

What You Need to Know about Buy Now, Pay Later Loans

You've probably seen "Buy Now, Pay Later" or "Pay in 4" payment options in stores or online, but do you know what they mean? They are short-term loans that let you pay for something in small installments and avoid fees or interest **if you pay in full and on time.** Unfortunately, it can be easy to spend more than you intend. The Department of Consumer and Worker Protection (DCWP) created these tips to help you protect your money.

Think before you sign.

Buy Now, Pay Later may tempt you to make a quick decision. However, take some time before you sign. Consider the item. Also consider if a loan is the best way to purchase it. It may be best to delay buying the item until you can save enough to purchase it at full price.

Read the fine print.

Buy Now, Pay Later loans have a wide range of payment periods, fees, and interest rates. Some loans claim to be fee- and interest-free but charge more for late or missed payments. Loans from different companies usually have different payment schedules.

Check the return policy.

Make sure you understand how refunds, returns, and exchanges work for the specific loan you use. Consumers have reported difficulty trying to return items they bought using a Buy Now, Pay Later loan.

Budget before you buy.

Make sure you will be able to pay off your loan on time. Your income over the loan period should be able to cover the loan payment plus essentials like housing, food, and transit. If your income varies week to week, it may be better to save the amount you'll need to buy the item at full price. NYC Financial Empowerment Centers can help you make a budget.

Understand how Buy Now, Pay Later loans may impact your credit score.

Buy Now, Pay Later companies do not report payments to the major credit bureaus consistently. Late payments often reduce a credit score, and on-time payments may not improve a credit score. If you want to improve your credit score, you may want to consider another loan or credit product.

Limit the number of Buy Now, Pay Later loans you owe.

It can be difficult to manage several loans at the same time because they can have very different payment schedules and loan terms. Avoid having many different Buy Now, Pay Later loans in repayment at the same time. If you need to have multiple loans, use the same company to align payment dates and terms. Make sure you get text and email reminders to help you keep on top of payments.

Turn off autopay if you don't want to be charged automatically.

Many Buy Now, Pay Later companies default to automatic payments. If your bank account allows overdrafts, or if you plan to make early payments, automatic payments may not be right for you. You have the legal right to stop automatic payments. If you can't stop automatic payments, you can send the company and your bank a "revoke authorization" letter. Visit [consumerfinance.gov](https://www.consumerfinance.gov) for more information.

Get free financial counseling if you need help.

NYC Financial Empowerment Centers offer free one-on-one professional financial counseling in person or by phone. Visit nyc.gov/TalkMoney or call 311 to schedule an appointment.

Complaints

Contact DCWP at nyc.gov/dcwp or call 311 and say "Store Complaint."