

Personal installment loans: Context and patterns among U.S. households

Catherine Tonsberg, Amy Higgins, Sara Chaganti, and Ellie Pasternack

May 2026



Table of Contents

Abstract	1
Key findings	2
Introduction.....	2
Personal installment loans	4
Findings.....	5
Discussion	7
About the authors	8
Acknowledgements	9
Appendix	10
References	13

The views expressed in this paper are those of the authors and do not necessarily represent those of the Federal Reserve Bank of Boston or the Federal Reserve System.

Community Development Issue Briefs

The Federal Reserve Bank of Boston, part of the U.S. central bank, works in a variety of ways to promote a strong, vibrant economy that works for all. The Boston Fed's regional and community outreach department gathers insights on the impacts of economic conditions in our New England district, conducts research to share externally, and convenes and connects interested parties. These activities contribute to fulfilling the Federal Reserve's dual mandate from Congress—price stability and maximum employment—so that people in every community have opportunities to participate, contribute, and prosper.

Our regional and community outreach publications address emerging and critical economic issues facing low- and moderate-income individuals, families, and communities. We strive to provide objective, data-backed information that is useful to those involved in community economic development, including governments, nonprofits, financial institutions, businesses, and communities themselves. Our work also seeks to demonstrate how residents from all walks of life are faring in the economy, in order to help inform our monetary policy deliberations.

Abstract

This brief highlights personal installment loans—a growing lending product—and the need to better understand the ways in which these loans are impacting consumers' financial well-being. Personal installment loans are close-ended loans for a one-time lump sum of money with fixed monthly payments. Like credit cards, they are unsecured and can be used to pay for consumer goods or services or to consolidate other debts. But unlike credit cards, they are not rolling lines of credit. They include (but are not limited to) “Buy Now, Pay Later” (BNPL) loans. Data from credit bureaus suggest that use of these loans has increased in the past five years. Personal installment loans may promote financial opportunity, because lenders are not all relying solely on credit scores for lending decisions. However, they can carry high costs, meaning that borrowers could end up paying more for credit than consumers using mainstream (or “traditional”) credit products, and they may not have the potential to positively impact a consumer's credit score because they are not always reported to credit bureaus.

In this brief, we look at who used personal installment loans in 2022 using the Federal Reserve's Survey of Consumer Finances. We find that among families with a reference person between the ages of 18 and 76, about one in five families had a personal installment loan. We found higher use among respondents showing signs of financial insecurity, including being turned down for credit in the past 12 months and/or being behind on a mortgage or loan during the past year. The Boston Fed works to build an economy where everyone can fully participate. Knowing that the costs of consumer credit vary across products, it is important to understand the types of credit that families are accessing and who is taking on debt.

Key findings

- In 2022, almost one in five families with a reference person aged 18 to 76 had a personal installment loan (19.6%).
- Families with higher-than-average rates of personal installment loans include those with non-Hispanic Black and Hispanic respondents (23.3% and 23.6%, respectively) and those with signs of financial insecurity, including being turned down for credit in the past 12 months and/or being behind on a mortgage or loan during the past year (41.6% and 41.8%, respectively).
- Families in the highest income quartile use personal installment loans at a lower-than-average rate (13.6%).

Introduction

The use of personal installment loan services has been increasing for the past decade or more (Horymski, 2026; Stolba, 2021). You might see them offered in stores to finance large purchases or to finance out-of-pocket medical or dental expenses. You might also see these loans online from fintech companies that may offer smaller loans than your bank will (Beisetov, 2019; CFPB, 2024a; Long, 2019). You also see them on retailer websites as a point-of-sale fixed financing option known as “Buy Now, Pay Later” (BNPL) loans, which may be used for anything from high-priced luxury items to grocery orders and other necessities (see Mull, 2021).¹

Personal installment loans are close-ended, unsecured loans for a one-time lump sum, typically with fixed monthly payments. In other words, unlike credit cards, personal installment loans are not revolving lines of credit but are issued for one-time specific dollar amounts and paid off in a set number of installments. The category of personal installment loans includes a range of financial products, including unique new loan products that have emerged from recent innovations and technological advancements in this industry. Personal installment loans under \$1,000 are a type of small-dollar loan, and until recently, unsecured loans of this size were not widely offered by traditional banking institutions.² Although traditional banks have increased their share of this market, nonbank lenders, including fintech firms,³ now originate most personal installment loans (TransUnion, 2024).⁴ Many originate from one segment of nonbank lenders known as alternative financial service (AFS) firms, which are financial services that operate outside of federally insured banks.⁵ AFS firms offering loans use alternative data, i.e., consumer

¹ BNPL loans received sizeable media attention in recent years (Cain, 2022; Cross, 2021; Fussell, 2021; Goldstein, 2022; Kelly, 2021; Krishna, 2022; Murphy, 2022; Teitell, 2021; Tyko, 2021).

² Traditional banks have increased their share of small-dollar loan balances from consistently around 6% since 2010 to 22% in 2023 (Flagg & Hannon, 2024). Personal installment loans that are under \$1,000 are one type of small-dollar loan. The increase in bank-issued small-dollar loans followed a March 2020 joint statement from federal agencies offering guidance and encouraging banks to offer responsible small-dollar loans to consumers and businesses. (Board of Governors of the Federal Reserve System, 2020).

³ Nonbank lenders are a type of nonbanking financial institution (NBF1) that provides loans but does not operate with a full banking license and does not accept deposits from the public (World Bank Group, 2016) Fintech innovation is used by traditional banks, but the term “fintech lender” refers to nonbank lending firms that are accessed online (Beisetov, 2019). Fintech lenders hold a large and growing share of personal installment loan debt (Beisetov, 2019; TransUnion, 2019). In 2018, fintech firms held over a third of the total personal installment loan debt in the United States (Beisetov, 2019; TransUnion, 2019).

⁴ It is worth noting that NBFIs may not be supervised or regulated in the same way that traditional banks are (Buchak et al., 2018).

⁵ It is worth noting that, in recent times, mainstream banks and investment firms have been partnering with AFS providers to offer similar products.

information (both financial and nonfinancial) beyond what banks traditionally rely on to assess creditworthiness (Bradford, 2023). AFS loan products include those that are secured by collateral, such as auto title loans and pawn shop lending, as well as unsecured loan products, which do not require pledging assets as security, such as payday loans and peer-to-peer lending platforms.

Access to quality credit and loan products is essential to financial health, wealth building, and wealth preservation (Charron-Chénier & Seamster, 2018; Seefeldt, 2015). Quality credit products can also act as a safety net in times of financial distress. Personal installment loans can be an attractive credit option for consumers and may have the potential to advance financial opportunity. They may fill a need for consumers who cannot access mainstream financial products (e.g., because they have subprime credit scores or insufficient credit histories to generate a credit report [Bradford, 2023]). When paid on time, some personal installment loans may incur no interest or fees. However, in some cases, the cost of using personal installment loans can be higher than the costs of mainstream lending products. Research from the Pew Charitable Trusts (2018) found that personal installment loans from nonbank lenders came with a median all-in annual percentage rate (APR) of 112% for loans below \$500 and 29% for loans between \$5,000 and \$10,000—rates that are, on average, considerably higher than credit cards. These high rates stem in part from fees and other costs associated with these products.⁶ Some may also come with prepayment penalties, which are fees to compensate the lender for some of the interest they lose when the loan is paid off early (Axelton, 2022). These include “precomputed” interest rates; payment amounts are set at the time the loan is issued, and early or higher payments will not reduce the amount of interest paid over the course of the loan (Pew Charitable Trusts, 2018). Lenders are also not always required to disclose these fees up front (Carter et al., 2020).⁷ Furthermore, lenders who are not relying on credit bureau data to make lending decisions often do not report consumers’ positive payment activities. As a consequence, using these products may not improve a consumer’s opportunities to access mainstream credit products (CFPB, 2022a; 2022b). On the other hand, BNPL lenders will report delinquent borrowers to credit bureaus (see, e.g., Affirm, n.d.; Klarna, 2025), which can lower the consumer’s credit score and make accessing mainstream credit more difficult.

In this brief, we ask who is using personal installment loans and whether there are differences in usage rates among personal installment loan borrowers. We ask these questions because some research suggests that for much of U.S. history, multiple credit markets have existed for distinct groups of consumers (Baradaran, 2017; Broady et al., 2021; Charron-Chénier, 2020). One group of borrowers, those with good credit scores—generally middle-class, white, suburban families—more often access credit products that are useful, affordable, and meet their needs from mainstream lending institutions. A system of AFS providers, also referred to as “fringe banking” (Caskey, 1994), exists to serve those borrowers who may face challenges in accessing mainstream credit. Research shows that lower-income

⁶ In addition to interest rates (and unlike credit cards), personal installment loans can include flat-rate origination and documentation fees that can be rolled into the loan, so consumers end up paying interest on the fees as well as on the balance (Pew Charitable Trusts, 2018). Some lenders also require credit insurance, an add-on cost to a loan that ensures the lender receives payment if the consumer defaults (Pew Charitable Trusts, 2018). (The APR captures costs associated with a loan, including interest rates, fees, and payments. The all-in APR used in this calculation includes add-on costs like credit insurance and club memberships [Pew Charitable Trusts, 2018]).

⁷ In some states, the APR for installment loans is capped (Carter et al., 2020). However, even states with APR caps may allow lenders to charge fees that they are not required to disclose as part of the APR, such as credit insurance (Carter et al., 2020), resulting in potentially higher all-in APR costs than the cap states. The CFPB recently noted that some BNPL providers may be misrepresenting the cost of these products in their advertisements (CFPB, 2024b, p. 14).

borrowers and borrowers of color often have lower credit scores⁸ and, therefore, less access to mainstream finance and may rely on products that are not as useful, affordable, or able to effectively meet their credit needs (Bourke et al., 2012; Caplan et al., 2017; Charron-Chénier, 2020; Faber & Friedline, 2020; Sanchez-Moyano & Shrimali, 2021).

Our analysis finds higher use among both non-Hispanic Black and Hispanic borrowers, borrowers who have been turned down for credit or missed payments, younger borrowers, and women. The disproportionate usage rates of personal installment loans among some groups suggest a need for continued inquiry into whether this reflects increased financial opportunity for those restricted from the mainstream credit market. As the Boston Fed works towards building an economy where everyone can fully participate, and knowing that the costs of consumer credit vary across products, it is important to understand the types of credit that families are accessing and who is taking on debt.

Personal installment loans

While data on personal installment loan use are limited,⁹ credit reporting agency research suggests that use has increased dramatically since about 2009.¹⁰ There was a brief pause early in the COVID-19 pandemic (2020 and 2021), but in 2024, a record 24.5 million consumers had at least one personal installment loan, and consumers carried a record \$251 billion dollars in personal installment loan balances. Since 2021, we have seen increases in total balance, number of consumers with these loans, and loan originations (TransUnion, 2025).

Recently, some research has focused on one subset of personal installment loans: BNPL loans. Since their introduction to the United States in the early 2010s, the BNPL market grew to over \$100 billion in 2021 (Browne, 2021). The addition of questions on BNPL into several consumer finance surveys offers a glimpse at who is using these products, though it is worth noting that ambiguity in the definition of the product may compromise the validity of these findings (see Akana [2022, p. 3ff] on “definition creep”). Overall, these survey findings suggest that about 10%–20% of U.S. adults used BNPL loans in recent years (2021–2023) (Chien, 2023; Larrimore et al., 2024; Lloro et al., 2023; Stavins, 2024). This number is far lower than the percentage of adults who held credit cards in 2022 and 2023 (more than 80% [Lloro et al., 2023; Lloro et al., 2024]). These surveys also show that in 2022 and 2023, low-income, non-Hispanic Black, and Hispanic borrowers all used BNPL products at disproportionately high rates (Larrimore et al., 2024; Lloro et al., 2024; Shupe et al., 2023). Other borrowers who used BNPL loans at higher rates include credit-constrained borrowers (i.e., borrowers who self-reported their credit as “fair” or “poor” [Lloro

⁸ Credit scores are a tool designed to assess borrowers’ creditworthiness, i.e., the risk a lender takes on in lending to them. They are based on a set of indicators including financial status and past borrowing behavior of a consumer. However, some scholars suggest that credit scoring formulas may not accurately reflect their ability to repay a loan and may contain embedded racial biases (Rice & Swesnik, 2013; Wiggins, 2020).

