Buy Now, Pay Later Product FAQs

The questions and answers below pertain to compliance with Regulation Z, which implements TILA, as related to Buy Now, Pay Later products.

General

QUESTION 1:
What are Buy Now, Pay Later products?

ANSWER (UPDATED 9/18/2024)**:**
Buy Now, Pay Later (BNPL) products are typically loans to consumers that are 1) structured as installment loans, in which the consumer incurs debt and has the right to defer payment, and 2) made to consumers for the purchase of personal, family, or household goods and services. Often BNPL products are advertised as a payment method for retail purchases, particularly on merchant websites.

BNPL products have several common features, but those features may vary in how they are applied to the product. Some features and their variations include:

- *Interest or other finance charges*. Some BNPL products may include interest or finance charges (however characterized or labeled), such as origination fees, while most others do not.

This is a Compliance Aid issued by the Consumer Financial Protection Bureau. The Bureau published a Policy Statement on Compliance Aids, available at https://www.consumerfinance.gov/policycompliance/rulemaking/final-rules/policy-statement-compliance-aids/, that explains the Bureau's approach to Compliance Aids.

- *Other fees*. Often BNPL products charge late fees for missed payments. Other fees may include returned payment fees or fees for using BNPL products with merchants outside the BNPL loan provider's network.

- *Number of installments*. Typically, BNPL products offer four installments (one down payment and three additional payments thereafter), due every two weeks starting with origination of the BNPL loan. However, some may provide more or fewer installments and others may require different periods for repayment.

Consumers generally access BNPL products online, and often through the mobile applications of BNPL loan providers. They may also be accessible directly through merchant websites.

Additionally, BNPL loan providers typically issue digital user accounts which may be used to access credit, as discussed in the 2024 BNPL Interpretive Rule.

QUESTION 2:

What are Pay-in-Four BNPL loans?

ANSWER (UPDATED 9/18/2024)**:**

For purposes of these frequently asked questions, the CFPB defines Pay-in-Four BNPL loans as loans to consumers made by the BNPL loan provider that 1) are structured as closed-end installment loans, in which the consumer incurs debt and has the right to defer payment, 2) are made for the purchase of goods and services for the consumer's personal, family, or household use, 3) are payable in four installments, and 4) do not incur interest or other finance charges.

Additionally, when referenced in the frequently asked questions, the CFPB is only referring to the typical Pay-in-Four BNPL loans accessed through digital user accounts issued by the BNPL loan provider or their agent, as discussed in the 2024 BNPL Interpretive Rule.

Other BNPL loans and providers, such as those that apply finance charges to their BNPL loans, may also be covered by Regulation Z. While still required to comply with Regulation Z (including some of the provisions discussed in these frequently asked questions), they are not the subject of the frequently asked questions below.

QUESTION 3:
What are digital user accounts for Pay-in-Four BNPL loans?

ANSWER (UPDATED 9/18/2024)**:**
As discussed in General Question 2, Pay-in-Four BNPL loans discussed in these frequently asked questions are accessed using a consumer's digital user account issued by the Pay-in-Four BNPL loan provider or their agent. A digital user account is a secure, personal profile that the BNPL loan provider activates for a consumer, enabling the consumer to access and use BNPL credit. Digital user accounts permit a consumer to access Pay-in-Four BNPL loans as a form of payment for purchasing goods or services (resulting in BNPL loans from the BNPL loan provider that offers the digital user account). Some BNPL loan providers may allow consumers to use their digital user account anywhere the account is accepted as a method of payment, including merchant websites or mobile shopping applications. Other BNPL loan providers restrict digital user account transactions to those made available on the BNPL loan provider's website or mobile application.

As discussed in the 2024 BNPL Interpretive Rule, a digital user account that accesses Pay-in-Four BNPL loans from time to time in the course of completing transactions to purchase goods or services (i.e., a digital user account that is used as a payment method itself) is a form of credit card under Regulation Z. For purposes of these frequently asked questions, such digital user accounts are "covered digital user accounts" and generally are assumed when the frequently asked questions reference Pay-in-Four BNPL loans or discuss digital user accounts.

