America's Credit Unions

August 25, 2025

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410

RE: Request for Information Regarding Buy Now Pay Later Unsecured Debt Docket No. (FR-6547-N-01)

Dear Sir or Madam:

On behalf of America's Credit Unions, I am writing in response to the Department of Housing and Urban Development's (HUD) Request for Information to address the implications of Buy Now Pay Later (BNPL) on housing affordability and stability. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 143 million members nationwide. America's Credit Unions and its member credit unions appreciate the opportunity to provide input on the Request for Information and HUD's efforts to better understand the nature of the BNPL market in the context of supporting American households.

Although America's Credit Unions maintains concerns that BNPL may harm younger and lower income Americans, its growing usage requires implementation into FHA's underwriting policies to ensure transparency and safeguards for credit unions. America's Credit Unions, while supporting broader access to credit, stresses the need for responsible lending practices that consider borrowers' financial health and repayment capabilities.

General Comments

As a relatively new lending product, HUD guidelines do not address BNPL loans. FHA underwriting policies do not currently require consideration of short-term, closed-end obligations that will be paid within 10 months of closing and that make up 5% or less of a borrower's gross monthly income. Consequently, because BNPL products are typically paid for within a few months, FHA underwriters do not consider these loans.

Moreover, because most BNPL providers do not currently furnish data to credit reporting agencies, these debts may not appear in mortgage applications, leading to undercounted borrower liabilities. Accordingly, FHA lenders may be unaware of a borrower's BNPL loans, existing obligations, and potential defaults. While this issue will be mitigated with Fair Issac Corporation's (FICO) introduction of its new BNPL model and BNPL providers sharing complete loan data to credit bureaus, widespread adoption may take time.

BNPL Trends and Concerns

The emerging presence of BNPL among consumers is an important data point for mortgage lenders and underwriters to evaluate. In January 2025, the Consumer Financial Protection Bureau (CFPB) released a study on BNPL that demonstrates its recent popularity. In 2022, over one fifth of consumers with a credit record used BNPL loans, the majority of which had subprime or deep subprime credit scores.[1] The study suggested that the use of BNPL will continue to rise, as 21.2 percent financed at least one purchase with a BNPL loan, up from 17.6 percent in 2021. The average number of annual BNPL originations per borrower also increased from 8.5 in 2021 to 9.5 in 2022.[2] This year alone, the value of BNPL transactions in the U.S. is expected to reach $108 billion, up from $94 billion in 2024.[3]

However, the mere increase in BNPL usage alone isn't the cause for concern for America's Credit Unions. The statistics of the typical BNPL borrower profile and accumulation of BNPL debt are alarming. BNPL users tend to be younger, less educated, and have lower credit scores and greater unmet credit needs.[4] In 2022, not only did overall credit approval rates for BNPL loans increase among applicants with subprime or deep subprime credit scores, BNPL lenders approved 78 percent of loans.[5] These users also held more BNPL debt as a percentage of their total consumer debt.[6] BNPL consumers are also more likely to hold higher balances on other types of unsecured consumer credit, such as personal loans, retail loans, student loans, and credit cards.[7] Twenty percent of these users were "heavy users" in 2022, meaning they originated more than one BNPL loan on average each month.

Most concerning, however, is that many BNPL consumers participated in "loan stacking," where borrowers accrued multiple, active BNPL loans.[8] The CFPB found that in 2021 and 2022, 63% of BNPL borrowers had simultaneous loans at some point, with 33% having loans across different firms.[9] BNPL spending is also highly seasonal, with borrowing escalating during the holiday season.[10] Borrowers were more likely to default on their

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[1] Consumer Financial Protection Bureau, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt,* January 2025, at 3, Consumer Use of Buy Now, Pay Later and Other Unsecured Debt.

[2] *Id.*

[3] Moise, Imani*, Choosing 'Buy Now, Pay Later' at Checkout Will Now Factor Into Your Credit Score*, *The Wall Street Journal*, June 23, 2025, Exclusive | Choosing 'Buy Now, Pay Later' at Checkout Will Now Factor Into Your Credit Score - WSJ.

[4] Wang, Zhu, "Buy Now, Pay Later: Market Impact and Policy Considerations," *Federal Reserve Bank of Richmond Economic Brief*, No. 25-03, January 2025. Consumers aged 18-24 had highest percentage of their total unsecured consumer debt used on BNPL. *Id.*

[5] Consumer Financial Protection Bureau, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt* at 2.

