



BUY NOW, PAY LATER: THE COST OF CONVENIENCE

“Buy Now, Pay Later” (BNPL) services have become increasingly popular, offering a tempting alternative to credit cards. A [2022 report](#) from the Consumer Financial Protection Bureau found that from 2019 to 2021, the number of BNPL loans originated in the U.S. by the five lenders it surveyed grew from 16.8 million to 180 million, highlighting how appealing these services are to consumers.

THE ALLURE OF BNPL

Services like Affirm, Afterpay, and Klarna allow you to buy what you want now and pay for it over time; no need to wait for your next paycheck or save up for months. Add to that an interest-free option and this feels like a no-brainer, especially when budgets are tight. With BNPL, you can spread that \$200 coffee table over four payments of \$50, making it easier to fit into your monthly budget. It’s convenient, quick, and feels like a smart financial move, but it’s important to understand the fine print.

THE HIDDEN COSTS

Falling Behind on Payments: According to [LendingTree](#), nearly half of BNPL users (47%) have paid late on one of these loans at some point, up

from 40% in 2023. When this happens, you can be hit with late fees, which can quickly add up and make the total cost of your purchase higher than expected.

Impact on Credit Score: Some BNPL providers report your payment history to credit bureaus, which means missed payments could hurt your credit. (On the flip side, regular on-time payments may not necessarily help your credit score, as not all BNPL services report positive payment history.)

Risk of Overdrawing Funds: When you sign up for a BNPL service, you often have to give them access to your checking account for automatic payments. If you forget about a payment or spend more than you expected, the BNPL provider can still withdraw funds from your account. This could lead to an overdrawn account, resulting in additional overdraft fees from your bank.

Debt Accumulation: Because BNPL makes it so easy to purchase now and pay later, it can encourage overspending. You might be more likely to buy things you don’t really need, simply because the payments feel manageable. This can lead to debt accumulation, making it harder to reach your financial goals.

FINDING BALANCE

How can you enjoy the convenience of BNPL without falling into financial traps? The key is to use these services wisely. Treat BNPL like any other form of credit. Ask yourself if you can afford the payments without stretching your budget. Avoid using BNPL for impulse purchases, and always read the fine print to understand any potential fees or penalties.

If you find yourself struggling with BNPL payments, don’t hesitate to reach out for support. Ask your financial institution what resources they can provide when it comes to helping manage your payments. You can also connect with our trusted nonprofit partner [GreenPath Financial Wellness](#). Their certified financial experts can help you stay aligned with your budget and financial goals.

RECOMMENDED FOR YOU

Recorded Webinar: GreenPath's Best Kept Secret

In this free recorded webinar, you will learn:

- What a Debt Management Program (DMP) is
- Why someone might choose a DMP
- How GreenPath supports you throughout a DMP

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