August 25, 2025

Regulations Division
Office of General Counsel
U.S. Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

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

Dear Director Bernier:

Thank you for the opportunity to offer public comment on the question of how the emergence of Buy Now Pay Later (BNPL) installment loans impacts housing affordability and stability for mortgage borrowers of Federal Housing Administration (FHA) loans. FHA is a mortgage program directly backed by the federal government, which has sought to bring homeownership within reach of American families since 1934. One of the core missions of FHA is to help underserved borrowers access affordable and sustainable homeownership. Over 80 percent of FHA borrowers are first-time homebuyers.[1] FHA has developed robust underwriting standards, which seek to fairly evaluate borrowers' credit risk and ability-to-repay a mortgage, while protecting the safety and soundness of the Mutual Mortgage Insurance Fund.

New financial products raise additional questions about what fair and adequate underwriting standards look like. In this comment letter, we address the suitability and potential predictive power o*f Buy Now, Pay Later lending* for evaluating FHA borrowers' creditworthiness.

While we encourage FHA to identify opportunities to expand access to homeownership, we have concerns that the use of BNPL loans may not serve this worthwhile goal. We urge the FHA to take a cautious approach. Recent news that one BNPL lender will partner with a credit scoring agency presents opportunities to expand access to credit, but their work will still be the exception to industry norms. It remains unclear whether BNPL lending will have a meaningful impact on borrower creditworthiness, as loan amounts are often very small and usage is often sporadic. It is certain that these changes create an imperative to educate consumers on when and how BNPL can affect their credit and ability to quality for a mortgage.

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[1] U.S. Department of Housing and Urban Development. (2024). *Annual Report to Congress Regarding the Financial Status of the Federal Housing Administration Mutual Mortgage Insurance Fund.* https://www.hud.gov/sites/dfiles/Housing/documents/2024FHAAnnualReportMMIFund.pdf

SUMMARY

I. Many BNPL borrowers are financially fragile. FHA serves a population that does not qualify for conventional mortgage loan credit.

i. BNPL borrowers are more likely to exhibit signs of financial distress compared to credit users who do not utilize BNPL loans.
ii. BNPL usage does not improve financial health.
iii. There is considerable overlap between the typical demographics and credit score range of FHA and BNPL borrowers, but the credit profile of FHA borrowers is generally stronger than heavy BNPL users.

II. There are clear shortcomings in BNPL consumer protections.
i. Consumers use BNPL in a functionally equivalent manner to a credit card. But unlike credit cards, important consumer protections are absent.
ii. BNPL is still associated with overspending on non-essential purchases.
iii. Consumer creditworthiness could be negatively impacted by the unworkable dispute resolution policies of many BNPL lenders.

III. The new reporting partnership between a leading BNPL lender and FICO could raise borrower credit scores, but typical usage may not result in meaningful increases. Evidence of the suitability of BNPL to help FHA borrowers is mixed.
i. Few borrowers use BNPL extensively. Without consistent use of BNPL, the overall impact on an applicant's credit score may not be consequential.
ii. FHA should recognize that down payment assistance is more commonly the hurdle that must be addressed to expand access to mortgage credit.
iii. Promises to help borrowers could be misleading. Prospective BNPL applicants may not understand that reporting of BNPL loan sequences will still be the exception to the rule.

IV. The integration of cash flow underwriting into assessments of creditworthiness could have a greater impact on financial inclusion.
i. Many consumers lack the credit scoring criteria necessary to qualify for high-quality credit.
ii. The administration must support consumer-permissioned data sharing to advance cash flow underwriting

DISCUSSION

I. Many BNPL borrowers are financially fragile and unprepared for a mortgage loan.

i. BNPL borrowers are more likely to exhibit signs of financial distress compared to credit users who do not utilize BNPL loans.

While default and delinquency rates on BNPL loans are comparatively low, these numbers misrepresent the overall financial health of BNPL borrowers. Their reliable repayment of their BNPL debt may be explained by the common business practice of requiring borrowers to permit lenders to automatically debit their accounts as a condition of receiving credit.[2] Outside of auto-debited payments, BNPL users often struggle.

Evidence reveals that many BNPL borrowers are far from financially healthy.