Pay-in-Four BNPL Loans: Coverage

QUESTION 1:
Are Pay-in-Four BNPL loans subject to Regulation Z?

ANSWER (UPDATED 9/18/2024)**:**
Yes, because the covered digital user accounts for the Pay-in-Four BNPL loans are covered by Regulation Z because they are credit cards and charge cards under Regulation Z. 12 CFR § 1026.2(a)(15)(i); 2(a)(15)(iii).

A credit card is defined under Regulation Z as any card, plate, or other single credit device that may be used from time to time to obtain credit. 12 CFR § 1026.2(a)(15)(i). As discussed in the 2024 BNPL Interpretive Rule, the CFPB interprets "other single credit device" to include a BNPL digital user account that is used to draw, transfer, or authorize the draw or transfer of credit in the course of authorizing, settling, or otherwise completing transactions to obtain goods or services.

Thus, a digital user account is a credit card if:

- A consumer can use the digital user account from time to time; and
- The digital user account is used to obtain credit in the course of completing transactions to purchase goods or services, such as when it is used as a payment method for websites, mobile applications, browser extensions, or integrations (e.g., code or embedded process flows) offered by the merchant or BNPL loan provider.

For example, a consumer's digital user account from a BNPL loan provider that is repeatedly used (or designed for repeated use) through websites or mobile applications to make several purchases with a merchant(s), is an account they could use from time to time, and thus (assuming the other criteria are met) would meet the definition of a credit card under Regulation Z.

If, however, a digital user account *only* accesses another credit card, the account is not a digital user account that is a credit card under Regulation Z because the account itself is not used to draw, transfer, or authorize the draw or transfer of credit. For example, if a consumer's digital user account with BNPL Loan Provider A is only used to access a stored credit card from Credit Card Company B, then the digital user account with BNPL Loan Provider A would not constitute a credit card under Regulation Z.

Regardless of whether the digital user account includes other features or permits consumers to access other payment methods, so long as the digital user account can be used to access the Pay-in-Four BNPL loans as the method of payment to complete transactions, then the digital user account is a credit card under Regulation Z. For example, if the digital user account can both access stored outside credit card information as the form of payment (e.g., a credit card from Company B) and be used to access BNPL loans as the form of payment (e.g., to access BNPL Loan Provider A's Pay-in-Four BNPL loans from time to time in the course of completing transactions to purchase goods or services) for websites or mobile applications, the digital user account is still a credit card under Regulation Z for the BNPL loans.

In addition, because the Pay-in-Four BNPL loans with covered digital user accounts do not include finance charges calculated using a periodic rate (e.g. interest) they are charge cards, which is a type of credit card under Regulation Z. 12 CFR § 1026.2(a)(15)(iii); Comment

2(a)(15)-3.i. References to credit card in the regulation include charge cards, although there are additional references specific to charge cards. Comment 2(a)(15)-3.i.

For more information about Pay-in-Four BNPL loan provider coverage under Regulation Z, see Pay-in-Four BNPL Loans: Coverage Question 2, below.

QUESTION 2:

Are BNPL loan providers of Pay-in-Four BNPL loans with covered digital user accounts covered by Regulation Z?

ANSWER (UPDATED 9/18/2024)**:**
Yes, as discussed in the 2024 BNPL Interpretive Rule, providers of Pay-in-Four BNPL loans with covered digital user accounts issued by those providers or their agents are covered by Regulation Z because they are both 1) card issuers (including charge card issuers) and 2) creditors (for Subparts A, B and D). 12 CFR § 1026.2(a)(7); .2(a)(17)(iii); Comment 2(a)(17)(iii)-1. See General Question 2, above, for a definition of Pay-in-Four BNPL loans and General Question 3 for a discussion of covered digital user accounts.