⁹ More generally, we have little data on any AFS products. One product we have some data on is payday loans, which are also unsecured small-dollar loans. Past research on payday lending has shown disproportionate use among borrowers who are Black, who do not have a college degree, who are renting their homes, and who are relying on social assistance (Bourke et al., 2012; Caplan et al., 2017; Charron-Chénier, 2020). We know payday loans can come with notoriously high costs (Aidala et al., 2023; Bennett, 2019), but we do not know how they factor into the menu of AFS options that borrowers face.

¹⁰ In the decade leading up to the pandemic (2009–2019), the aggregate amount of personal loan debt held in the United States increased 29% (Stolba, 2021). While borrowing in general increased in the years leading up to the pandemic, borrowing through personal installment loans grew faster than any other form of consumer credit.

et al., 2024; Stavins, 2024]), those with credit scores below 720 (Larrimore et al., 2024), and those show signs of financial insecurity, such as having been rejected for other forms of credit and being delinquent on a loan (Aidala et al., 2023; Larrimore et al., 2024; Shupe et al., 2023).

Findings

As stated earlier, the field of personal installment loans is diverse and not always clearly defined. As such, identifying these loans in survey data is challenging. While some surveys now ask explicitly about BNPL use, these questions do not capture the full spectrum of personal installment loan products. We use data from the Federal Reserve Board's triennial Survey of Consumer Finances (SCF) from 2022 to build a picture of who is using these loans. The SCF asks detailed questions about credit use. Using these questions, they construct a dichotomous variable as follows: As part of its module on debt, the SCF asks respondents if they carry installment loans (distinct from credit card debt and secured debts). It then distinguishes these into car loans, student loans, and "other" loans.¹¹ We use this "other" category to operationalize personal installment loans in the dataset. We note that in the 2022 SCF, this category includes BNPL loans in addition to other personal installment loans.

Of course, the category of other installment loans is vague. It is a catch-all for consumer installment loans that are used for any purpose other than cars or education. We have no information about what the loans in this category are being used for or the terms of these loans. As we discussed earlier, the category of personal installment loans is also heterogeneous. People access them from a variety of places, both banks and nonbanks, and use them for a variety of goods and services. Therefore, the lack of specificity in the "other" installment loans category makes it a suitable proxy for personal installment loans. It is also worth noting that the heterogeneity of the category means that when we compare rates of other installment loan use over time, we cannot be sure that the category includes the same set of products at each point. In the personal installment loan market, new products are frequently introduced, and others are retired. However, they all share enough characteristics (close-ended, unsecured loans for a one-time lump sum, typically with fixed monthly payments) to make the category sufficiently useful for comparison over time.

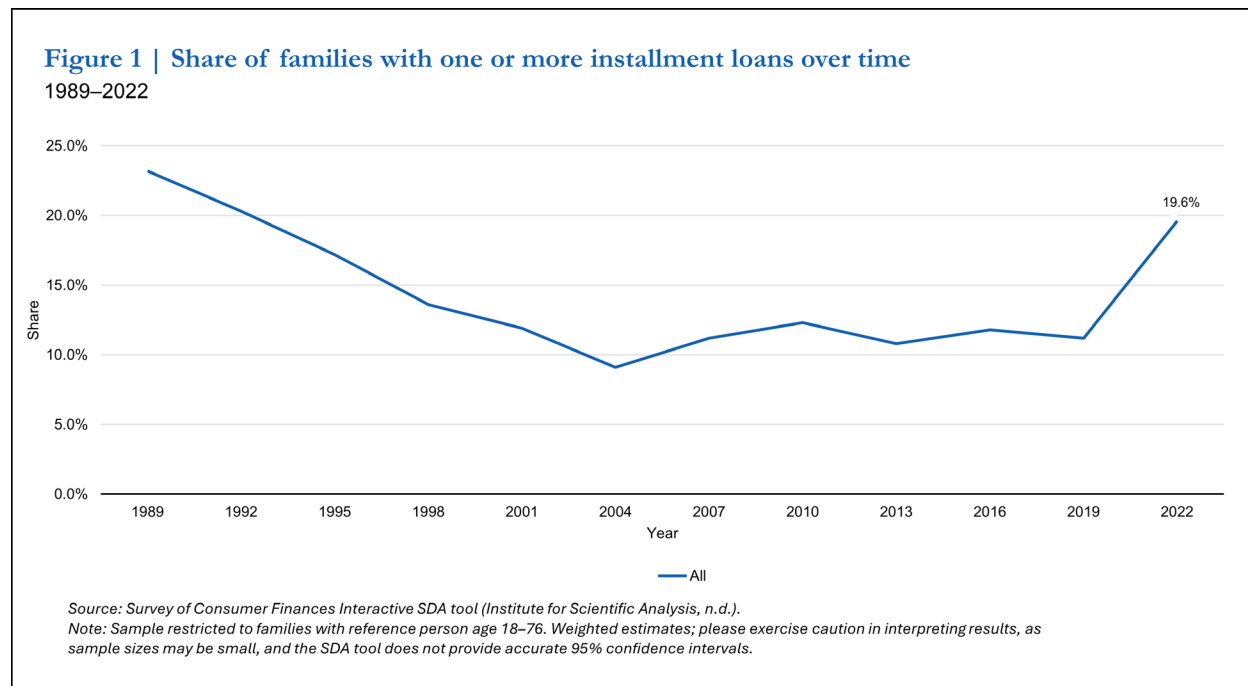
For our analysis, we limit the age range of respondents to those between the ages of 18 and 76 at the time of the survey and group them by generations, similar to Hernández Kent and Ricketts (2024).¹² We find that in 2022, almost one in five families with reference person aged 18–76 reported having at least one "other installment loan" (19.6%; see Figure 1).¹³ Looking at the use of these loans over time (Figure

¹¹ See Board of Governors of the Federal Reserve System (2023) for documentation and summary extract data set containing the variable constructed to define whether a respondent has an "other" personal loan (hoth_inst). See Appendix for more explanation of personal loan variables and limitations.

¹² We use generation groups as defined in Pew Research Center (2015). Like Hernández Kent and Ricketts (2024), we combine our two youngest age groups (adults ages 18–25 and 26–41) into one group (Millennials and Gen Z), and we exclude adults age 77 and above (the Silent generation). In addition, life course theory (Modigliani, 1986) suggests that individuals will take on debt while they are younger and have lower incomes with the expectations that, once middle-aged, they will have higher incomes, pay off debts, and save for retirement. While an examination of debt patterns at similar points in the life cycle may be warranted, it is outside the scope of this paper.

¹³ The SCF does not include how many personal installment loans borrowers are carrying or have carried. Consumers may, for example, carry one personal installment loan, or they may be stacking many smaller loans such as BNPL products. Among families with reference person aged 18–76 who carry one or more "other installment

1), the data show an increase over the past decade for this group, with the sharpest increase in the last few years, similar to the trends shown by credit bureau data (Stolba, 2021; TransUnion, 2023; VanSomeren & Tarver, 2022).



We then asked if specific groups are using these products at higher-than-average rates.¹⁴ Our analysis reveals differences in use between certain groups. Families with a non-Hispanic Black or Hispanic reference person use installment loans more often than those with a non-Hispanic white reference person (23.3% and 23.6%, respectively, versus 17.9%; for more details, see Table A1) (Figure 2), a finding that is consistent with other recent analyses on BNPL usage (Shupe et al., 2023). We also find particularly high use of installment loans among families with a reference person who was turned down for credit (or did not get as much credit as they applied for) in the last year (41.6%), similar to findings for users of BNPL products (Aidala et al., 2023), and those who were behind on any loan or mortgage payments in the past year (41.8%). We also see higher use of these loans among families with moderate family income (2nd quartile, 23.7%), consistent with findings about BNPL usage (Shupe et al., 2023). Use was also more common among families with a female reference person (23.5%) and a younger (Millennials and Gen Z) reference person (24.0%), while we find less use among families with an older reference

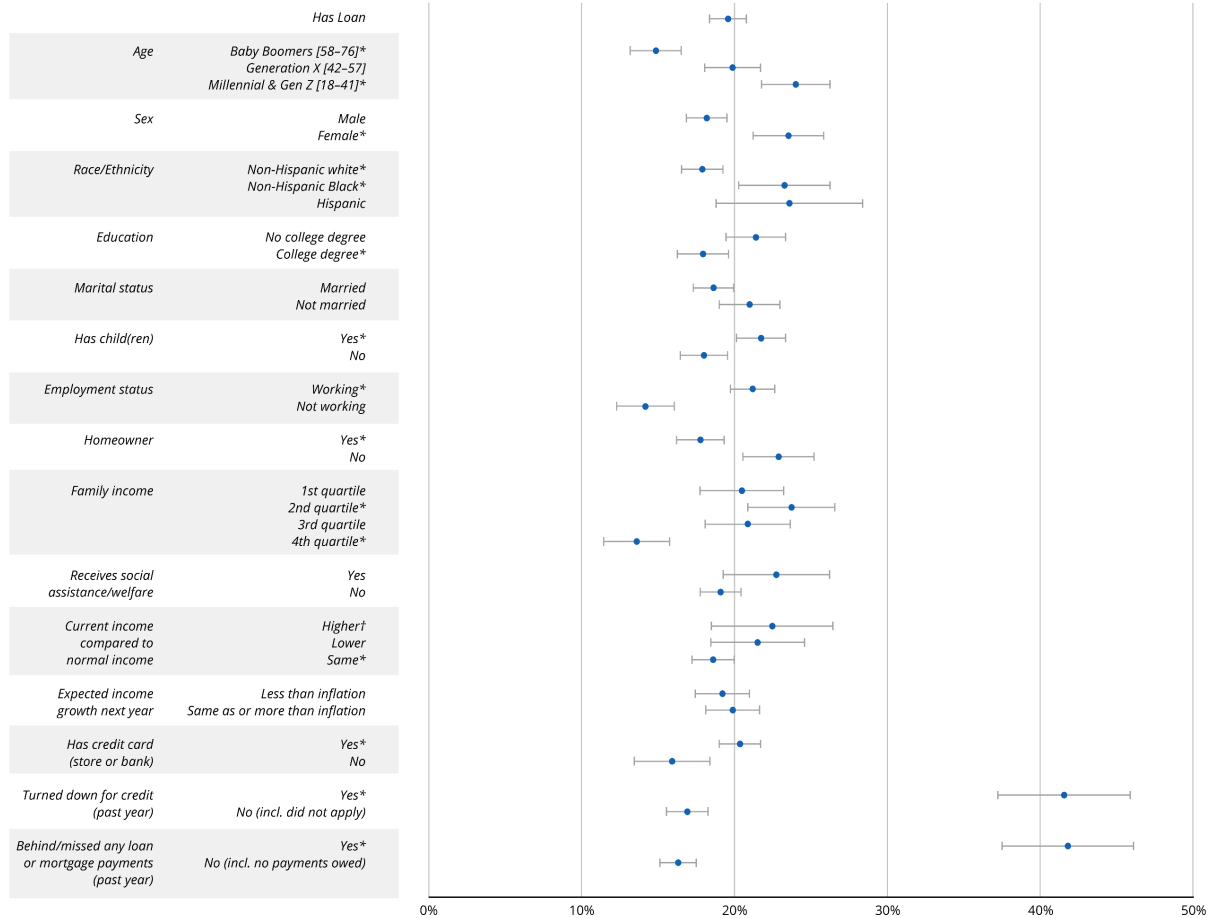
loans,” over a third (38.3% ± 3.4; unweighted N=269) reported that one or more of their installment loans was a BNPL loan.

¹⁴ The variables used for these analyses were informed by the characteristics of consumers who have disproportionately relied on BNPL loans and also on payday loans. As we stated earlier, payday loans are the one type of AFS product for which we have reliable data. This literature on payday loans has shown disproportionate use by non-Hispanic Black consumers, (Bourke et al., 2012; Caplan et al., 2017; Charron-Chénier, 2020), young consumers, and those with moderate family incomes (Bourke et al., 2012).

person (Baby Boomers, 14.9%), as well as those with higher family income (4th quartile, 13.6%), findings also consistent with recent BNPL patterns (Aidala et al., 2023; Shupe et al., 2023).

Figure 2 | Share of groups who are "other installment loan" borrowers

2022



Source: Authors' calculations of the 2022 Survey of Consumer Finances (Board of Governors of the Federal Reserve System, 2023).
 Note: Sample restricted to ages 18-76. Weighted estimates; error bars indicate 95% confidence interval. Differences within categories between groups are tested using *scfcombo* (SCFCOMBO: Stata module to estimate errors using the Survey of Consumer Finances).
 * Within-category difference is statistically significant ($p < 0.05$)
 † Caution should be exercised as $N < 100$ (for N s and other details, see Table A1.)

Discussion

AFS products can be useful sources of credit for consumers, especially for those who face barriers to accessing credit from mainstream sources. We took a closer look at personal installment loans, as one AFS product, to see which characteristics were associated with higher usage. According to our analyses of SCF data, families with Black or Hispanic reference persons, moderate-income families, and families turned down for credit or behind in payments are using personal installment loans at rates higher than families with a non-Hispanic white reference people or families who have high incomes. These loans may serve as low-cost alternatives, especially for consumers whose other options are constrained because they have low credit scores. On the other hand, these products can come with very high costs, especially

when borrowers miss payments. And even when paid on time, using these products will not help to boost borrowers' credit scores.

The consumer lending industry has expanded with innovative and unique new loan products outside of the mainstream financial system, which are used disproportionately by some groups of consumers, including those experiencing financial insecurity. These differences evoke questions about the potential for the emergence of lending products that could perpetuate existing challenges to accessing mainstream financial products. Given what we know about the diverging paths of our bifurcated consumer credit market, our initial findings in this brief suggest that more research is warranted. For example, if alternative lending products are the only option a consumer has available to them, is the use of the alternative lending product improving their long-term financial wellbeing? Are financially vulnerable consumers carrying high balances of unsecured consumer debt? This brief highlights an emerging pattern that merits more investigation of personal installment loans. As we continue to strive for a financial system that works for all, it is worth understanding more about who is using these loans and how these loans are impacting consumer financial wellbeing. These patterns can inform innovations in our financial system to support broad economic opportunity for all and offer insight into personal loans as a tool for advancing household economic security.

About the authors



Catherine Tonsberg

Catherine Tonsberg is a policy analyst in Regional and Community Outreach at the Federal Reserve Bank of Boston.

catherine.tonsberg@bos.frb.org



Amy Higgins

Amy Higgins completed this work in her previous role as a senior research associate in Regional and Community Outreach at the Federal Reserve Bank of Boston.

ahiggins1@brandeis.edu



Sara Chaganti

Sara Chaganti is the deputy director of research in Regional and Community Outreach at the Federal Reserve Bank of Boston

sara.chaganti@bos.frb.org



Ellie Pasternack

Ellie Pasternack completed this work in her previous role as an intern in Regional and Community Outreach at the Federal Reserve Bank of Boston.

ejpasternack@gmail.com

Acknowledgements

The authors would like to thank Beth Mattingly, Gracie Griffin, and several reviewers for their thoughtful comments. Production help by Suzanne Cummings, graphics assistance by Michael Konstansky, and editing by Gracie Griffin were greatly appreciated. All errors and omissions are those of the authors alone.

Appendix

Table A1 | Percentage of each group who are “other installment loan” borrowers

Characteristic	Category	Weighted share	95% Confidence interval	Unweighted N
Total	Has loan	19.6%	18.4%, 20.8%	691.4
Age	Baby Boomers [58–76]*	14.9%	13.2%, 16.5%	187
	Generation X [42–57]	19.9%	18.1%, 21.7%	223
	Millennials & Gen Z [18–41]*	24.0%	21.8%, 26.3%	250.2
Sex	Male	18.2%	16.9%, 19.5%	478.2
	Female*	23.5%	21.2%, 25.8%	213.2
Race/Ethnicity	Non-Hispanic white*	17.9%	16.5%, 19.3%	332.4
	Non-Hispanic Black*	23.3%	20.3%, 26.3%	135.6
	Hispanic	23.6%	18.8%, 28.4%	104.8
Education	No college degree	21.4%	19.4%, 23.3%	359
	College degree*	17.9%	16.3%, 19.6%	332.4
Marital status	Married	18.6%	17.3%, 19.9%	396
	Not married	21.0%	19.0%, 23.0%	295.4
Has child(ren)	Yes*	21.7%	20.1%, 23.3%	357.2
	No	18.0%	16.5%, 19.6%	334.2
Employment status	Working*	21.2%	19.7%, 22.6%	563.2
	Not working	14.2%	12.3%, 16.1%	128.2
Homeowner	Yes*	17.8%	16.2%, 19.3%	387.2
	No	22.9%	20.5%, 25.2%	304.2

Family income	1st quartile	20.5%	17.7%, 23.2%	174.6
	2nd quartile*	23.7%	20.9%, 26.6%	183.8
	3rd quartile	20.9%	18.1%, 23.6%	172.2
	4th quartile*	13.6%	11.4%, 15.8%	160.8
Receives social assistance/welfare	Yes	22.7%	19.3%, 26.2%	126.2
	No	19.1%	17.8%, 20.4%	565.2
Current income compared to normal income	High†	22.5%	18.5%, 26.4%	93
	Lower	21.5%	18.4%, 24.6%	151.6
	Same*	18.6%	17.2%, 20.0%	446.8
Expected income growth next year	Less than inflation	19.2%	17.4%, 21.0%	307.8
	Same as or more than inflation	19.9%	18.1%, 21.6%	383.6
Has credit card (store or bank)	Yes*	20.4%	19.0%, 21.7%	583.4
	No	15.9%	13.4%, 18.4%	108
Turned down for credit (past year)	Yes*	41.6%	37.2%, 45.9%	149.2
	No (incl. did not apply)	16.9%	15.6%, 18.3%	542.2
Behind/missed any loan or mortgage payments (past year)	Yes*	41.8%	37.5%, 46.1%	189
	No (incl. no payments owed)	16.3%	15.1%, 17.5%	502.4
<p><i>Source: Authors' calculations of the 2022 Survey of Consumer Finances (Board of Governors of the Federal Reserve System, 2023).</i></p> <p><i>Note: Sample restricted to ages 18–76. Weighted estimates; error bars indicate 95% confidence interval. Differences with categories between groups are tested using scfcombo (SCFCOMBO: Stata module to estimate errors using the Survey of Consumer Finances).</i></p> <p><i>* Within-category difference is statistically significant (p<0.05)</i></p> <p><i>† Caution should be exercised as N < 100 (for Ns and other details, see Table A1.)</i></p>				

This brief uses data from the 2022 Survey of Consumer Finances (SCF) to explore use of personal installment loans. The SCF is designed primarily to estimate family net wealth (net wealth is the sum of assets minus debts; see Wolff [1990] for a more detailed explanation). The survey includes questions on debt to inform this estimation. While it is not the ideal survey to specifically study consumer debt, it is one of very few public datasets with detailed data on debt along with borrower characteristics. Types of debt in the survey include mortgages, student loans, and consumer debt in the form of credit cards and unsecured nonrevolving loans. Borrower characteristics are reflective of the primary economic unit (PEU) reference person. We note that the reference person is not necessarily the actual individual who owns the personal loan. For example, an adult child, who is living with their parents and not financially independent, may be a personal loan borrower.

In this brief, we focus on the characteristics of those with an “other installment loan.” We use this “other” category, which includes BNPL loans, to operationalize personal installment loans in the dataset. As we discussed earlier, we have no information about what the loans in this category are being used for or the terms of these loans. Also, the category of personal installment loans is heterogeneous. The lack of specificity about the characteristics of loans in this category is an important limitation to our study. In addition to this issue, the survey question language may compromise the validity of the variable. Using the term “consumer loan” may confuse respondents who have a personal installment loan but do not understand that it counts as a consumer loan by the SCF’s definition.

Finally, the SCF only identifies respondents who have a personal installment loan at the time of the survey. Other respondents may have taken out short-term personal installment loans before the survey was administered, but these loans would not be captured if respondents already paid them off. Related, because the SCF is a family-level dataset, the family delegates one person to answer questions for the entire family. Race/ethnicity, age, educational attainment, and other demographic characteristics ascribed to families throughout this report describe the characteristics of the reference person.¹⁵ Yet, again, the loan itself may or may not be held by this person. Despite these limitations, this brief sheds light on an important new frontier in consumer finance, which could have significant implications for debt accumulation, wealth protection, and wealth inequality across race and class.

¹⁵ If a couple is economically dominant in the PEU, the reference person is the male in a mixed-sex couple or the older person in a same-sex couple. If a single person is economically dominant, that person is designated as the family reference person in this report.

References

- Affirm. (n.d.). *Affirm and my credit score*. Retrieved July 18 from <https://helpcenter.affirm.com/s/article/affirm-and-my-credit-score#:~:text=Affirm%20currently%20reports%20some%20loans,they%20become%2030%2B%20days%20overdue>
- Aidala, F., Mangrum, D., & van der Klaauw, W. (2023, September 26). Who Uses “Buy Now, Pay Later”? *Federal Reserve Bank of New York: Liberty Street Economics*. <https://libertystreeteconomics.newyorkfed.org/2023/09/who-uses-buy-now-pay-later/>
- Akana, T. (2022). Buy Now, Pay Later: Survey Evidence of Consumer Adoption and Attitudes. *Federal Reserve Bank of Philadelphia*. <https://www.philadelphiafed.org/consumer-finance/consumer-credit/buy-now-pay-later-survey-evidence-of-consumer-adoption-and-attitudes>
- Axelton, K. (2022, June 13). Do Personal Loans Have Prepayment Penalties? *Experian*. <https://www.experian.com/blogs/ask-experian/personal-loan-prepayment-penalties/>
- Baradaran, M. (2017). *The Color of Money: Black Banks and the Racial Wealth Gap*. Harvard University Press.
- Beisetov, E. (2019). Unsecured Personal Loans Get a Boost from Fintech Lenders. *Federal Reserve Bank of St. Louis: Regional Economist*. <https://www.stlouisfed.org/publications/regional-economist/second-quarter-2019/unsecured-personal-loans-fintech#fig1>
- Bennett, J. (2019). Fast Cash and Payday Loans. *Federal Reserve Bank of St. Louis: Page One Economics*. <https://www.stlouisfed.org/publications/page-one-economics/2019/04/10/fast-cash-and-payday-loans>
- Board of Governors of the Federal Reserve System. (2020). *Joint Statement Encouraging Responsible Small-Dollar Lending in Response to COVID-19*. With the Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union Administration, and the Office of the Comptroller of the Currency. <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200326a.htm>
- Board of Governors of the Federal Reserve System. (2023). *Survey of Consumer Finances*. <https://www.federalreserve.gov/econres/scfindex.htm>
- Bourke, N., Horowitz, A., & Roche, T. (2012). Who Borrows, Where They Borrow, and Why. *The Pew Charitable Trusts*. https://www.pewtrusts.org/-/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf
- Bradford, T. (2023). "Give Me Some Credit!": Using Alternative Data to Expand Credit Access *Federal Reserve Bank of Kansas City*. <https://www.kansascityfed.org/research/payments-system-research-briefings/give-me-some-credit-using-alternative-data-to-expand-credit-access/>
- Broadly, K., McComas, M., & Ouazad, A. (2021). *An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services*. *Brookings*. <https://www.brookings.edu/research/an-analysis-of-financial-institutions-in-black-majority-communities-black-borrowers-and-depositors-face-considerable-challenges-in-accessing-banking-services/>

- Browne, R. (2021, September 21). *How buy now, pay later became a \$100 billion industry*. CNBC. <https://www.cnbc.com/2021/09/21/how-buy-now-pay-later-became-a-100-billion-industry.html>
- Buchak, G., Matvos, G., Piskorski, T., & Seru, A. (2018). Fintech, regulatory arbitrage, and the rise of shadow banks. *Journal of Financial Economics*, 130(3), 453-483. <https://doi.org/10.1016/j.jfineco.2018.03.011>
- Cain, S. (2022, September 22). Marry Now, Pay Later: New Services Put Weddings on Installment. *The New York Times*. <https://www.nytimes.com/2022/09/22/style/weddings-buy-now-pay-later.html>
- Caplan, M., Kindle, P.A., & Nielsen, R.B. (2017). Do We Know What We Think We Know About Payday Loan Borrowers? Evidence from the Survey of Consumer Finances. *Journal of Sociology & Social Welfare*, 44(4), 19-73. <https://doi.org/10.15453/0191-5096.4039>
- Carter, C., Saunders, L., & Saunders, M. (2020). Predatory Installment Lending in the States: 2020. *National Consumer Law Center*. <https://www.nclc.org/images/pdf/rpt-InstallmentLoans-feb-2020.pdf>
- Caskey, J.P. (1994). *Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor*. Russell Sage Foundation.
- Consumer Financial Protection Bureau (CFPB). (2022a). *Director Chopra's Prepared Remarks on the Release of the CFPB's Buy Now, Pay Later Report*. <https://www.consumerfinance.gov/about-us/newsroom/director-chopras-prepared-remarks-on-the-release-of-the-cfpbs-buy-now-pay-later-report/>
- Consumer Financial Protection Bureau (CFPB). (2022b). *What is a credit score?*. <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-score-en-315/>
- Consumer Financial Protection Bureau (CFPB). (2024a). *What is a personal installment loan?*. <https://www.consumerfinance.gov/ask-cfpb/what-is-a-personal-installment-loan-en-2114/>
- Consumer Financial Protection Bureau (CFPB). (2024b). *Supervisory Highlights* (Issue 37, Winter 2024). https://files.consumerfinance.gov/f/documents/cfpb_Supervisory-Highlights-Issue-37_Winter-2024.pdf
- Charron-Chénier, R. (2020). Predatory Inclusion in Consumer Credit: Explaining Black and White Disparities in Payday Loan Use. *Sociological Forum*, 35(2), 370-392. <https://doi.org/10.1111/socf.12586>
- Charron-Chénier, R. & Seamster, L. (2018). (Good) debt is an asset. *Contexts*, 17(1), 88-90. <https://doi.org/10.1177/1536504218767126>
- Chien, J. (2023). *Buy Now, Pay Later: Policy Measures to Mitigate Consumer Risks from Evolving Business Practices* [White paper]. Consumer Reports. <https://advocacy.consumerreports.org/wp-content/uploads/2023/07/BNPL-Policy-White-Paper.pdf>
- Cross, M. (2021, November 3). *Fintech startup offers alternative to buy now/pay later loans*. American Banker. <https://www.americanbanker.com/news/fintech-startup-offers-alternative-to-buy-now-pay-later-loans>
- Faber, J.W. & Friedline, T. (2020). The Racialized Costs of "Traditional" Banking in Segregated America: Evidence from Entry-Level Checking Accounts. *Race and Social Problems*, 12, 344-361. <https://doi.org/10.1007/s12552-020-09296-y>

Flagg, J.N. & Hannon, S.M. (2024). Small-Dollar Loans in the U.S.: Evidence from Credit Bureau Data. *Board of Governors of the Federal Reserve System: FEDS Notes*.

<https://www.federalreserve.gov/econres/notes/feds-notes/small-dollar-loans-in-the-us-evidence-from-credit-bureau-data-20240719.html>

Fussell, S. (2021, November 9). The Hidden Dangers of 'Buy Now, Pay Later' Apps. *Wired*.

<https://www.wired.com/story/hidden-dangers-buy-now-pay-later-apps/>

Goldstein, M. (2022, June 24). 'Buy Now, Pay Later' Becomes a New Way to Pay for Guns. *The New York Times*. <https://www.nytimes.com/2022/06/24/business/buy-now-pay-later-guns.html>

Hernández Kent, A., & Ricketts, L.R. (2024). U.S. Wealth Inequality: Gaps Remain Despite Widespread Wealth Gains. *Federal Reserve Bank of St. Louis*.

https://fraser.stlouisfed.org/files/docs/publications/frbsl_ov/frbstl_openvault_20240207.pdf

Horymski, C. (2026, March 30). Average personal loan balance grows 1.7% in 2025. *Experian*.

<https://www.experian.com/blogs/ask-experian/research/personal-loan-study/>

Institute for Scientific Analysis. (n.d.). *Survey of Consumer Finances (SCF) Combined Extract Data 1989-2016*. <https://sda.berkeley.edu/sdaweb/analysis/?dataset=scfcomb>

Kelly, J. (2021, October 7). Is 'buy now pay later' a viable business model? *The Financial Times*.

<http://ft.com/content/ddb2e207-2450-4ca8-bad0-871290d80ea7>

Klarna. (2025). *Klarna Pay in 4 Agreement*.

https://cdn.klarna.com/1.0/shared/content/legal/terms/0/en_us/sliceitinx

Krishna, P. (2022, August 29). Eat Now, Pay Later: Going Into Debt for Food. *The New York Times*.