- BNPL users have significantly fewer liquid assets. On average, a BNPL user has $2,179 in their checking account, whereas other consumers have an average of $6,638.[3]
- While users and non-users are equally likely to have a credit card, BNPL users are significantly more likely to revolve on their credit cards: 71 percent of users revolved on their credit cards in 2023, compared with 40 percent of non-users.[4] As a result, users are likely to accrue high interest costs on every dollar they charge on their credit cards. BNPL users are also twice as likely as non-BNPL users to have exhausted their available revolving credit card line(s).[5]
- BNPL users are more likely to have a low credit score or a previous bankruptcy.[6]
- BNPL users are more likely to have overdrafted. [7]
- After the adoption of BNPL, users incurred more overdrafts, higher credit card interest rates, and more credit card late fees.[8]

These studies are among many that have consistently shown the financial fragility of BNPL users.

ii. BNPL does not improve financial health.

Often, the initial use of BNPL predates distress. Some forms of credit can enhance overall financial health, often by smoothing the fluctuations in short-term cash flows. BNPL loans do not enhance financial health.

When Federal Reserve staff examined how the ability of 1,287 BNPL users to access credit changed over time, they saw no evidence to suggest BNPL users were able to use the service to improve their

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[2] National Consumer Law Center. (December 2, 2024). *New Rights for Buy Now, Pay Later Purchases* [Issue Brief]. https://www.nclc.org/resources/new-rights-for-buy-now-pay-later-purchases/

[3] Federal Reserve Bank of Boston. (May 23, 2024). *Buy Now, Pay Later: Who Uses It and Why* (Nos. 2024–3; Current Policy Perspectives). https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx

[4] Ibid.

[5] Consumer Financial Protection Bureau. (March 2, 2023). *Consumer Use of Buy Now Pay Later: Insights from the CFPB Making Ends Meet Survey* (No. No. 2023-1; CFPB Office of Research Publication). https://www.consumerfinance.gov/data-research/research-reports/consumer-use-of-buy-now-pay-later-insights-from-the-cfpb-making-ends-meet-survey/

[6] Federal Reserve Bank of Boston. (May 23, 2024). *Buy Now, Pay Later: Who Uses It and Why* (Nos. 2024–3; Current Policy Perspectives). https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx

[7] Claire Williams. (March 2, 2022). *'Buy Now, Pay Later' Users Significantly More Likely to Overdraft Than Nonusers*. Morning Consult Pro. https://pro.morningconsult.com/trend-setters/buy-now-pay-later-bnpl-overdraft-data

[8] Ed deHaan et al. (September 2024). Buy Now Pay (Pain?) Later. *Management Science*, *Forthcoming*. https://doi.org/10.2139/ssrn.4230633

creditworthiness for other financial products. Their financial health, as observed empirically through the lens of how other creditors evaluated their creditworthiness, remained unchanged.[9]

For these reasons, many BNPL users may not be adequately prepared for the obligations of a home mortgage and the ongoing costs associated with homeownership. While some individuals will certainly have the necessary assets and creditworthiness to qualify for a loan, many will not.

iii. There is considerable overlap between the typical demographics and credit score range of FHA and BNPL borrowers, but the credit profile of FHA borrowers is generally stronger than heavy BNPL users.

The FHA loan guarantee program expands access to homeownership by extending the availability of mortgage credit to traditionally underserved loan applicants. FHA mortgages have unique features, such as a low downpayment requirement of only 3.5 percent, a broader credit box, and the absence of risk-based pricing, that makes them particularly attractive for first-time and lower-wealth homebuyers.[10]

There is considerable overlap in the demographic profile of typical BNPL users and FHA borrowers. In 2023, 83 percent of FHA mortgages went to first-time buyers.[11] FHA mortgages also are disproportionately used by lower-income borrowers: In 2023, 32 percent of FHA mortgages were made to borrowers with incomes below 80 percent of Area Median Income (AMI). Black and Hispanic borrowers are more likely to rely on FHA mortgages to get access to homeownership. Finally, FHA serves much younger borrowers on average than the rest of the mortgage market: 46 percent of the borrowers who used an FHA-insured mortgage in 2023 were under the age of 35.[12] These demographic characteristics heavily overlap with the universe of BNPL borrowers, who also tend to have lower liquid assets and to be less than 40 years old.

Moreover, while the credit profile of BNPL users is generally lower than that of the general US population, there is considerable overlap with the typical credit score and credit score range of FHA borrowers. The average borrower credit score for FHA mortgages was 677 in 2023.[13] **Figure 1** below overlays the FICO credit score distribution of heavy and occasional BNPL users, with those of FHA borrowers. Heavy BNPL users are defined as those who on average originated more than 12 loans each year, while occasional BNPL users originated between 1 and 12 BNPL loans.

