congresses, to include legislation introduced since the CFPB BNPL interpretative rule and the growth in the broader BNPL market. CRS searched for all legislation applicable to BNPL and strove to be as comprehensive as possible, but due to the varied and still evolving nature of terminology in this area, this list may not be exhaustive.

In the 118<sup>th</sup> Congress and in response to the CFPB's interpretative rule, Representative Byron Donalds introduced H.R. 8628, which sought to prohibit the CFPB from issuing new BNPL rules until the CFPB and the Comptroller General conduct further study and mandate that the CFPB withdraw its interpretative rule. Similarly in response to the interpretative rule, Representatives Gary Palmer and Donalds introduced H.J.Res. 190 and H.J.Res. 195, respectively, which would have used the Congressional Review Act to disapprove of the interpretative rule.<sup>104</sup>

Following the CFPB's withdrawal of the interpretative rule, in the 119<sup>th</sup> Congress, Representative Deborah Ross and Senator Jack Reed introduced H.R. 6891/S. 3561, which would apply certain sections of TILA to Pay in 4 and would explicitly expand the CFPB's supervisory remit to supervise nonbank firms that offer Pay in 4 products.

In the 119<sup>th</sup> Congress, Representative Stephen Lynch introduced H.R. 5683, a broader bill that would create an interagency task force focused on financial fraud targeting military members. The bill would also require the newly created task force to study the financial risks of BNPL and other emerging financial technologies.<sup>105</sup>

In the 119<sup>th</sup> Congress, Representative Cleo Fields introduced H.R. 5083, a broader bill on alternative data, which would require the CFPB and the Federal Trade Commission to study BNPL in credit scoring.

In the 118<sup>th</sup> Congress, Representative John Larson introduced H.R. 4289, which would have prohibited Pay in 4 use for the purchase of semiautomatic weapons.

## Related Policy Issues

### Consumer Debt

In general, excess consumer debt creates economic and financial challenges for consumers. Concerns about consumers' ability to repay such obligations has consequences for both consumers' financial health and the financial institutions extending the products, and they potentially act as a drag on the overall economy if consumers contract spending and cannot repay other obligations.

Recent reports from the CFPB and the Fed do not suggest particular cause for concern on widespread defaults for BNPL relative to other similarly situated products, although such data is already out of date. The CFPB recently published data on Pay in 4 charge-offs as a share of GMV

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<sup>104</sup> If one of these Congressional Review Act resolutions had passed, the CFPB interpretative rule would have "take[n] the rule out of effect or prevent[ed] it from going into effect, and the agency would be prohibited from issuing a rule that is 'substantially the same' without further authorization from Congress." For more on the Congressional Review Act, see CRS Report R43992, *The Congressional Review Act (CRA): Frequently Asked Questions*, by Maeve P. Carey and Christopher M. Davis.

<sup>105</sup> Similar provisions were included in the FY2023 National Defense Authorization Act (H.R. 7900), which passed the House, but they were not included in the final version enacted into law (P.L. 117-263).

(1.7% in 2022, 0.9% in 2023).<sup>106</sup> This measure is not equivalent to charge-offs as a share of average balances, which is conventionally reported for credit cards and other similarly situated products.<sup>107</sup> Comparisons with credit cards are cleanest when using similar measures—for example, using charge-offs as a share of total payment volume. Across these two years, the Pay in 4 charge-off rate is roughly comparable, if slightly higher, to credit card charge-offs as a share of TPV for eight mass-market credit card issuers within the CFPB data (1.1% in 2022, 1.2% in 2023).<sup>108</sup> Other research found consistently lower defaults at a product level for Pay in 4 (2%) than at an account level for credit cards (10%) among borrowers who held both products.<sup>109</sup> The CFPB pointed to autopay as one particular explanation driving this difference.<sup>110</sup> Another explanation may be the very design of BNPL products, each transaction of which is underwritten and originated separately. In addition, the terms are shorter by nature and have lower dollar values. By contrast, credit cards are open-ended products that may allow for higher total balances. However, the pricing, underwriting, design, and clientele of the diverse products are quite distinct, making a precise comparison difficult. Moreover, these measures focus on charge-offs, as opposed to early stage delinquencies or other measures that may be useful in understanding overall consumer debt associated with such products.