[6] *Id.* at 29.

[7] *Id.* at 3.

[8] *Id.* at 17.

[9] *Id.*

[10] Consumer Financial Protection Bureau, *Consumer Use of Buy Now, Pay Later and Other Unsecured Debt*, at 15.

BNPL originated during this period.[11] The sum of these statistics shows many BNPL consumers are vulnerable to accelerated debts that are easy to accumulate. BNPL loans without any safeguards place consumers at risk with automatic withdrawals to repay loans that could yield unanticipated negative checking account balances, overdraft fees, unpaid bills and invoices, and repossessions. As stated in an economic brief by the Richmond Fed, "[a]s BNPL services continue to grow, these risks could amplify if left unchecked. To prevent and mitigate risks, policymakers and industry participants should work together to ensure proper oversight, responsible lending practices and clear consumer protections."[12]

As consumers' BNPL usage increases, unreported BNPL loans to credit agencies, or "phantom debt," are becoming an increasing concern for credit unions. This "phantom debt" prevents credit unions and other financial institutions from fully understanding the credit profile of a consumer. FICO's introduction of a credit score model that factors in BNPL loans and credit bureaus beginning to share its BNPL data will each boost transparency. However, implementation of either initiative will be a protracted process. Some BNPL providers have also hesitated to share consumer BNPL data with credit bureaus.[13] Consequently, financial institutions like credit unions must manually scan their transactions for indications of BNPL use due to the lack of consumer data sharing. Changes are needed at HUD to incorporate BNPL into FHA underwriting because credit unions are unable to fully assess the financial profile of borrowers during underwriting.

Credit Union Concerns

Credit unions are concerned about members' use of buy now, pay later (BNPL) products that is not reported to consumer reporting agencies because it creates "invisible" debt, preventing underwriters from having a complete picture of a borrower's obligations. In mortgage lending, this hidden liability can lead to inaccurate debt-to-income (DTI) calculations, overstated creditworthiness, and higher default risk, particularly in rising interest rate or economic downturn scenarios. For FHA-backed mortgages, the risk is compounded because the program targets borrowers with lower credit scores and smaller down payments, meaning even modest unreported debt can significantly affect repayment capacity. This could increase delinquencies and claims against the FHA's Mutual Mortgage Insurance Fund, undermining program stability.

The presence of BNPL loans in FHA underwriting would considerably assist lenders and underwriters in fully understanding the financial status of borrowers. As it stands,

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[11] *Id.*

[12] Wang, Zhu, "Buy Now, Pay Later: Market Impact and Policy Considerations."

[13] Moise, Imani, *"Push to Add 'Buy Now, Pay Later' Loans to Credit Scores Hits a Snag," The Wall Street Journal*, August 5, 2025, [Klarna, Afterpay to Withhold 'Buy Now, Pay Later' Data From Credit Bureaus, Citing Concerns About Customer Impact - WSJ]

because not all BNPL providers, credit bureaus, nor borrowers comprehensively report BNPL debt, underwriters and loan officers must proceed with the painstaking process of manually reviewing a borrower's bank statements for any sign of BNPL use. Further, underwriters can be overwhelmed by even one bank statement if a borrower uses multiple BNPL providers. The current BNPL data sharing framework is far too cumbersome to fully assess a borrower's debt to income ratios and general repayment capacity.

There are a few avenues that would ensure BNPL obligations are appropriately considered in FHA lender evaluations. The standardization of the reporting of BNPL account activity, payment history, and other activities is paramount in assisting lenders to fully evaluate a borrower's creditworthiness. Compelling both BNPL providers and credit repositories to share borrower data would also significantly facilitate underwriting. Alternatively, loan applications could incorporate BNPL payments to ensure lenders and underwriters have a complete picture of a borrower's financial profile. By placing the obligation on borrowers to report their own BNPL history, it would save credit unions the administrative burden of relying on manual reviews of bank statements. These proposals would solve the lack of a comprehensive BNPL data sharing framework.

Conclusion

America's Credit Unions appreciate the opportunity to comment on this Request for Information. If you have any questions, please do not hesitate to contact me at 202-961-5731 or tmaron@americascreditunions.org.

Sincerely,

Tyler J. Maron
Regulatory Affairs Counsel