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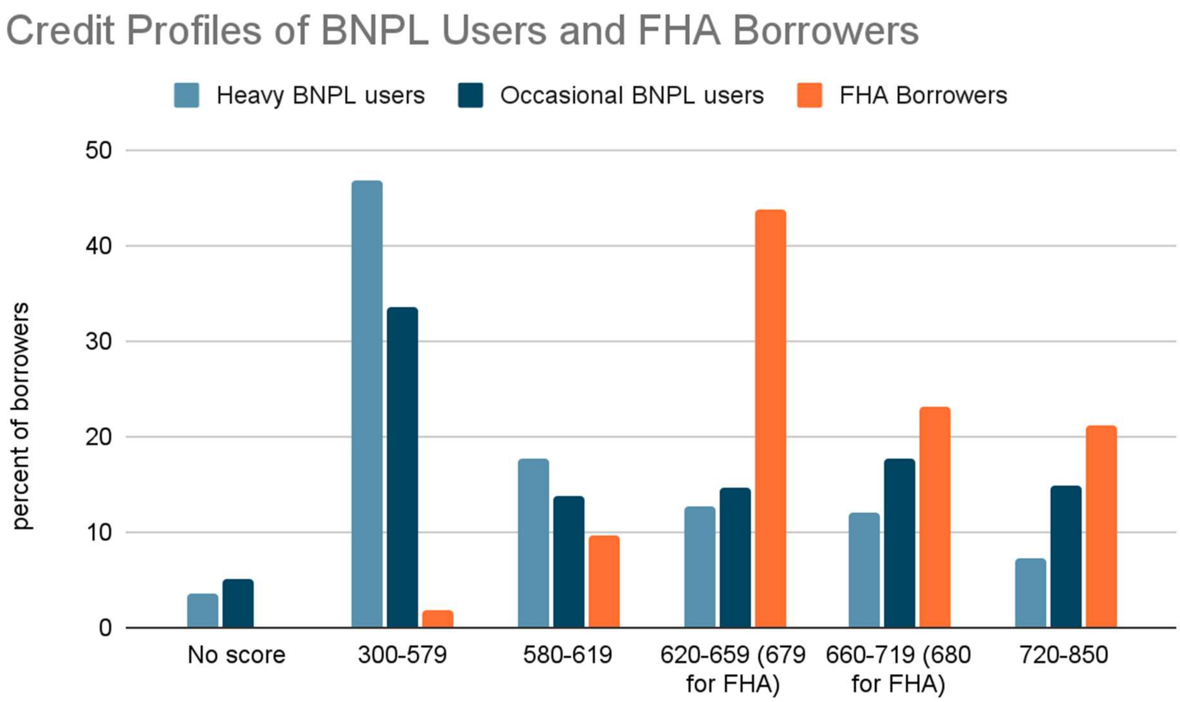
[9] Valeria Zeballos Doubinko & Tom Akana. (September 2023). *How Does Buy Now, Pay Later Affect Customers' Credit?* (Discussion Paper No. DP 23-01). Federal Reserve Bank of Philadelphia. https://www.philadelphiafed.org/-/media/frbp/assets/consumer-finance/discussion-papers/dp23-01.pdf

[10] FHA requires a minimum credit score of 500 FICO with a 10 percent downpayment, 580 with a 3.5 percent downpayment. However, in practice, many lenders require a credit score minimum of at least 620. FHA does not engage in risk-based pricing (such as LLPA framework for the GSEs): this means that FHA borrowers do not pay more or less based on their credit score. See also https://consumerfed.org/reports/outcompeted-challenges-of-fha-buyers-in-tight-housing-markets/

[11] U.S. Department of Housing and Urban Development. (2024). *Annual Report to Congress Regarding the Financial Status of the Federal Housing Administration Mutual Mortgage Insurance Fund.* https://www.hud.gov/sites/dfiles/Housing/documents/2024FHAAnnualReportMMIFund.pdf

[12] Ibid.

[13] Ibid.



Note: Credit score distribution information varied slightly for FHA borrowers (cut-off at 680 rather than 660)
Source: Consumer Federation of America analysis of 2023 FHA data and 2022 CFPB data

The figure shows strong overlap in the credit profile of BNPL and FHA borrowers. The credit profile of FHA borrowers is generally stronger than that of heavy BNPL users. For example, 47 percent of heavy BNPL users had credit scores below 579, while only 2 percent of FHA had such low credit. Most FHA borrowers (44 percent) had credit scores between 620 and 679 – a credit tier that corresponds to around 13 percent and 15 percent, respectively, of heavy and occasional BNPL users.