One concern is that when presented with BNPL, borrowers might increase their overall borrowing or spending, potentially harming their financial health.<sup>111</sup> Research from Harvard Business School found that after starting BNPL, consumers had a higher likelihood of overdraft and lower

<sup>106</sup> Salem and Udis, *The Buy Now, Pay Later Market*, p. 12. This measure is distinct to a popularly reported measure in a number of different credit markets—charge-offs as a share of average balance—which may be less applicable to BNPL Pay in 4 due to their relatively quick terms. *Charge-off* refer to instances when, because a loan is unlikely to be collected, the account is closed and the remaining balance is written off as a loss. Borrowers still would generally have an obligation to repay, but the likelihood of repayment at the time is quite low.

<sup>107</sup> Board of Governors of the Federal Reserve System, “Charge-Off and Delinquency Rates on Loans and Leases at Commercial Banks,” November 21, 2025, <https://www.federalreserve.gov/releases/chargeoff/chgallsa.htm>.

<sup>108</sup> CFPB, *The Consumer Credit Card Market*, pp. 25, 92. This measure is not popularly reported but possible to calculate using data from a recent CFPB report on credit cards. TPV from credit cards as calculated for mass-market issuers from Figure 12 and 13 in the report was \$3.25 trillion in 2022 and \$3.5 trillion in 2023. TPV of new charge-offs for mass-market issuers as shown in Figure 60 was \$37 billion in 2022 and \$44 billion in 2023. This measure is used because TPV is the closest equivalent to GMV, popularly reported as the denominator for charge-offs in the December 2025 CFPB BNPL report.

<sup>109</sup> Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*, pp. 4, 22. This report defines defaults for both BNPL and credit cards as 120+ days past due.

<sup>110</sup> Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*, p. 4, 22. BNPL delinquencies were more common among no-score, younger, and subprime borrowers.

<sup>111</sup> Ed deHaan et al., “Buy Now Pay (Pain?) Later,” *Management Science*, vol. 70, no. 8 (March 21, 2024). Most studies do not distinguish between Pay in 4 and monthly installment loans in their analysis of BNPL and the impact on debt sustainability and instead focus on the impacts of the two products in the aggregate. This is due to data limitations: “Due to the transaction-level nature of these datasets, it is not possible to distinguish between traditional [point-of-sale] installment loans that typically charge interest and smaller, pay-in-four loans that do not, because many pay-in-four providers also offer traditional [point-of-sale] installment loans.” Cortnie Shupe and Giordano E. Palloni, “The Effect of BNPL on Consumer Debt and the Ability to Repay Non-BNPL Debt Obligations,” *SSRN Electronic Journal* (June 27, 2025), [https://www.researchgate.net/publication/392504527\\_The\\_Effect\\_of\\_BNPL\\_on\\_Consumer\\_Debt\\_and\\_the\\_Ability\\_to\\_Repay\\_Non-BNPL\\_Debt\\_Obligations](https://www.researchgate.net/publication/392504527_The_Effect_of_BNPL_on_Consumer_Debt_and_the_Ability_to_Repay_Non-BNPL_Debt_Obligations); Rhys Ashby et al., “The Influence of the Buy-Now-Pay-Later Payment Mode on Consumer Spending Decisions,” *Journal of Retailing*, April 2025; Hannah Gdalan et al., “FinHealth Spend Report 2025,” Financial Health Network, October 2025, Figure 9, <https://finhealthnetwork.org/wp-content/uploads/2025/10/FinHealth-Spend-Report-2025.pdf>. Some have raised such issues in the rental-specific BNPL space as well. See Towards Justice and Protect Borrowers, “Rent Now, Pain Later,” 2026, <https://protectborrowers.org/wp-content/uploads/2026/02/Rent-Now-Pain-Later.pdf>.

checking account balances driven by BNPL spending.<sup>112</sup> Research from the CFPB found no long-term negative impacts of Pay in 4 originations on financial distress, no impact of Pay in 4 originations on other forms of debt, and some substitution between BNPL and closely analogous products.<sup>113</sup> BNPL may serve as a substitute for more expensive forms of borrowing and decrease consumers' total cost of credit as a liquidity buffer. In June 2025, the Department of Housing and Urban Development issued a Request for Information regarding BNPL debt to better understand how BNPL might affect an approved borrower's "financial profile and capacity to sustain long-term homeownership."<sup>114</sup>