First, Regulation Z defines card issuer as a person that issues a credit card or that person's agent with respect to the card. 12 CFR § 1026.2(a)(7). As discussed in Pay-in-Four BNPL Loans: Coverage Question 1, above, digital user accounts that access Pay-in-Four BNPL loans from time to time in the course of completing transactions to purchase goods or services are credit cards under Regulation Z. Issuers of those digital user accounts, i.e., the BNPL loan providers and their agents, are therefore card issuers under Regulation Z and subject to card issuer provisions through the regulation. However, because the product is a closed-end loan, they are only subject to the card issuer provisions (including charge card issuer provisions) that are not specific to open-end products.

Second, the definition of creditor in Regulation Z includes four independent tests for whether a person is a creditor. One test provides that any card issuer that extends either open-end credit or credit that is not subject to a finance charge and is payable in four or fewer installments under the terms of the written agreement is a creditor under the regulation. Creditors under this test are subject to Subpart B of Regulation Z (and are also subject to the requirements in Subparts A and D). 12 CFR § 1026.2(a)(17)(iii); Comment 2(a)(17)(iii)-1. Pay-in-Four BNPL loan providers are card issuers (as discussed above), and the loans are payable in four installments, per the written terms of the BNPL product, and are not subject to a finance charge. As such, providers of Pay-in-Four BNPL loans with covered digital user accounts are subject to creditor provisions in Subparts A, B, and D of Regulation Z. Additionally, and unlike the definition of card issuer, this creditor test in Regulation Z provides that they are creditors for purposes of the open-end provisions even though these Pay-in-Four BNPL loans are closed-end credit. Comment 2(a)(17)(iii)-1. Thus, although Subpart B is labeled "Open-End Credit," this creditor test states Subpart B applies to creditors that meet this definition (e.g., providers of closed-end Pay-in-Four BNPL loans).

For more information on when a Pay-in-Four BNPL loan product offered by the provider is a credit card under Regulation Z, see Pay-in-Four BNPL Loans: Coverage Question 1 above. For more information on applicable card issuer and creditor provisions under Regulation Z, see Pay-in-Four BNPL Loans: Coverage Questions 3 and 4, below.

QUESTION 3:

Which categories of Regulation Z provisions apply to covered Pay-in-Four BNPL loan providers?

ANSWER (UPDATED 9/18/2024)**:**

In general, covered Pay-in-Four BNPL loan providers must comply with Regulation Z provisions that apply to card issuers throughout the regulation (so long as those provisions do not exclude closed-end products, for example, by applying exclusively to open-end credit products) and to creditors when that term is used in Subparts A, B, and D (regardless of whether it states a provision applies to only open-end or closed-end products). 12 CFR § 1026.2(a)(7); .2(a)(17)(iii); Comment 2(a)(17)(iii)-1. This means the following apply:

- *Card issuer provisions (including charge card issuer provisions):* Card issuer provisions (i.e., provisions that say, for example, "Card issuers must…") throughout Regulation Z apply if they are generic or if they are specific to closed-end credit. Provisions that only apply to card issuers of open-end credit cards do not apply (e.g., "credit card accounts under an open end (not home-secured) consumer credit plan," "open-end (not home-secured) credit," "open-end consumer credit plans" or "open-end credit card account"). Additionally, certain provisions specific to charge cards (i.e. provisions that say, for example "Charge card issuers must…") also apply if they are generic or specific to closed-end credit. Comment 2(a)(15)-3.i.

- *Creditor provisions:* All creditor provisions in Subparts A, B, and D apply (i.e., provisions that say, for example, "Creditors must…"), including provisions specific to creditors of both closed-end and open-end credit. Provisions applicable to creditors in the other Subparts do not apply.

For a list of applicable Regulation Z provisions, see Pay-in-Four BNPL Loans: Coverage Question 4.

QUESTION 4:

What specific Regulation Z sections are considered card issuer and creditor provisions applicable to covered Pay-in-Four BNPL loan providers?

ANSWER (UPDATED 9/18/2024)**:**

The following Regulation Z provisions are required for Pay-in-Four BNPL loans with covered digital user accounts and the BNPL loan providers:

Subpart A

- § 1026.1, the authority, purpose, coverage, organization, enforcement, and liability under Regulation Z
- § 1026.2, the definitions
- § 1026.3, exemptions
- § 1026.4, for determining whether or not there is a finance charge associated with the BNPL loan

Subpart B

- § 1026.5 (except for § 1026.5(b)(2)(ii)(A) because it is a card issuer provision that states it applies only to credit card accounts that are open-end credit)
- § 1026.6(b) (except for § 1026.6(b)(2)(i)(F) because it is a card issuer provision for open-end credit)
- § 1026.7(b) (except for § 1026.7(b)(11) and (12) because they are card issuer provisions for open-end credit)
- § 1026.8
- § 1026.9 (except for § 1026.9(c)(2)(iv)(B) and (9)(f) because they are card issuer provisions for open-end credit)

- § 1026.10 (except for § 1026.10(b)(3) because it is a card issuer provision for open-end credit)
- § 1026.11 (except § 1026.11(c) because it is a card issuer provision for open-end credit)
- § 1026.12
- § 1026.13
- § 1026.16

Subpart D

- § 1026.25 (except § 1026.25(c) because it is a creditor provision that only applies to closed-end credit secured by a dwelling)
- § 1026.27
- § 1026.28 and 29, which discuss the interaction of Regulation Z with state laws

Subpart G

- § 1026.60

Within these relevant provisions, particular facts and circumstances for the Pay-in-Four BNPL loan can impact how a BNPL loan provider complies or whether components of the provision are applicable to the loan. Additionally, the provisions may also identify certain exceptions or provide instructions for applying the requirements that are triggered by Pay-in-Four BNPL loans. Consider the following examples:

- Although the account opening disclosures in § 1026.6(b) generally apply to creditors, a Pay-in-Four BNPL loan provider would not provide disclosures related to annual percentage rates (APRs) under § 1026.6(b)(2)(i) because Pay-in-Four BNPL loans are not subject to finance charges and as a result do not have an APR.
- Although the application and solicitation requirements in § 1026.60 generally apply to card issuers (including those of closed-end products), a BNPL lender would need to consider whether it meets an exception in § 1026.60(a)(5), such as the consumer-initiated requests for applications exception.
- Because a BNPL loan provider is a charge card issuer (given the digital user account accesses Pay-in-Four BNPL loans where no periodic rate is used to compute the finance

charge), the application and solicitation disclosures required in § 1026.60(b) would apply. 12 CFR § 1026.2(a)(15)(iii); 60(b). However, the regulation provides that only certain application and solicitation disclosures are applicable for charge card issuers and therefore, a Pay-in-Four BNPL loan provider would only be required to provide some of the application and solicitation disclosures. 12 CFR § 1026.60(b).

Required disclosures must be clear and conspicuous. 12 CFR § 1026.5(a)(1). BNPL loan providers can include non-required information in the disclosure and still provide clear and conspicuous disclosures, but only where the regulation does not require segregation of the disclosure. Comment 5(a)(1)-2. For example, for the required account opening disclosures, a provider may include in that disclosure unrequired information, such as the installment amounts and due dates. However, the installment amounts and due dates must not be included in the required account opening table provided in the account opening disclosure, which has segregation and format requirements. 12 CFR § 1026.6(b)(1); 6(b)(2).

Pay-in-Four BNPL loan providers that provide covered digital user accounts are not required to comply with Regulation Z, Subpart C (because the provisions only apply to creditors, not card issuers, and it is not listed in the specific definition of creditor applicable to Pay-in-Four BNPL loan providers) or the rest of Subpart G (because the provisions apply to card issuers of open-end credit or hybrid prepaid cards). They also are not covered by Subpart E (which generally applies to closed-end credit secured by a dwelling) or Subpart F (which generally applies to closed-end credit that is a private education loan) as those Subparts are not identified in the specific definition of creditor applicable to Pay-in-Four BNPL loan providers.

See General Question 2, above, for a definition of Pay-in-Four BNPL loans; Pay-in-Four BNPL Loans: Coverage Questions 1 and 2 for an explanation of Pay-in-Four BNPL loan and provider coverage under Regulation Z.