II. There are clear shortcomings in BNPL consumer protections.

BNPL loans serve the same purposes as credit cards but are treated differently under consumer protection laws. Loans with four or fewer interest-free installments are exempt from the Truth in Lending Act.[14] As a result, BNPL lenders can extend credit in a regulatory loophole. BNPL loans are regulated, but the safeguards for credit cards are stronger.

In 2022, in response to a CFPB request, Attorneys General from 22 states filed a comment outlining their concerns. While a chief criticism in their complaint focused on problems caused by a lack of reporting repayment information to credit bureaus, they were also concerned about issues with identity theft, unfair

[14] 12 CFR 1026.2(a)(17) (def'n of "creditor") (italics added). 12 CFR Part 1026.

debt collection, and the collection of debts not owed, as well as shortcomings in dispute resolution.[15] They emphasized the risks posed by innovative products that appeal to younger and less experienced consumers and expressed a common concern that BNPL loans could become another example of a financial innovation that pushes people into cycles of debt. They highlighted how BNPL's pay-in-four loan structure evades consumer credit laws, potentially mischaracterizes fees and interest charges, and could provide immediate access to credit with minimal underwriting.[16]

i. Consumers use BNPL in a functionally equivalent manner to a credit card. But unlike credit cards, important consumer protections are absent.

People use BNPL as a substitute for a credit card. BNPL meets the definition of credit, defined by law as "the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment."[17] Most often, purchases made with BNPL occur in online shopping carts that also accept credit cards.

The CFPB's interpretive rule, implemented in 2024 but rescinded this year, would have treated BNPL as the functional equivalent of a credit card. It would have required lenders to provide price disclosures, issue periodic statements, and fulfill dispute resolution requirements. These additions were sensible reforms aimed at creating regulatory consistency.

ii. BNPL is still associated with overspending on non-essential purchases.

BNPL providers sell their services to merchant partners by emphasizing the ability of BNPL to increase online shopping cart sizes and boost conversion rates. These reasons motivate merchants to accept BNPL as a payment option, even though the cost of merchant acceptance is often higher than the interchange fees charged by ultra-prime credit card issuers.[18] One leading BNPL lender says the availability of its service increases purchase amounts by 40 percent.[19]

Recent developments suggest that some lenders are taking on more risk to scale their businesses. For example, one BNPL lender just announced a partnership with an app-based food delivery service. Even though BNPL is expanding as a finance option for household necessities, the most common categories for BNPL remain consumer electronics and fashion. Peloton accounted for more than 20 percent of a major BNPL provider's revenues each year from 2019 to 2021 and still contributes almost ten percent to its revenue now.[20]

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[15] Attorneys General of 22 states. (March 25, 2023). *Notice and Request for Comment Regarding the CFPB's Inquiry Into Buy-Now- Pay-Later Providers. Docket CFPB-2-22-0002* [Comment letter]. https://www.regulations.gov/comment/CFPB-2022-0002-0025
[16] Ibid.
[17] 15 U.S.C. §1602(f)
[18] Mike Eckler. (August 24, 2020). What Merchants Should Know about "Buy Now, Pay Later." *Practical Ecommerce*. https://www.practicalecommerce.com/what-merchants-should-know-about-buy-now-pay-later
[19] *Buy Now Pay Later by the Numbers*. Square. Retrieved August 4, 2025, from https://squareup.com/us/en/buy-now-pay-later
[20] Affirm. (2021). *Annual Report for the Fiscal Year Ending June 30, 2021* [10-k]. Securities and Exchange Commission. https://investors.affirm.com/static-files/b85853cf-b293-46f8-a6e9-e63c0287e6f1

When BNPL debt obligations are not reported, other lenders may extend too much credit to consumers. The term “phantom debt” has been used to describe debts that are invisible to non-BNPL lenders. Even today, when one BNPL lender has initiated a partnership with FICO, most BNPL lenders still do not report to bureaus. Relatedly, loan stacking, where borrowers sign up for multiple loans from different providers, remains a practice that endangers vulnerable borrowers.

iii. Consumer creditworthiness could be negatively impacted by the unworkable dispute resolution policies of many BNPL lenders.

When responding to a consumer’s request to dispute a transaction, credit card issuers must, by law, acknowledge receipt of the letter, not hold the consumer responsible for the expense during an investigation period, and make the consumer whole under certain conditions. The rules are clearly established, consistent for all providers, and now embedded in the consumer response functions of credit card companies. Responsibility for responding to consumer problems falls squarely on card issuers.