Another issue is "loan stacking," the practice by which consumers take out multiple BNPL products at the same time. According to research from the CFPB, 62% of BNPL borrowers took out simultaneous transactions, often across different BNPL providers. Because BNPL firms often do not report information on their customers to credit bureaus, they may not know whether customers have other outstanding BNPL loans.<sup>115</sup> On average, BNPL borrowers took out 6.3 Pay in 4 loans a year in 2023 (\$820 in total), a slight increase from 5.7 in 2022 (\$695 in total).<sup>116</sup> Because each separate "loan" is more facially equivalent to a larger singular purchase on a card or other form of payment (as previously discussed, with an average Pay in 4 purchase price of \$131), stacking could look more similar to a credit card balance sheet or as addressing a short-term liquidity constraint. On the other hand, some have referred to this loan stacking as potentially troublesome, because "multiple overlapping BNPL transactions taken out by the same consumer could amass into a complicated set of payments."<sup>117</sup> It is unclear the degree to which such stacking exists for longer-term installment products, although stacking with these products could potentially be more damaging for consumer financial health due to the larger dollar value of products and the compounding nature of interest.

The Financial Stability Oversight Council (FSOC) did not specifically address BNPL and did not raise broader consumer debt as being of major concern in its 2025 annual report but noted that "aggregate debt service burdens remain manageable" and "the rise in debt service on consumer credit as a percentage of disposable personal income has leveled off after increasing."<sup>118</sup> This could suggest that the aggregate landscape of consumer borrowers is healthy, although such statistics disproportionately weight mortgages and other large-dollar products and may not reveal issues with borrowing in any particular consumer finance product. The BNPL sector was specifically addressed in FSOC's 2022 annual report showing the increases in BNPL popularity and arguing that BNPL "present[s] the risk of taking on too much debt in small increments or incurring late fees."<sup>119</sup> Recommendations in the report were not BNPL-specific but broader to the nonbank financial sector encouraging agencies to "leverage existing authority to ensure that the

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<sup>112</sup> Marco Di Maggio et al., "Buy Now, Pay Later Credit: User Characteristics and Effects on Spending Patterns," September 7, 2023.

<sup>113</sup> Cortnie Shupe et al., "The Effect of BNPL on Consumer Debt and the Ability to Repay Non-BNPL Debt Obligations," *CFPB Office of Research Working Paper Series*, vol. 11 (June 27, 2025).

<sup>114</sup> Department of Housing and Urban Development, "Request for Information Regarding Buy Now Pay Later Unsecured Debt," 90 *Federal Register* 26824, June 24, 2025.

<sup>115</sup> As discussed in Shupe and DeLuca, *Consumer Use of Buy Now, Pay Later*, p. 18.

<sup>116</sup> Salem and Udis, *The Buy Now, Pay Later Market*, p. 15.

<sup>117</sup> Gdalmán et al., "Buy Now, Pay Later: Implications for Financial Health," p. 9.

<sup>118</sup> Financial Stability Oversight Council, *2025 Annual Report*, December 11, 2025, p. 36, <https://home.treasury.gov/system/files/261/FSOC2025AnnualReport.pdf>. For a broader discussion of consumer finance products more generally, see CRS Report R48747, *An Overview of Consumer Finance Products and Related Policy Issues*, by Karl E. Schneider.

<sup>119</sup> Financial Stability Oversight Council, *2022 Annual Report*, p. 65, <https://home.treasury.gov/system/files/261/FSOC2022AnnualReport.pdf>.

same activity with the same risk, when conducted by different entities, has the same regulatory outcome.”

As previously discussed, Pay in 4 originations have grown from \$2.2 billion in 2019 to \$43.9 billion in 2023 and have continued to grow.<sup>120</sup> Based on growth in company originations since 2023, CRS estimates 2025 originations to be roughly \$63 billion. As a means of comparison, in 2025, according to calculations by the Federal Reserve Bank of Richmond using Nilson Report data and underlying assumptions, total credit card purchase volume was \$6.3 trillion, meaning CRS estimates of BNPL Pay in 4 originations represented approximately 1.0% of credit card purchase volume in 2025.<sup>121</sup> Inclusive of the BNPL monthly installment loan market (\$40 billion GMV annually in 2025), this would combine to \$103.3 billion, or roughly 1.6% of one estimate of credit card payments. This size relative to traditional payments and overall household debt in other products suggests that systemic risks of BNPL to the financial system are not particularly substantial. As a separate article by the Federal Reserve Bank of Richmond notes:

Currently, the overall impact of BNPL on systemic risks is likely limited. In the third quarter of 2024, total U.S. household debt reached \$17.9 trillion, including \$12.6 trillion in mortgages, \$3.2 trillion in combined student and auto debt, and \$1.2 trillion in credit card debt. In comparison, the current market size of BNPL is relatively small.<sup>122</sup>

Certain Members of Congress have raised aspects of BNPL related to debt sustainability in hearings and letters.<sup>123</sup>

## Credit Reporting

Financial institutions and certain other companies provide data to credit bureaus comprised of consumers’ financial transaction history data.<sup>124</sup> The voluntary furnishing of this data to a credit bureau operates as an incentive to consumer repayment: Failure to repay is reported and negatively influences a consumer’s creditworthiness, while successful repayment positively affects creditworthiness. This process establishes a consumer’s credit report and subsequent scores. That credit report serves as a primary way that consumers are evaluated for future credit applications or certain non-credit applications, including rental or employment applications.

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<sup>120</sup> Salem and Udis, *The Buy Now, Pay Later Market*, p. 15.

<sup>121</sup> Wang, “Buy Now, Pay Later: Recent Developments and Implications.” Such a calculation is 1.1% using Federal Reserve Bank of Richmond data.

<sup>122</sup> Wang, “Buy Now, Pay Later: Market Impact and Policy Considerations.”

<sup>123</sup> See for example questions and statements by then-Chairman Brown and then-Ranking Member Toomey at U.S. Congress, Senate Banking, Housing, and Urban Affairs Committee, *New Consumer Financial Products And The Impacts To Workers*, 117<sup>th</sup> Cong., September 13, 2022; U.S. Congress, House Financial Services Committee, Task Force on Financial Technology, *Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products*, 117<sup>th</sup> Cong., November 2, 2021; U.S. Congress, House Financial Services Committee, *Modernizing Financial Services Through Innovation and Competition*, 118<sup>th</sup> Cong., October 25, 2023; U.S. Congress, House Financial Services Committee, Digital Assets, Financial Technology, and Artificial Intelligence Subcommittee, *Delivering for American Consumers: A Review of FinTech Innovations and Regulations*, 119<sup>th</sup> Cong., January 13, 2026.

See also Elizabeth Warren, Ranking Member, Committee on Banking, Housing, and Urban Affairs, Sen. Tammy Duckworth, and Sen. Cory A. Booker et al., letter to Affirm, Afterpay, Klarna, PayPal, Sezzle, Zip, Splitit, November 19, 2025, <https://www.banking.senate.gov/newsroom/minority/warren-blumenthal-booker-duckworth-hirono-pres-buy-now-pay-later-companies-for-data-on-rapidly-growing-industry-as-trumps-attack-on-cfpb-leaves-consumers-vulnerable>.

<sup>124</sup> For a more general primer on credit reporting, see CRS Report R44125, *Consumer and Credit Reporting, Scoring, and Related Policy Issues*, by Darryl E. Getter.

Currently, reporting of BNPL products to major credit bureaus is inconsistent, with most BNPL providers (with the exception of Affirm) not consistently furnishing repayment or origination data associated with their Pay in 4 products. This credit reporting is more common for monthly installment loans.<sup>125</sup> According to Harvard Business School research as of 2022, of the five major BNPL providers researched, two reported positive payment information to credit bureaus, and four reported negative payment information.<sup>126</sup>

In February 2025, FICO announced new scoring methodology to further incorporate BNPL data in a few of its latest models.<sup>127</sup> According to a press release by FICO and Affirm, incorporating Affirm BNPL data into credit scores did not markedly change most credit scores for most BNPL users and improved overall credit score predictiveness.<sup>128</sup> However, this complete report and the analysis underlying it have not been made publicly available and cannot easily be replicated. As of April 2025, Affirm has begun furnishing data from all products, including Pay in 4 products, to the credit reporting agency Experian.<sup>129</sup> This push to incorporate BNPL data fits into a broader policy push to include alternative data in order to potentially better measure credit risk for individuals.<sup>130</sup> Enthusiasm from other BNPL firms was more tepid, with Klarna publicly stating concerns over consumers being penalized for using BNPL.<sup>131</sup> Excluding Affirm, as of the date of this report, none of the other major BNPL firms is consistently furnishing data on Pay in 4 products to credit reporting agencies.<sup>132</sup>

Reporting data to credit bureaus may present certain risks and benefits to firms and consumers.

