

BRIEF

Credit Alone? What New Yorkers' Use of Fintech Tools Means for State Consumer Protections

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The Promise and Perils of Fintech

The financial technology (“fintech”) industry has grown significantly since the COVID-19 pandemic accelerated the demand for digital services. Fintech companies largely operate as non-bank financial providers, offering a range of products and services, including digital payments, short-term credit, and investment tools.

Historically, fintech firms offering personal banking services have catered to consumers with credit profiles that limit their access to traditional banks. The industry has long **touted** its potential to reduce racial and ethnic disparities in financial access, promising both lower costs and more fair access to credit through the use of machine learning and alternative consumer data.¹

The digital nature of fintech also raises the possibility of increasing access in “banking deserts,” where brick and mortar branches are scarce.

But like their longer-standing non-bank counterparts (e.g., payday and installment lenders), many fintech companies rely on high interest, fees, and deceptive tactics to remain profitable, posing new risks to the very consumers they aim to serve. And in states like New York where interest rates are **capped** by usury laws that may otherwise undermine this business model, fintech companies have exploited legal loopholes by characterizing their products as fundamentally different from traditional loans.²

Regulating Fintech in New York

This past spring, New York State took steps to close these loopholes and address the deceptive practices of fintech providers offering short-term credit—namely, the buy now, pay later (BNPL) industry and earned wage access (EWA) companies. The state’s actions come at a critical moment,

as many of the enforcement actions taken and rules put in place by the Consumer Financial Protection Bureau (CFPB), the nation’s primary financial regulator, are being rolled back.

BNPL refers to small value loans typically offered at the point of sale at online retailers

and repaid in four installments over several weeks. Although marketed as “interest free,” these loans often come with hidden late fees or monthly subscription fees equivalent to high annual interest rates. Unlike credit cards, which send customers one monthly bill, each purchase made with a BNPL loan is billed separately, making it difficult for those with multiple loans to keep track of repayments and increasing the risk of overdrafts from linked bank accounts. Some BNPL users in New York have also struggled to get their money back after returning purchases. In May 2025, New York enacted a [new law](#) that attempts to address these problems by extending to BNPL some of the same consumer protections that apply to credit cards and capping interest rates on BNPL loans.³ The law is slated to go into effect later this year, and, at the time of publication, the New York State Department of Financial Services is requesting information and implementing regulations, which advocates believe will be essential to ensuring the law’s effectiveness.

While there are differences across EWA providers (e.g., some partner directly with employers while others offer paycheck advances directly to consumers), all effectively make a short-term loan against future wages, which is then repaid by automatically deducting the advanced amount, plus fees, from their next paycheck. In April, New York’s Attorney General [sued](#) two EWA companies—DailyPay and MoneyLion—for alleged illegal, deceptive, and abusive business practices.⁴ The Attorney General filed the lawsuits after finding that many users of these companies’ EWA service were paying effective annual percentage rates as high as 750 percent, with some locked into cycles of borrowing that cost them thousands of dollars in fees over the course of a year just to access their own wages. Counter to the EWA industry’s characterizations, the lawsuits argue that these products do function as loans and should thus be subject to the state’s usury law, in addition to other vital worker and consumer protections.

Who uses BNPL and EWA?

Given the rapid growth of fintech and the evolving regulatory landscape, the Community Service Society of New York set out to better understand who is using these products and how fintech is affecting the economic lives of ordinary New Yorkers. While federal agencies like the CFPB have begun collecting data on fintech use, there is limited state-level insight into how New Yorkers are affected.

To fill this gap, in our 2024 Annual Survey of Housing and Economic Security, we asked 4,789 New Yorkers across the state questions about their use of emergent fintech tools.⁵ Below, we present key findings from the survey and highlight what they suggest for consumer protection policy in New York.

Key Finding #1: BNPL and EWA use is highest among Black, Latino, and younger New Yorkers.

Overall, 41 percent of New Yorkers reported having used BNPL to make everyday purchases, while 33 percent had used EWA to access wages before payday (Figure 1). When excluding adults 65 and over, who are less likely to be in the workforce and thus receive wages that can be advanced, the proportion of EWA users climbs to 41 percent.