However, the same clarity is not the case with BNPL. The dispute resolution process for BNPL loans is often muddy. Compared to disputes involving transactions made with a credit card, the obligations for resolving disputes can vary depending on the situation or the provider's policies.

In its 2022 report on the BNPL market, the CFPB found that the most common reason for consumer complaints was problems with resolving a disputed transaction. Moreover, disputes are very common. In all, almost 14 percent of BNPL loans in 2021 involved a purchase that was returned or disputed.[21] Policies are not consistent from one provider to another or from one merchant to another.

Consumers need a simple and effective way to report a problem to their lender. Unfortunately, Affirm will launch an AI tool to manage merchant dispute resolution processes,[22] and Klarna implemented one in 2024.[23] Going forward, competition could devolve into a regulatory race-to-the-bottom, where some providers create upfront incentives to encourage spending but reduce costs by making it harder to dispute a transaction on the back end.

These shortcomings increase the chance that a disrupted BNPL transaction could unfairly harm the creditworthiness of a mortgage loan applicant. A disputed transaction could upend repayment of a BNPL loan. Without clear dispute resolution rights, the loan could be reported as delinquent or even in default.

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[21] Consumer Financial Protection Bureau. (September 2022). *Buy Now, Pay Later: Market trends and consumer impacts*. https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf

[22] Affirm. (2025). *Shareholder Letter: Third Fiscal Quarter 2025*. https://investors.affirm.com/static-files/25488e74-5447-4ee9-af87-f28777448b7e

[23] Gene Marks. (March 13, 2024). Klarna’s New AI Tool Does The Work Of 700 Customer Service Reps. *Forbes*. https://www.forbes.com/sites/quickerbettertech/2024/03/13/klarnas-new-ai-tool-does-the-work-of-700-customer-service-reps/

III. The new reporting partnership between a leading BNPL lender and FICO could raise borrower credit scores, but typical usage may not result in meaningful increases. Evidence of the suitability of BNPL to help FHA borrowers is mixed.

For years, BNPL lenders have avoided reporting to credit bureaus due to the likelihood that repeated account closures would harm the credit scores of their borrowers. After all, standard credit scoring models penalize consumers who frequently close accounts. While the new FICO 10T model has made changes that address this fundamental misalignment, the new partnership involves only a single BNPL lender.

i. Few borrowers use BNPL extensively. Without consistent use of BNPL, the overall impact on an applicant's credit score may not be consequential.

BNPL debt sequences are typically short and sporadic. BNPL loan sequences are short-term by design, typically lasting six weeks, and as recently as 2022, the average BNPL loan amount was only $142.[24] A recent study found that the majority of borrowers who take out a BNPL loan do not have one outstanding six months later.[25] One of the leading providers affirms this conclusion, noting that its active users received 2.1 loans in the most recent fiscal year, on average.[26] In contrast, people maintain revolving credit card lines for many years. Personal installment loans and auto finance agreements can have terms of as long as six years.

For a borrower to see a meaningful change in their creditworthiness, they may need to use many BNPL loans. The benefit derived from reporting BNPL loans must be enough to permit a consumer to cross the threshold from loan denial to loan approval. Industry research casts doubt on the likelihood of reporting to make significant changes to credit scores. In its joint study with Affirm, FICO wrote that the simulated inclusion of BNPL data increased or had no impact for the majority of customers who took out more than 5 loans in the prior year, with over 85 percent seeing a small change (+/- 10 points) consistent with a new account opening.[27]

If the typical BNPL user has a low credit score, but FHA mortgage lenders do not approve applicants unless they have at least a prime or near-prime score, then most BNPL users are unlikely to improve their credit enough to make a difference. For those who repay on time and take out multiple loans, only a small fraction of users may generate changes that lead to credit sore changes that make a difference.