For firms, reporting imposes certain one-time and ongoing direct costs, such as implementation of reporting infrastructure. In addition, this reporting may benefit or hurt firms by introducing new data on their customers to credit bureaus and any firms that can access reported data. The current environment in which firms do not report data creates a closed-loop model, whereby BNPL firms acquire new customers and their data to further hone their underwriting models in part by taking a chance (and potentially some losses) on clients that other providers may not due to their creditworthiness or other characteristics. One BNPL's decision to report that data may help

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<sup>125</sup> Klarna, "Does Klarna Report to Credit Bureaus?"

PayPal, *Questions about Pay Monthly Applications*, <https://www.paypal.com/us/cshelp/article/questions-about-pay-monthly-applications-help845>.

<sup>126</sup> Di Maggio et al., "Buy Now, Pay Later Credit," p. 36. Such research does not distinguish between reporting of Pay in 4 and longer-term installment loans.

<sup>127</sup> FICO is a data analytics company that specializes in credit scoring. FICO, "FICO Unveils Groundbreaking Credit Scores That Incorporate Buy Now, Pay Later Data," press release, June 23, 2025, <https://www.fico.com/en/newsroom/fico-unveils-groundbreaking-credit-scores-incorporate-buy-now-pay-later-data>.

<sup>128</sup> FICO, "FICO and Affirm Unveil Industry-Leading Analysis of 'Buy Now, Pay Later' Loans," press release, February 4, 2025, <https://www.fico.com/en/newsroom/fico-and-affirm-unveil-industry-leading-analysis-buy-now-pay-later-loans>.

<sup>129</sup> Affirm, "Affirm Expands Credit Reporting with Experian to Include All Pay-Over-Time Products," press release, March 19, 2025, <https://investors.affirm.com/news-releases/news-release-details/affirm-expands-credit-reporting-experian-include-all-pay-over>.

<sup>130</sup> See CRS In Focus IF11630, *Alternative Data in Financial Services*, by Karl E. Schneider.

<sup>131</sup> Imani Moise, "Push to Add 'Buy Now, Pay Later' Loans to Credit Scores Hits a Snag," *Wall Street Journal*, August 5, 2025.

<sup>132</sup> Alex Johnson, "BNPL, FICO, and the Data That Isn't There," *Fintech Takes*, July 2, 2025, <https://fintechtakes.com/articles/2025-07-02/bnpl-fico-and-the-data-that-isnt-there/>. Sezzle offers a paid subscription called "Sezzle Up" where consumers can enroll positive and negative payment history to credit bureaus. Sezzle, "Sezzle Up Terms," September 27, 2024, <https://legal.sezzle.com/sezzle-up-terms/en-us/>.

competitors that had not invested the time or effort and penalize the firm that did.<sup>133</sup> Market dynamics are another factor. If some firms reliably report to credit bureaus and some do not, consumers with different risk tolerances may favor a particular credit furnishing model based on their likelihood to repay, thus creating potential *selection bias*. Reporting to credit bureaus may introduce added incentives for consumers to repay their BNPL obligations, benefiting BNPL firms.

Not reporting customer data may leave certain BNPL customers with perpetually thin credit files and make them reliant on BNPL firms' more limited product offerings. This could complicate the opportunity for products that rely on credit profiles but are outside of BNPL firms' current offerings, such as mortgages or auto loans. Consumers who reliably pay back Pay in 4 products stand to more likely benefit from credit reporting, while those with delinquencies are most likely to be potentially harmed.<sup>134</sup> This newly furnished BNPL origination and repayment data may help outside financial institutions distinguish between potentially riskier and less risky borrowers with BNPL debt that fit within the same credit score bucket or look otherwise indistinguishable. It is unclear how credit scoring will view BNPL products relative to existing lines of credit or consumers who stack multiple products at the same time and the implications such information would have for consumers. Based on recent survey data from the Financial Health Network, BNPL borrowers may not always understand the degree to which their Pay in 4 data is currently being reported to credit bureaus.<sup>135</sup> About 19% of consumers incorrectly believed that this data appears on credit reports, while 45% correctly asserted that it does not appear on credit reports, and 36% stated that they did not know.<sup>136</sup>