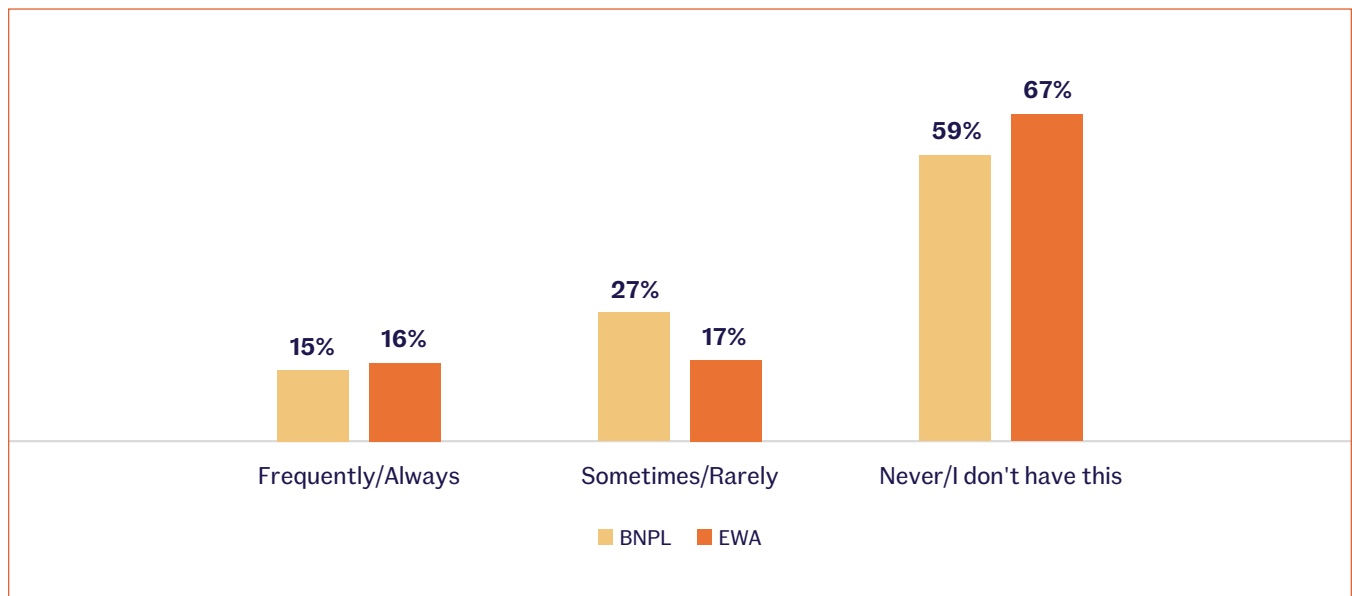
Use of both tools was more common among Black and Latino New Yorkers, and among those under the age of 45 (Table 1). Nearly a third of adults under 30 said they used EWA frequently or all the time.

These findings may reflect the fintech industry’s traditional targeting of historically marginalized consumers, in addition to the ongoing lack of access to conventional credit among Black and Latino New Yorkers.⁶ They are also consistent with national studies showing high utilization of fintech products among young people, and continued low utilization of both fintech apps and more conventional mobile banking services among older adults.⁷

TABLE 1: USE OF BNPL AND EWA FREQUENTLY OR ALL THE TIME BY RACE/ETHNICITY AND AGE

Demographics	Frequently or Always Use	
	Buy Now, Pay Later	Earned Wage Access
Race/Ethnicity		
Latino/a	21%	21%
Black	18%	23%
White	13%	14%
Asian	6%	11%
Age		
18-29	22%	32%
30-44	24%	26%
45-64	11%	10%
65+	3%	1%

FIGURE:1 BUY NOW, PAY LATER AND EARNED WAGE ACCESS USAGE



Key Finding #2: Use of BNPL and EWA spans income levels, but falls heaviest on working- and lower-income households.⁸