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[24] Consumer Financial Protection Bureau. (January 13, 2025). *CFPB Research Reveals Heavy Buy Now, Pay Later Use Among Borrowers with High Credit Balances and Multiple Pay-in-Four Loans*. https://www.consumerfinance.gov/about-us/newsroom/cfpb-research-reveals-heavy-buy-now-pay-later-use-among-borrowers-with-high-credit-balances-and-multiple-pay-in-four-loans/

[25] Cortnie Shupe & Giordano Palloni. (June 2025). *The Effect of BNPL on Consumer Debt and the Ability to Repay Non-BNPL Debt Obligations* (SSRN Scholarly Paper No. 5284530). Social Science Research Network. https://doi.org/10.2139/ssrn.5284530

[26] Affirm. (2024). *FY Q2024 Earnings Supplement* [Investor Presentation]. investors.affirm.com/static-files/eb4bb75e-49e0-4e0b-a744-de5b7ca0fecd

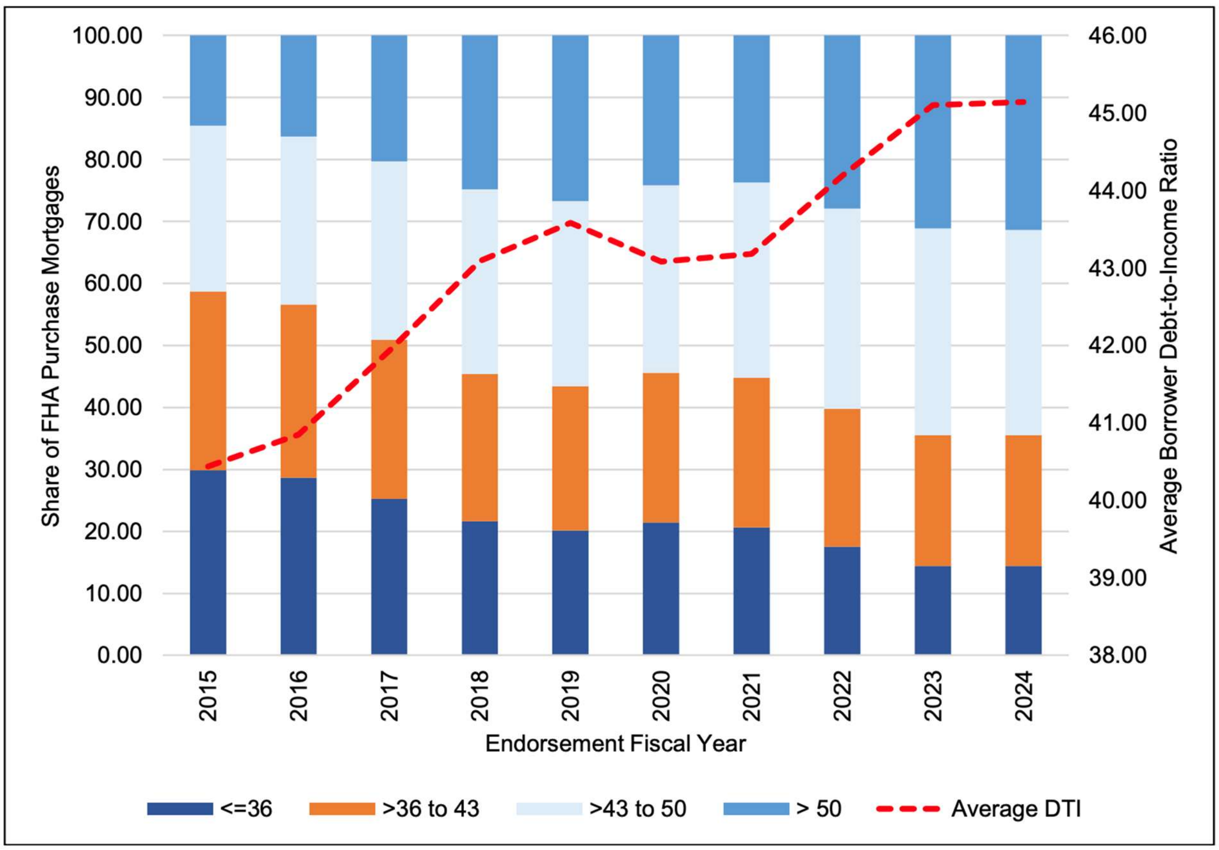
[27] FICO. (February 4, 2025). *FICO and Affirm Unveil Industry-Leading Analysis of 'Buy Now, Pay Later' Loans*. https://www.fico.com/en/newsroom/fico-and-affirm-unveil-industry-leading-analysis-buy-now-pay-later-loans

ii. FHA should recognize that down payment assistance is more commonly the hurdle that must be addressed to expand access to mortgage credit.

Many borrowers who choose an FHA loan do so because they lack the resources to meet the down payment requirements for conventional loans. Improvements to their credit scores may not have a significant impact on their qualifications.

Since 2015, debt-to-income ratios of FHA borrowers have increased by fifteen percentage points. These gains are likely attributable to the steady increase in housing prices, slowed only during the pandemic when interest rates fell. Now that rates are higher than in many years, debt-to-income ratios have risen substantially.