Pay-in-Four BNPL Loans: Periodic Statements

QUESTION 1:

Is a Pay-in-Four BNPL loan provider required to provide periodic statements?

ANSWER (UPDATED 9/18/2024)**:**

Yes, unless an exception applies. For each billing cycle that the consumer has a debt or credit balance of more than $1 for an account, a covered Pay-in-Four BNPL loan provider is required to mail or deliver a periodic statement for that billing cycle to the consumer. 12 CFR § 1026.5(b)(2)(i). There are some exceptions discussed in the regulation, such as certain circumstances where a statement was returned as undeliverable. Comment 5(b)(2)(i)-1. The BNPL loan provider may treat each BNPL loan as a separate credit account, and they may provide separate periodic statements for each covered BNPL loan (wherein each loan would have its own billing cycle). Alternatively, a BNPL loan provider may create a single, multifeatured credit account where each BNPL loan accessed through the digital user account is a feature of the account, in which case the provider may issue a single statement that covers all BNPL loans accessed through the digital user account.

The billing cycle is the regular period between periodic statements. The periods for billing cycles must be equal in length and may be no longer than a quarter of a year (i.e., three months). 12 CFR § 1026.2(a)(4); Comment 2(a)(4)-1. A billing cycle is considered equal if the number of days in the cycle do not vary more than four days from the usual date of the periodic statement, although there are some exceptions. 12 CFR § 1026.2(a)(4); Comments 2(a)(4)-1; -3. For example, a BNPL loan provider could utilize a billing cycle that is monthly, or it may use a two-week billing cycle, so long as the periods are equal. The billing cycle chosen will impact certain consumer protections, such as when a BNPL loan provider may treat a payment as late, as discussed in Pay-in-Four BNPL Loans: Periodic Statements Question 5.

The periodic statement disclosures must be clear and conspicuous, and the statement must be in a form that the consumer may keep. 12 CFR § 1026.5(a)(1)(i) and (ii). Sample periodic statements are provided in Appendix G-18 of Regulation Z. Periodic statements may be provided electronically, subject to compliance with certain electronic provision requirements, such as the E-Sign Act. 12 CFR § 1026.5(a)(1)(iii).

More details about providing periodic statements for Pay-in-Four BNPL loans are provided below.

QUESTION 2:

When must a provider send a periodic statement for a covered Pay-in-Four BNPL loan?

ANSWER (UPDATED 9/18/2024)**:**

A covered Pay-in-Four BNPL loan provider must provide one periodic statement for each billing cycle where the conditions are met (i.e., the consumer has a debt or credit balance of more than $1), unless an exception applies. 12 CFR § 1026.5(b)(2)(i). The provider must mail or deliver the periodic statement after the completion of the chosen billing cycle in order to determine whether the consumer meets the required conditions for periodic statements (i.e., has a debt or credit balance of more than $1 for the account at the end of the cycle).

Additionally, if the Pay-in-Four BNPL loan terms permit the BNPL loan provider to charge late fees or otherwise treat a payment as late, a covered BNPL loan provider must adopt reasonable procedures designed to ensure that the periodic statement is mailed or delivered at least 14 calendar days prior to the end date on which the required minimum periodic payment must be received by the BNPL loan provider in order to avoid being treated as late for any purpose. 12 CFR § 1026.5(b)(2)(ii)(B)(2)(i). Treating a payment as late includes not only assessing late fees, but also other actions, such as delinquent credit reporting, initiating collection activities, or terminating benefits. Comment 5(b)(2)(ii)-2. For more information about treating a payment as late for purposes of a covered Pay-in-Four BNPL loan, see Pay-in-Four BNPL Loans: Periodic Statement Question 5.

QUESTION 3:

What must be disclosed on the periodic statement for covered Pay-in-Four BNPL loans?