<https://www.nytimes.com/2022/08/29/dining/buy-now-pay-later-loans-groceries.html>

Larrimore, J., Lloro, A., Merchant, Z., & Tranfaglia, A. (2024). "The Only Way I Could Afford It": Who Uses BNPL and Why. *Board of Governors of the Federal Reserve System: FEDS Notes*.

<https://www.federalreserve.gov/econres/notes/feds-notes/the-only-way-i-could-afford-it-who-uses-bnpl-and-why-20241220.html>

Lloro, A., Merry, E., Dasgupta, K., Larrimore, J., Merchant, Z., Shaalan, F., & Tranfaglia, A. (2024).

Economic Well-Being of U.S. Households in 2023. *Board of Governors of the Federal Reserve System*.

<https://doi.org/10.17016/8960>

Lloro, A., Merry, E., Larrimore, J., Lockwood, J., Merchant, Z., & Tranfaglia, A. (2023). Economic Well-Being of U.S. Households in 2022. *Board of Governors of the Federal Reserve System*.

<https://www.federalreserve.gov/publications/files/2022-report-economic-well-being-us-households-202305.pdf>

Long, H. (2019, November 21). Personal loans are 'growing like a weed,' a potential warning sign for the U.S. economy. *The Washington Post*. <https://www.washingtonpost.com/business/2019/11/21/personal-loans-are-growing-like-weed-potential-warning-sign-us-economy/>

Modigliani, F. (1986). Life Cycle, Individual Thrift, and the Wealth of Nations. *The American Economic Review*, 76(3), 297-313. <https://www.jstor.org/stable/1813352>

Mull, A. (2021). Why Is There Financing for Everything Now? *The Atlantic*.

<https://www.theatlantic.com/magazine/archive/2021/01/jeans-now-pay-later/617257/>

- Murphy, S.P. (2022, October 31). What you need to know if you want to try out buy now, pay later. *The Boston Globe*. <https://www.bostonglobe.com/2022/10/31/business/what-you-need-know-if-you-want-try-out-buy-now-pay-later/>
- Pew Charitable Trusts. (2018). *State Laws Put Installment Loan Borrowers At Risk: How outdated policies discourage safer lending*. https://www.pewtrusts.org/-/media/assets/2018/10/installment-loans_report.pdf
- Pew Research Center. (2015). *The Whys and Hows of Generations Research*. <https://www.pewresearch.org/politics/2015/09/03/the-whys-and-hows-of-generations-research/>
- Rice, L. & Swesnik, D. (2013). Discriminatory Effects of Credit Scoring on Communities of Color. *Suffolk University Law Review*, 46(3), 935-966.
- Sanchez-Moyano, R. & Shrimali, B.P. (2021). The Racialized Roots of Financial Exclusion. *Federal Reserve Bank of San Francisco: Community Development Innovation Review*, 15(2).
- Seefeldt, K.S. (2015). Constant Consumption Smoothing, Limited Investments, and Few Repayments: The Role of Debt in the Financial Lives of Economically Vulnerable Families. *Social Service Review*, 89(2), 263-300. <https://doi.org/10.1086/681932>
- Shupe, C., Li, G., & Fulford, S. (2023). *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey* (CFPB Office of Research Publication, Issue 2023-1). CFPB Office of Research Publication. https://files.consumerfinance.gov/f/documents/cfpb_consumer-use-of-buy-now-pay-later_2023-03.pdf
- Stavins, J. (2024). Buy Now, Pay Later: Who Uses It and Why. *Federal Reserve Bank of Boston*. <https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx>
- Stolba, S.L. (2021, February 9). Growth of personal loan debt slows amid pandemic. *Experian Research*. (<https://www.experian.com/blogs/ask-experian/research/personal-loan-study/>); Archived at <https://web.archive.org/web/20210601030538/https://www.experian.com/blogs/ask-experian/research/personal-loan-study>.
- Teitell, B. (2021, November 14). Buy-now, pay-later offerings are growing. So is concern. *The Boston Globe*. <https://www.bostonglobe.com/2021/11/14/business/buy-now-pay-later-offerings-are-growing-so-is-concern/>
- TransUnion. (2019, February 21). *FinTechs Continue to Drive Personal Loan Growth*. <https://newsroom.transunion.com/fintechs-continue-to-drive-personal-loans-to-record-levels/>
- TransUnion. (2023, February 1). *Amidst Stubbornly High Inflation, Consumers Continue to Turn to Credit Cards, Home Equity to Maintain Stability*. <https://newsroom.transunion.com/q4-2022-ciir/>
- TransUnion. (2024). *TransUnion Unsecured Personal Lending Industry Insights Report*. <https://www.transunion.com/content/dam/transunion/global/business/documents/fs2024/ciir-consumer-lending-report.pdf>
- TransUnion. (2025, February 20). *Growth in Originations Expected Across Multiple Credit Products in 2025*. <https://newsroom.transunion.com/q4-2024-ciir/>
- Tyko, K. (2021, October 6). Target adds 'buy now pay later' options with Affirm and Sezzle ahead of holiday shopping season. *USA Today*.

<https://www.usatoday.com/story/money/shopping/2021/10/06/target-shopping-affirm-sezzle-buy-now-pay-later-holiday-layaway/5993437001/>

VanSomeren, L. & Tarver, J. (2022, January 31, 2022). Personal loan originations to surpass pre-pandemic levels in 2022. *Forbes*. (<https://www.forbes.com/advisor/personal-loans/personal-loan-originations-projections/>). Archived at <https://web.archive.org/web/20220322222234/https://www.forbes.com/advisor/personal-loans/personal-loan-originations-projections/>.

Wiggins, B. (2020). *Calculating Race: Racial Discrimination in Risk Assessment*. Oxford University Press.

Wolff, E.N. (1990). Methodological issues in the estimation of the size distribution of household wealth. *Journal of Econometrics*, 43(1-2), 179-195. [https://doi.org/10.1016/0304-4076\(90\)90115-A](https://doi.org/10.1016/0304-4076(90)90115-A)

World Bank Group. (2016). *Nonbanking financial institution*. <https://www.worldbank.org/en/publication/gfdr/gfdr-2016/background/nonbank-financial-institution>