Exhibit III-10: Borrower Debt-to-Income Ratio for FHA Forward Purchase Mortgages



SOURCE: U.S. Department of HUD/FHA, October 2024.
Refer to data table D-10 in Appendix D.

Source: 2024 HUD Annual Report to Congress Regarding the Financial Status of the Federal Housing Administration Mutual Mortgage Insurance Fund.
https://www.hud.gov/sites/dfiles/Housing/documents/2024FHAAnnualReportMMIFund.pdf

When BNPL loan sizes are small and usage is infrequent, overall impacts on debt-to-income ratios are likely to have little or no effect on the outcome of a borrower's ability to qualify for a loan. The short duration (six weeks on average) of BNPL loans presents a challenge to lenders' DTI calculations: one solution would be to establish a threshold (e.g. $500) below which BNPL debt does not have to be reported for DTI underwriting. Overall, we expect this to only have a small impact on FHA borrowers. However, it does raise the importance of consumer education and awareness of how BNPL lending may impact people's ability to qualify for a mortgage.

iii. Promises to help borrowers could be misleading. Prospective BNPL applicants may not understand that reporting of BNPL loan sequences will still be the exception to the rule.

While one leading provider has announced a partnership with FICO, they are the only one. Even now, a leading competitor to Affirm insists on not reporting BNPL, arguing that doing so would harm the creditworthiness of its borrowers. The competing lender has expressed skepticism that banks and credit unions will view BNPL use favorably, even if a credit scoring model says otherwise.[28] Other BNPL lenders do not report successful repayment of their pay-in-four loans to the credit bureaus or only report for an additional fee.[29]

Adding to the possibility of consumer confusion, some mortgage lenders that still manually underwrite may penalize applicants who use BNPL. Recent newspaper reporting finds that some lenders view the use of BNPL as a signal of risk, even if the loans are used responsibly.[30] For these banks, any evidence of BNPL usage is considered risky, and those institutions are unlikely to be swayed by FICO's view.

Moreover, the one BNPL lender that currently reports customer payments serves a higher credit-profile customer base compared to other BNPL lenders. In its most recent report to investors, Affirm noted how the credit profiles of its pay-in-four customers have increased lately: "Approximately 80% of monthly 0% volume in FQ3'25 came from prime and super prime borrowers compared to roughly 50% we typically see in interest-bearing products."[31] This report suggests that Affirm is an outlier within its sector, attracting prime customers in a space where most consumers are subprime or near-prime. Accordingly, the benefits to credit reporting will be muted among this segment, as their credit scores already meet the underwriting standards for the FHA program. Indeed, the report's findings raise the possibility that many Affirm borrowers already qualify for conventional mortgage loan products.

As long as only one or a small subset of providers report positive payments, many consumers will have a false sense of confidence in the likelihood that using BNPL can improve their credit.

IV. The integration of cash flow underwriting into assessments of creditworthiness could have a greater impact on financial inclusion.

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[28] Imani Moise. (August 5, 2025). Push to Add "Buy Now Pay Later" Loans to Credit Scores Hits a Snag. *Wall Street Journal*. https://www.wsj.com/personal-finance/credit/klarna-credit-bureau-customer-data-f07925c7?st=wm7sKW&

[29] Advance America. (November 13, 2024). *Buy Now, Pay Later: Which Companies Report to Credit Bureaus?* https://www.advanceamerica.net/money-saving-tips/credit/do-bnpl-companies-report-to-credit-bureaus

[30] Imani Moise. (July 22, 2025). Banks Hate 'Buy Now, Pay Later'—and May Penalize Its Users. *Wall Street Journal*. https://www.wsj.com/personal-finance/credit/fico-credit-score-buy-now-pay-later-44424ae0?st=jwYv1f

[31] Affirm. (2025). *Shareholder Letter: Third Fiscal Quarter 2025*. https://investors.affirm.com/static-files/25488e74-5447-4ee9-af87-f28777448b7e Note: 0 percent financing refers to BNPL at Affirm, whereas the term "Interest-bearing products" describes Affirm's installment loans.

i. Many consumers lack the credit scoring criteria necessary to qualify for high-quality credit.

Modern credit reporting systems provide a boost for people with longer credit histories, multiple types of credit, and surplus unutilized credit. Individuals with no or low credit scores are caught in a trap. To improve their creditworthiness, they must qualify for credit; however, until they can do so, they face challenges in improving their creditworthiness.