ANSWER (UPDATED 9/18/2024)**:**

The periodic statement must provide the required information for the applicable billing cycle. 12 CFR § 1026.7(b). Thus, a covered Pay-in-Four BNPL loan provider is required to provide:

- the previous balance outstanding at the beginning of the billing cycle (12 CFR § 1026.7(b)(1))
- the identification of transactions, e.g., the covered Pay-in-Four BNPL loans that were originated to the consumer through the covered digital user account during the billing cycle (12 CFR § 1026.7(b)(2))

- the credits applied to the account during the billing cycle (e.g., payments made by the consumer) (12 CFR § 1026.7(b)(3))
- any charges imposed (e.g., late fees) (12 CFR § 1026.7(b)(6))
- any required change in terms disclosures (12 CFR § 1026.7(b)(7))
- the address a consumer may send any notice of billing errors (12 CFR § 1026.7(b)(9))
- the closing date of the billing cycle and the account balance on that date, using the format required (12 CFR § 1026.7(b)(10) and § 1026.7(b)(13) (as applicable))

Sample periodic statements are provided in Appendix G-18 of Regulation Z. The Pay-in-Four BNPL loan provider is permitted, but not required, to include additional information on the periodic statement such as the minimum payment and due dates for each payment for each Pay-in-Four BNPL loan. Comment 5(a)(1)-2.

The requirements related to APR or that disclose finance charges are not required for Pay-in-Four BNPL loans because Pay-in-Four BNPL loans do not have an APR or finance charges. 12 CFR § 1026.7(b)(4); 7(b)(5); 7(b)(8). The requirements applicable to card issuers of open-end accounts that are not home-secured are not required because they are card issuer provisions specific to open-end credit that are excluded from coverage for Pay-in-Four BNPL loan providers, as discussed in Pay-in-Four BNPL Loans: Coverage Questions 2 and 3. 12 CFR § 1026.7(b)(11), 7(b)(12).

QUESTION 4:

Can a Pay-in-Four BNPL loan provider include multiple covered Pay-in-Four BNPL loans on a single periodic statement?

ANSWER (UPDATED 9/18/2024)**:**

Yes, multiple covered Pay-in-Four BNPL loans made to the consumer using the digital user account may be disclosed on the same periodic statement for the consumer.

A covered Pay-in-Four BNPL loan provider must provide a periodic statement for each billing cycle where the conditions are met (i.e., the consumer has a debt or credit balance of more than $1 for the account). 12 CFR § 1026.5(b)(2)(i). Whether the Pay-in-Four BNPL loan provider creates a single, multifeatured credit account where each BNPL loan is a feature of the account or treats each BNPL loan as the “account” for purposes of the periodic statement requirements will determine whether the BNPL loan provider may send a single periodic statement disclosing multiple BNPL loans. For example, assume a consumer takes out two covered Pay-in-Four BNPL loans using their digital user account:

- **BNPL Loan #1:** $100 is taken out on January 2, 2025 (with payments due on January 2nd, 16th, and 30th and on February 13th).
- **BNPL Loan #2:** $80 is taken out on January 10, 2025 (with payments due on January 10th and 24th and on February 7th and 21st).

If the Pay-in-Four BNPL loan provider treats each BNPL loan as an account, it would send separate periodic statements for each Pay-in-Four BNPL loan. However, if the Pay-in-Four BNPL loan provider creates a single, multifeatured credit account where each Pay-in-Four BNPL loan is a feature of the account (i.e., one account) for purposes of the periodic statement requirement, it would send one statement that includes disclosures for both Pay-in-Four BNPL loans.