Members of Congress have previously highlighted credit reporting and BNPL in hearings and in letters.<sup>137</sup>

## Data Collection and Data Quality

Currently, there is not a central repository for data on BNPL firms and products. Various research products created by the CFPB over the past five years or so have included some centralized data on the industry.<sup>138</sup> Some of the data used in those pieces, which firms submitted directly to the

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<sup>133</sup> Some of these problems can be eliminated by financial institutions' increased use of and reliance on cash flow underwriting and consumer permissioning of transaction-level data. Such data shows BNPL loans being originated and repaid (or not), but complications arise. The bank from which payments for BNPL originates can observe the transaction-level payments and rely on that data for its underwriting but may not observe the specific terms of repayment.

<sup>134</sup> Christine Laudenbach et al., "Buy Now Pay (Less) Later: Leveraging Private BNPL Data in Consumer Banking," Norges Bank, January 30, 2025, <https://www.fdic.gov/center-financial-research/buy-now-pay-less-later-leveraging-private-bnpl-data-consumer-banking.pdf>.

<sup>135</sup> Survey data shared from Gdalman et al., "FinHealth Spend Report 2025."

<sup>136</sup> The specific question asked: "Based on your understanding, do buy-now-pay-later loan payments appear on your credit report? Please do not include plans used to finance purchases in more than four installments." This survey was in the field from January to February 2025, so it would not have captured Affirm's move to credit reporting in April 2025.

<sup>137</sup> For example, see questions by Rep. Torres and former Rep. Luetkemeyer, U.S. Congress, House Financial Services Committee, Task Force on Financial Technology, *Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products*, 117<sup>th</sup> Cong., November 2, 2021; Yvette D. Clarke, Member of Congress, André Carson, Member of Congress, and Greg Landsman, Member of Congress, et al. to William J. Lansing, President and CEO, Fair Isaac Corporation, November 4, 2025.

<sup>138</sup> For examples, see CFPB, *Buy Now, Pay Later: Market Trends and Consumer Impacts*, September 2022 [https://files.consumerfinance.gov/f/documents/cfpb\\_buy-now-pay-later-market-trends-consumer-impacts\\_report\\_2022-09.pdf](https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf); and Salem and Udis, *The Buy Now, Pay Later Market*. Pursuant to Title 12, Section 5512(c)(4)(B)(ii), of the *U.S. Code*, the CFPB must "monitor for risks to consumers in the offering or provision of consumer financial products (continued...)"

agency, were several years old at the time published and required that the CFPB use additional public information and/or make certain assumptions about the industry in its compilations. This underscores the lack of an official mechanism to collect data on the industry, unlike regulated banks that regularly report loan information, as a part of call reports.<sup>139</sup> It also highlights the limits to forming a complete picture of the industry, including BNPL’s full role in providing consumer credit and the amount providers earn from late fees. The lack of complete data on the industry may not be a major concern currently. As addressed above (see “Consumer Debt”), based on available information, the size of the market remains relatively small when compared to credit cards, with relatively low percentage of delinquencies. But this could change if its role as a primary driver of consumer borrowing were to change.

## Conclusion

BNPL options have become an increasingly popular financing tools over the past decade. The Pay in 4’s relatively novel product structure—short-term, applied to discrete purchases, interest free for immediate possession of the product—has been a source of growth as well as a strategic advantage that, to date, has mostly helped it avoid certain regulations that apply to traditional credit products. Congressional interest in BNPL remains relatively robust in part because of the divergent regulatory treatment for BNPL and shifts in the broader ecosystem and the CFPB’s previously finalized and recently withdrawn interpretative rule. As Pay in 4 and BNPL more generally continue to attract customers and as is offered and used in additional sectors—including health care and housing rentals—the industry and outstanding debt may also grow and present some potentially novel risks to consumers. As such, interest in its regulatory treatment, as well as other policy issues—such as associated debt levels, consumer indebtedness, and relevant protections—also have the potential to intensify.

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or services, including developments in markets for such products or services,” and may “require covered persons and service providers participating in consumer financial services markets to file with the Bureau,” information necessary to fulfill its monitoring duties.

<sup>139</sup> Call reports are discussed in the “Reporting Requirements” section of CRS Report R46648, *Bank Supervision by Federal Regulators: Overview and Policy Issues*, by David W. Perkins.

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