FHA could improve credit access for more people by integrating cash flow underwriting into its systems. Far more people are blocked because of a lack of data compared to those who might benefit from the proposed use of BNPL data. By some measures, between 45 and 60 million Americans may have "thin file" or "credit invisible" profiles.[32] Many individuals in these categories possess the financial stability to repay their debts; however, without the correct information to meet "know-your-customer" requirements in anti-fraud regulations, they do not qualify.

Cash flow underwriting gives lenders critical insight into an applicant's ability to handle a larger debt service load. As a result, it improves the predictive value of models. Indeed, these views are supported by FICO. It claims its UltraFICO score could add needed information to the credit profiles of 15 million Americans.[33] These benefits would extend to "thin file" and "credit invisibles" who have bank accounts.

ii. The administration must support consumer-permissioned data sharing to advance cash flow underwriting

To facilitate cash-flow underwriting, a credit bureau must have insight into consumers' transaction accounts. The CFPB finalized a rule in 2024 that created rules for how third parties can request information from banks.[34] Unfortunately, the rule has been challenged in court. The CFPB says it intends to restart the rulemaking process.[35] In the interim, some financial institutions intend to charge fees - possibly very high ones - to share data. [36] While it is possible that cash flow underwriting could still occur, it would happen under conditions where consumers have less control over the use of their data. There would be a greater risk that private financial information would be compromised. On a practical level, the use of application programming interfaces that are a part of permissioned data sharing can streamline loan underwriting, reducing costs and expediting underwriting decisions.

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32 FinRegLab. (December 2023). *Fact Sheet: Cash-Flow Data in Credit Underwriting*. https://finreglab.org/research/fact-sheet-cash-flow-data-in-underwriting-credit/

33 Joanne Gaskin. (January 5, 2023). *Cash Flow Data Can Improve Credit Access with an UltraFICO® Score*. https://www.fico.com/blogs/cash-flow-data-can-improve-credit-access-ultraficor-score

34 Consumer Financial Protection Bureau. (October 22, 2024). *Required Rulemaking on Personal Financial Data Rights*. https://www.consumerfinance.gov/rules-policy/final-rules/required-rulemaking-on-personal-financial-data-rights/

35 Motion to Stay Proceedings Forcht Bank, N.A., Kentucky Bankers Association, and Bank Policy Institute v. Consumer Financial Protection Bureau and Russ Vought (July 29, 2025). https://www.ftassociation.org/wp-content/uploads/2025/07/CFPB-motion-for-stay.pdf

36 *Why JPMorgan Is Hitting Fintechs With Stunning New Fees For Data Access*. Retrieved July 29, 2025, from https://www.forbes.com/sites/jeffkauflin/2025/07/21/why-jpmorgan-is-hitting-fintechs-with-stunning-new-fees-for-data-access/

Conclusion

Thank you for the opportunity to comment on these important questions.

While BNPL users and FHA borrowers have overlapping credit profiles, FHA should require clear data from FICO and the three credit bureaus that demonstrate BNPL's independent predictive power in assessing mortgage creditworthiness.

HUD should collaborate closely with the CFPB to develop educational materials, to monitor the evolving landscape of BNPL loans, and to develop regulations that will protect consumers. If these small loans affect consumers' ability to get a mortgage, it will be essential to educate consumers on their impacts. They must understand that BNPL loans are debt, and if structured to impact credit scores, that they can negatively affect an applicant's ability to get a mortgage.

HUD should develop materials and incorporate training on BNPL for its HUD-certified housing counselors. Housing counselors remain an essential, independent source of support and advice for homebuyers, including through offering first-time homebuyer classes. HUD should update its housing counselor curriculum and training to reflect its latest underwriting decisions. Consumers should be mindful of the ways that BNPL is a way of incurring debt – *especially* once it starts impacting their credit score calculations.

HUD should explore other innovative ways to modernize its underwriting, striking a balance between fairness and risk, by examining cash flow underwriting. The focus of this inquiry raises broader questions about modernizing underwriting. FICO scores were invented in 1989, and even its newest scores and those of VantageScore fundamentally rely on the same, simplistic models. We encourage HUD and FHA to investigate cash flow underwriting, as a more modern and fair way of helping assess a borrower's creditworthiness.

If you have additional questions or require clarification on this comment, please contact Adam Rust, Director of Financial Services (arust@consumerfed.org), or Sharon Cornelissen, PhD, Director of Housing (scornelissen@consumerfed.org).

Sincerely,

Adam M. Rust

Adam Rust | Sharon Cornelissen