If the Pay-in-Four BNPL loan provider provides a periodic statement that includes multiple Pay-in-Four BNPL loans on the same periodic statement, in addition to the other information required under Regulation Z, 12 CFR § 1026.7(b), the statement must show the balance outstanding at the beginning of the billing cycle (either as a total or itemized by BNPL loan), identify any new BNPL loans taken out during the applicable billing cycle (i.e., identification of transactions), disclose any payments made within that billing cycle, and provide the balance due at the end of the billing cycle (either as a total or itemized by BNPL loan). 12 CFR §§ 1026.7(b); 8. Thus, assuming a billing cycle between January 1, 2025, and January 14, 2025, the periodic statement for that billing cycle identifies both covered BNPL loans, as both loans were originated during that billing cycle period. 12 CFR § 1026.7(b)(2). The single statement must identify the payments received for each loan within the billing cycle (January 2nd and January 10th, assuming the consumer made those required payments) and any other credit applied to the account during that billing cycle. 12 CFR § 1026.7(b)(3). It must also include the previous balance outstanding at the beginning of the billing cycle, any applicable charges imposed, any change in terms notices, the notice of billing error receipt address, and the closing date for the billing cycle (i.e., January 14, 2025) and the account balance outstanding on that date. 12 CFR § 1026.7(b)(1); 7(b)(6); 7(b)(7); 7(b)(9); 7(b)(10)).

Unless an exception applies, the covered BNPL loan provider must continue to send periodic statements to the consumer until the consumer doesn't have a debt or credit balance of more than $1 for the account. 12 CFR § 1026.5(b)(2)(i); Comment 5(b)(2)(i)-1.

Additionally, see Pay-in-Four BNPL Loans: Periodic Statements Question 5, for information about how the timing of a periodic statement impacts a covered BNPL loan provider's ability to treat a payment as late.

QUESTION 5:

Is a covered Pay-in-Four BNPL loan provider prohibited from treating a payment as late for certain periods?

ANSWER (UPDATED 9/18/2024)**:**
Yes. If the terms of the covered Pay-in-Four BNPL loan permit a covered BNPL loan provider to treat a payment as late, the BNPL loan provider must also comply with timing requirements in Regulation Z before doing so. 12 CFR § 1026.5(b)(2)(ii)(*2*). Treating a payment late includes not only assessing late fees, but also other actions, such as delinquent credit reporting, initiating collection activities, or terminating benefits. Comment 5(b)(2)(ii)-2.

The Pay-in-Four BNPL loan provider may not treat any required minimum periodic payments received within 14 calendar days after mailing or delivery (e.g., electronic delivery) of the periodic statement as late. 12 CFR § 1026.5(b)(2)(ii)(B)(*2*)(ii). Additionally, the covered BNPL loan provider must adopt reasonable procedures designed to ensure that periodic statements are mailed or delivered at least 14 calendar days prior to the date on which the creditor may treat the required minimum periodic payment as late. 12 CFR § 1026.5(b)(2)(ii)(B)(*2*)(i). A covered BNPL loan provider is not required to determine the specific date on which a periodic statement is mailed or delivered to an individual consumer, but instead may adopt reasonable procedures designed to ensure that periodic statements are mailed or delivered to consumers no later than a certain number of days after the closing date of the billing cycle, and assume that date for purposes of determining when the covered BNPL loan provider may treat a payment as late. Comment 5(b)(2)(ii)-1. Once the covered BNPL loan provider adopts reasonable procedures for mailing or delivering periodic statements, the BNPL loan provider can calculate when it may treat a payment as late under the regulation by adding the number of days identified in its reasonable procedures for ensuring mailing or delivery to the 14-calendar day prohibition period required under the regulation. Within that identified period, if a payment is received after the contractual due date, the BNPL loan provider may not treat it as late. However, if the payment is received after that identified period, it may be treated as late by the BNPL loan provider.

For example, assume the same two BNPL loans discussed in Pay-in-Four BNPL Loans: Periodic Statements Question 4. Also assume that the BNPL loan provider's two-week billing cycle is from January 1, 2025, through January 14, 2025, and the BNPL loan provider's reasonable procedures are designed to ensure mailing or delivery of the periodic statement no later than 3 calendar days after the closing date of the billing cycle. The BNPL loan provider may assume the consumer's periodic statement is mailed or provided on January 17th (3 calendar days from the close of the billing cycle on January 14th). If the account disclosed on the periodic statement is the multifeatured credit account accessed through the digital user account, then the statement must disclose the two covered Pay-in-Four BNPL loans, and the BNPL loan provider must not treat any periodic payments for the disclosed BNPL loans due between January 1st and January 14th as late if received prior to January 31, 2025.