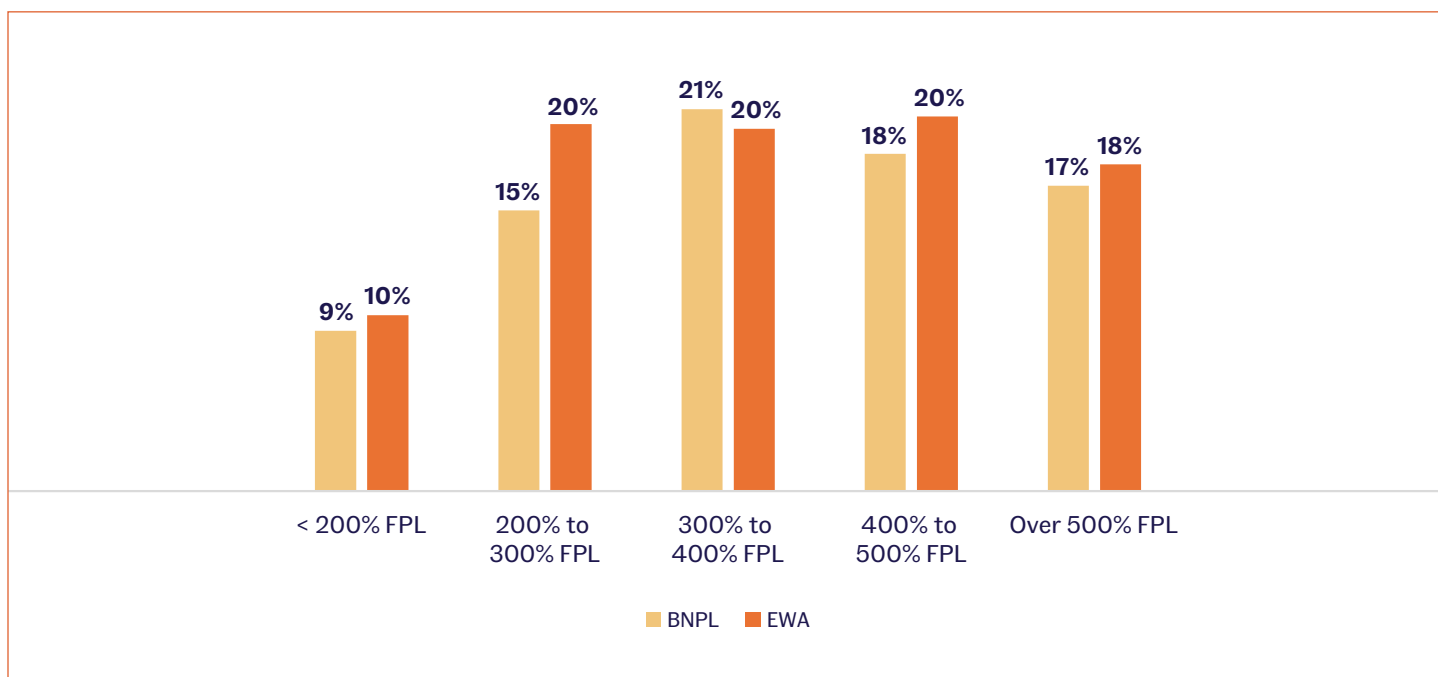
Patterns of frequent BNPL and EWA use appear across a wide range of income levels, showing that these products are not confined to the very poorest. Frequent use is common among some households in the 200% to 500% of the federal poverty level range— working- and lower-income New Yorkers who may be living paycheck to paycheck.⁹

This finding is consistent with existing research that has found that use of these products is heavily concentrated among lower-income households.¹⁰ The products' built-in prerequisites help explain the pattern: BNPL requires a bank account and installment payments at the point of sale, while EWA requires both employment and a bank account. Like traditional payday loans,

they fall heaviest on the working poor—people with just enough income and access to qualify, but not enough cushion to avoid being pulled into cycles of fees and debt.

Moreover, most EWA providers do not require a credit check to enroll, lowering the bar to entry and potentially allowing greater access to those who have few mainstream credit options. BNPL similarly has looser credit requirements than most credit cards and conventional loan products, something young people report as a top reason for using it.¹¹ Our findings may reflect the expanding appeal and adoption of these products by a broader set of consumers, something the fintech industry is increasingly seeking to do in response to stabilizing rates of growth and profitability in recent years.¹²

FIGURE 2: FREQUENT USE OF BUY NOW, PAY LATER AND EARNED WAGE ACCESS BY INCOME LEVEL



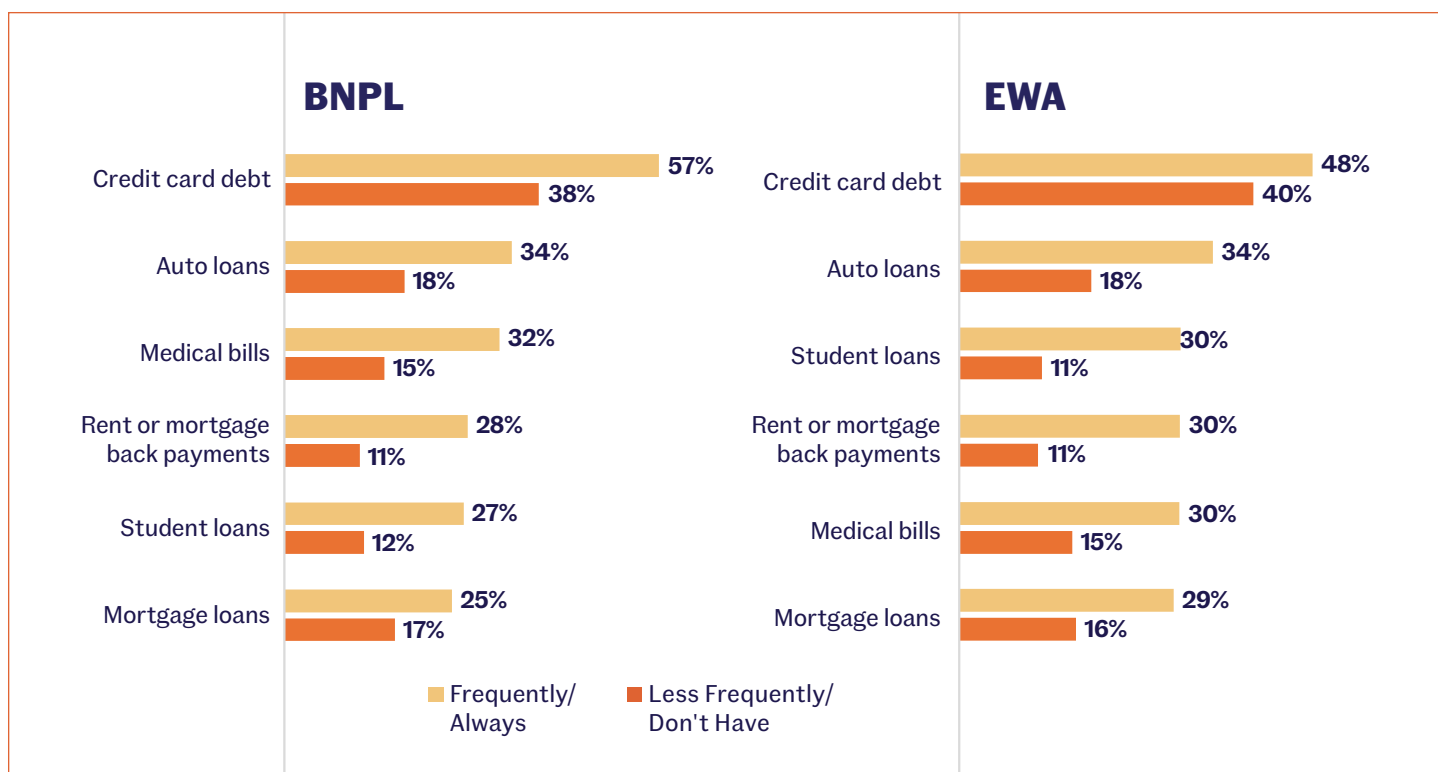
Key Finding #3: BNPL and EWA use is correlated with higher overall debt utilization.

Frequent BNPL and EWA users were more likely than those who sometimes, rarely, or never used these tools to have additional forms of unsecured and secured debt—including credit cards, student loans, mortgages, and auto loans (Figure 3). They were also more likely than less frequent users to turn to personal loans: 24 percent of both frequent BNPL users and frequent EWA users would use a personal loan to cover an unexpected emergency expense, compared to 13 percent of less frequent BNPL users and 15 percent of less frequent EWA users.

These findings echo national research. A 2023 study from the CFPB found that BNPL users were more likely to hold other forms of traditional debt, suggesting that BNPL users

have “substantial access” to credit. However, access to credit alone should not be understood as a sign of financial security. According to the Federal Reserve, millions of Americans are “credit constrained,” meaning they have a credit history but are unable to borrow *at choice* because of factors like low credit scores that raise the cost to borrow or difficulty managing payments due to erratic income flows or unexpected emergency expenses.¹³ Indeed, the CFPB found that BNPL users were also more likely to struggle with their debt—carrying revolving balances on credit cards, facing higher rates of delinquency, and having lower non-retirement savings.¹⁴ Further research will be needed to understand whether these tools are helping New Yorkers manage their overall debt burdens, or contributing unsustainably to already strained budgets.

FIGURE 3: TYPES OF DEBT HELD BY BUY NOW, PAY LATER AND EARNED WAGE ACCESS USERS





Implications for New Yorkers

Our survey shows that most BNPL and EWA users have moderate incomes and access to conventional credit. They are not, on the whole, on the brink of poverty, nor are they the “credit invisible” who lack access to mainstream credit options. Yet, as the Urban Institute’s recent True Cost of Economic Security study shows, 52 percent of all people in the United States live in families below the threshold for economic security – a number that moves beyond just getting by.¹⁵ In places like New York where there’s a high cost of living, that number is even higher.

The extensive reliance on debt among BNPL and EWA users may reflect an inability to meet their expenses using just their income and savings. On the one hand, these products may provide a convenient short-term cash flow solution, allowing households to cover expenses before the next paycheck or spread payments over time. However, BNPL and EWA often come with steep fees, and, in some cases, effective annual interest rates well above New York’s legal cap—making them an expensive, and by some measures, illegal form of credit.

The indebtedness of BNPL and EWA users is also concerning given national economic trends showing a steady increase in delinquency across several debt types and income groups.¹⁶ Compounding the concern, federal oversight of fintech products is weakening. The rollback of enforcement and rules by the CFPB means products like BNPL and EWA—already operating in regulatory gray areas—face even less scrutiny at the national level.¹⁷ This makes state leadership all the more urgent. The challenge is to preserve the benefits these fintech tools have to offer—such as convenience and short-term liquidity—while closing the loopholes that allow them to potentially erode New Yorkers’ financial security.

Our survey also shows that BNPL and EWA are widely used by New Yorkers who already carry other forms of debt and reveals the disproportionate exposure of younger adults and Black and Latino New Yorkers, groups already navigating disproportionate economic insecurity, to underregulated credit. To prevent these tools from deepening financial insecurity, state lawmakers must act now to strengthen oversight and close regulatory gaps.

Next Steps for New York Policymakers

The two in five New Yorkers who use BNPL for everyday purchases will soon benefit from new state-level protections, but the Department of Financial Services is still drafting the final details of its regulations, leaving the door open for concessions to the BNPL industry. EWA users remain far more vulnerable. These products are currently in legal limbo, effectively exempt from New York's usury law while the Attorney General's lawsuits against two major providers move through the courts. Policymakers can take the following steps to ensure the costs and terms of these fintech credit products are transparent and fair for New York consumers.



1. **Ensure strong implementation of the Buy Now, Pay Later law.**

- a. BNPL companies should be required to meaningfully disclose the true costs and terms of BNPL loans, including any fees and interest charges, in line with the federal Truth in Lending Act (TILA) regulations for credit cards.
- b. Interest rates, including fees disguised as non-interest charges, should be capped to align with the New York's usury law, which limits interest rates on loans to 16 percent annual percentage rate.
- c. Consumer protections under TILA, such as the right to dispute charges and obtain refunds, should be extended to all BNPL products.

2. **Regulate the earned wage access industry.**

- a. Pass Senate Bill S1726, the End Loan Sharking Act (ELSA), which would classify EWA paycheck advances as loans, thus falling within the Department of Financial Services' regulatory purview. As such, interest rates would be required to reflect the true cost of the loans, including any fees charged, and would be capped in accordance with the state's usury law.
- b. Lawmakers must also reject legislation like Assembly Bill A258A, which would require EWA companies to become licensed in the state but exempt them from interest rate caps and other consumer protections—thereby enshrining existing regulatory loopholes.

