



August 21, 2025

Mr. Frank Cassidy
Principal Deputy Assistant Secretary
Office of Housing
U.S. Department of Housing and Urban Development
451 7th St., SW
Washington, DC 20410

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

Dear Mr. Cassidy,

The National Council of State Housing Agencies (NCSHA)¹ appreciates the opportunity to comment on the June 24, 2025 Federal Register notice regarding the use of Buy Now Pay Later (BNPL) unsecured debt.

NCSHA thanks the U.S. Department of Housing and Urban Development (HUD) for its leadership in seeking industry feedback on this fast-evolving, relatively new financing vehicle and its impact on mortgage lending and mortgage loan borrower performance. Federal Housing Administration (FHA) loan programs are an important part of state housing finance agency (FHFA) program offerings: in 2023, 53 percent of state HFA program mortgage loans were insured by the FHA.

While it appears that BNPL financings are being more frequently used by consumers to manage their cash flow or to make needed purchases if their current financial position does not enable them to do so, we have two primary concerns. First, they operate separately from traditional sources of finance and outside of the mortgage industry's credit reporting norms. Second, because of their low barriers to entry, BNPL financings have the potential for overuse and being a contributor to either mortgage loan denials or mortgage loan borrower delinquency.

BNPL Financings Operate Outside of Traditional Finance

The most significant challenge posed by BNPL financings is that most are not reported to a credit bureau and are, in effect, a type of "shadow" personal loan. As a result, a mortgage loan underwriter can only get visibility into the use of such financings by reviewing a borrower's submitted bank statements or if

¹NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

a borrower provides a full disclosure of their BNPL obligations. It is not even clear how BNPL lenders themselves know how many existing BNPL financings an applicant already has. This creates a potentially high-risk environment where consumers can stack multiple BNPL loans and become over indebted.

BNPL Stacking

BNPL loans also can be disastrous for homeowners if over-used. State HFAs are increasingly becoming aware of greater usage of BNPL financing among lower income households in their states. State HFAs that service their own mortgage loan program loans are starting to see homeowners get into financial trouble because of borrowers stacking BNPL unsecured loans, with several state HFAs reporting to us that they have seen homeowners with as many as eight “stacked” accounts open, resulting in \$300 - \$500 in additional obligations per month. This level of additional monthly payment obligation is impactful enough on some households’ available cash to cause them to become delinquent on their mortgage loans.

Recommendations

Because of the serious consequences that overuse of BNPL financing can have on the performance of mortgage loans that FHA has insured, and potentially on the overall financial viability of the Mutual Mortgage Insurance Fund, we applaud HUD for seeking industry input through the RFI. We urge HUD to continue to monitor the BNPL industry, and in doing so, utilize an expansive definition of BNPL terms to capture how the industry is expanding and evolving. For example, our members tell us the terms of BNPL financings are getting longer and the amounts a consumer can finance are growing, which would put many BNPL financings outside the more strict definition used in the RFI, even though the financings for all practical purposes function the same and have the same deleterious effects on consumer financial health as those defined in the RFI.

Additionally, we offer the following for HUD’s consideration:

- 1) Work collaboratively across the other Federally-backed mortgage providers to develop a common approach to underwriting a home buyer’s usage of BNPL loans. Standardization of approach not only will help in future data collection efforts but also enable mortgage providers to be consistent across the industry in how BNPL credit is treated in mortgage loan underwriting and to better monitor how BNPL unsecured loans are changing the creditworthiness of mortgage loan applicants.
- 2) Task HUD’s Office of Housing Counseling with creating materials that housing counselors can provide to their clients regarding how to use BNPL financing responsibly.
- 3) Consider adding a delinquency code to enable servicers who identify that a homeowner has gone delinquent because of overuse of BNPL financings to report that finding to assist FHA

with understanding the impact of BNPL financings on the performance of its insured mortgage loans.

The Mission of State Housing HFAs

State housing finance agencies (HFAs) are in a unique position to weigh in on the deleterious effects of BNPL financings on lower income homeowners. As state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands, they are primary providers of affordable home mortgage loans and down payment assistance, financing for affordable rental apartment development, and direct rental assistance, and many other affordable housing and community development programs.

State HFAs are passionate about lending to lower income home buyers and have a particular interest in ensuring that BNPL financings and their over-use do not contribute to higher mortgage loan application denial rates or to more mortgage loan defaults. HFAs play a unique role through their programs to provide affordable mortgage finance to lower income residents in their states. In 2023, state HFAs collectively financed 135,111 first lien single-family mortgage loans across the country; 63 percent of these went to borrowers earning at or below area median income. Additionally, the median borrower income for all state HFA program loans was \$72,872 and the national average purchase price of a home purchased using state HFA financing was \$234,549, well below FHA's loan limit that year for most single-family mortgages of \$472,030. That eighty-three percent of state HFA borrowers in 2023 received downpayment assistance further underscores the value of HFAs and the difficulties lower income households face in trying to save for a downpayment in light of their incomes and expenses.

Thank you for your consideration. We would be happy to discuss these issues with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives