

What is Buy Now Pay Later (BNPL)?

Buy Now Pay Later (BNPL) technology enables consumers to make purchases and defer payment, breaking down the total cost into smaller, more manageable installments with 0% interest. This approach offers flexibility and accessibility, particularly for individuals facing temporary financial constraints.



Sarah is a college student in need of textbooks for her upcoming semester. She is putting herself through university, and despite receiving financial aid, she finds herself short of funds to cover the cost of her required textbooks.



With BNPL technology, Sarah can proceed with purchasing her textbooks without undue financial strain. By spreading the cost of her purchases over manageable installments, Sarah can acquire the necessary materials for her education while maintaining her budget and financial stability.



This representation is just one of countless use cases where BNPL technology alleviates financial burden and helps get consumers the products they need for their day-to-day lives without emptying their savings.

Setting the Standard for Responsible BNPL

AFC adopted policy standards that our BNPL fintech members support. These standards define BNPL as responsible when:

- ✓ It's deemed a loan, so consumers receive clear and transparent disclosures stating APR.
- ✓ It's underwritten.
- ✓ If late fees are applied, they are fully disclosed and do not exceed 36% APR.
- ✓ The business pledges to work with credit bureaus to avoid harming consumer credit scores and improve reporting, since BNPL can appear as multiple trade lines.

The legislative landscape surrounding BNPL remains nuanced and continues to evolve. While federal regulations provide overarching guidelines for consumer financial protection, specific laws governing BNPL transactions vary from state to state.

A report by the Consumer Financial Protection Bureau (CFPB) on BNPL loan products specifically highlights comparisons to credit cards in consumer experience and services that new products like BNPL provide. The report cites BNPL as a rapidly expanding alternative to credit, serves consumers similarly, and provides a less expensive alternative than revolving credit. (Consumer Financial Protection Bureau, "Buy Now, Pay Later: Market trends and consumer impacts", September 2025)