Endnotes

1. Cross, M. (2022, November 18). Are fintechs living up to their promise of financial inclusion? American Banker. <https://www.americanbanker.com/news/are-fintechs-living-up-to-their-promise-of-financial-inclusion>.
2. For state rate caps, see National Consumer Law Center. (2023, November 15). State Rate Caps for \$500 and \$2,000 Loans. <https://www.nclc.org/resources/state-rate-caps-for-500-2000-loans/>. On fintech's use of legal loopholes, see Elliehausen, G., & Hannon, S. M. (2023). FinTech and Banks: Strategic Partnerships That Circumvent State Usury Laws. Finance and Economics Discussion Series, 2023-056r1, 1-45.
3. *Governor Hochul Signs New Legislation to Protect Consumers and Keep Money in New Yorkers' Pockets as Part of the FY 2026 Budget.* (2025). <https://www.governor.ny.gov/news/governor-hochul-signs-new-legislation-protect-consumers-and-keep-money-new-yorkers-pockets>
4. New York Attorney General. (2025). *Attorney General James Sues Payday Lending Companies for Exploiting Workers with Illegal Loans.* <https://ag.ny.gov/press-release/2025/attorney-general-james-sues-payday-lending-companies-exploiting-workers-illegal>.
5. For more than 20 years, the Community Service Society of New York (CSS) has gathered insights from New York City residents through our annual "Unheard Third" survey, which polled New Yorkers of all backgrounds but emphasized low-income earners. In 2024, we expanded our scope with our new Annual Survey of Housing and Economic Security, polling residents across all of New York State—urban, suburban, and rural communities alike. We asked questions about housing, employment, public benefits, financial access, health care, and more. The 2024 CSS Annual Survey of Housing and Economic Security sampled 4,789 New York State adult residents reached through a combination of online panels, cell phones, landlines, text messages, digital targeting, and in-person intercepts from August 16 through October 17, 2024. The survey was designed by CSS in collaboration with Seven Letter Insight and conducted in English, Spanish, Chinese, Haitian Creole, and Russian. We oversampled low-income residents; public housing residents; and residents of New York City, Long Island, Buffalo, Albany, Yonkers, and Syracuse. The margin of error for the entire survey is +/- 1.42 percent at the 95 percent confidence interval. For those making under 200 percent of the Federal Poverty Level statewide, the margin of error is +/- 2.53 percent at the 95 percent confidence interval. The margin of error for respondents in New York City and for those outside of it is +/- 1.96 percent at the 95 percent confidence interval.
6. In 2023, the New York Office of the Attorney General found persistent disparities in access to mortgage loans for Black and Latino New Yorkers: New York State Attorney General. (2023). *Racial Disparities in Homeownership.* <https://ag.ny.gov/sites/default/files/reports/oag-report-racial-disparities-in-homeownership.pdf>. On disparities

in access to brick and mortar bank branches, see Edlebi, J., Mitchell, B., & Richardson, J. (2022). The Great Consolidation of Banks and Acceleration of Branch Closures Across America: Branch Closure Rate Doubled During the Pandemic. <https://ncrc.org/the-great-consolidation-of-banks-and-acceleration-of-branch-closures-across-america/>.

7. For data showing higher utilization of BNPL among younger adults, see Nowacki, L. & Lee, J. (2025). Survey: About half of buy now, pay later users have experienced issues like overspending and missing payments. <https://www.bankrate.com/loans/personal-loans/buy-now-pay-later-survey/#bnpl-installments>. & Shupe, C., Li, G., & Fulford, S. (2023). *Consumer Use of Buy Now, Pay Later*. <https://www.consumerfinance.gov/data-research/research-reports/consumer-use-of-buy-now-pay-later-insights-from-the-cfpb-making-ends-meet-survey/>. On differences in mobile banking across age groups, see FDIC. (2023). *2023 FDIC National Survey of Unbanked and Underbanked Households*. <https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report>.
8. Here and throughout the remainder of the brief, the term “frequent” will include respondents who indicated they use BNPL and EWA either “frequently” or “all of the time.”
9. For the purpose of this brief, respondents were grouped into five categories corresponding to their distance from the federal poverty level (FPL), which is calculated based on income and household size. For a family of four in 2024, the federal poverty level was \$31,200. Source: <https://www.healthcare.gov/glossary/federal-poverty-level-fpl/>.
10. On BNPL, see Shupe, C., Li, G., & Fulford, S. (2023). Consumer Use of Buy Now, Pay Later. <https://www.consumerfinance.gov/data-research/research-reports/consumer-use-of-buy-now-pay-later-insights-from-the-cfpb-making-ends-meet-survey/>; on EWA, see United States Government Accountability Office. (2023). Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed Report to Congressional Committees United States Government Accountability Office. <https://www.gao.gov/products/gao-23-105536>.
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13. Scott, J., Nair, A., & Mills, C. K. (2025). *Credit Insecurity in the United States: 2018-2023*. <https://www.newyorkfed.org/outreach-and-education/household-financial-stability/credit-insecurity-united-states>.

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17. Consumer Financial Protection Bureau. (2024). CFPB Announcement Regarding Enforcement Actions Related to Buy Now, Pay Later Loans. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announcement-regarding-enforcement-actions-related-to-buy-now-pay-later-loans/>.