SaverLife®

PROCEED WITH CAUTION:

Fintech Credit + Financial Instability

KEY FINDINGS:

Fintech Borrowers are at Higher Risk of Financial Instability: Even after accounting for income and other factors, fintech credit users—particularly those using Cash Advance and Earned Wage Advance (EWA)—are more likely to experience financial hardship than non-users. While our research doesn't necessarily indicate that these products cause financial struggles in and of themselves, it does show that people already in financially precarious situations are more likely to rely on them to make ends meet.

Financial Stress Drives Cash Advance Use: A large percentage of fintech credit users experience income volatility or unexpected expenses in the months before using these products. For example, Cash Advance use spikes following months of high financial stress. This suggests that these loans are primarily used to cover past financial gaps rather than prevent future ones, reinforcing cycles of financial instability.

Debt Stacking is Common, Creating a Hidden Risk in Fintech Credit: Many users don't just rely on a single credit product—they stack multiple forms of credit, including fintech credit, mainstream credit (credit cards), and high-cost credit (auto-title or payday loans). This suggests that fintech credit isn't replacing high-cost borrowing; it's adding to it, making it even harder for consumers to keep up with payments and avoid financial strain.

Debt Burden is Higher Among Users: Fintech credit users report significantly more debt-related problems and difficulty making payments on credit cards, loans, and other financial obligations. On average, users of fintech credit products are more than twice as likely to be behind on debt payments and nearly twice as likely to have debt in collections.

UNDERSTANDING FINTECH CREDIT:

Key Terms Explained

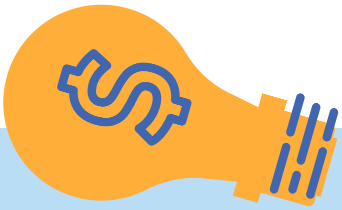
Buy Now Pay Later (BNPL): A short-term loan that allows consumers to make interest-free, point-of-sale retail purchases that are repaid in equal installments over a 4-6 week period (e.g., Affirm, Klarna).

Cash Advance: Direct-to-consumer, short-term, online loans; repayment via ACH debit on payday (e.g., EarnIn, Dave, Brigit).

Earned Wage Advance (EWA): Employer-based, short-term, online loans of up to 50% of wages; repayment via payroll deduction (e.g., PayActiv, FlexWage).

Fintech Credit is Linked to Increased Overdrafts: Members who use fintech credit products are significantly more likely to incur overdrafts in the following months, highlighting ongoing cash shortfalls. Despite being marketed as tools for financial flexibility, these products do not reduce overdrafts—instead, users experience an increase, suggesting they may contribute to financial strain rather than alleviate it.

Fintech Credit Product Use is a Barometer of Financial Distress: Rather than acting as a financial bridge, these products often signal deeper financial challenges. Users are more likely to experience food and housing insecurity, use multiple credit products, and experience difficulty managing high levels of debt.



In Brief One, we explored the characteristics of SaverLife members who use Buy Now Pay Later (BNPL), Cash Advance, and Earned Wage Advance (EWA) and members' experiences in using these products, including reasons for use. Brief One findings suggest that financial distress may be associated with and possibly caused by the use of BNPL, Cash Advance, and EWA. In this brief, we take a much closer look at how the use of these products is associated with SaverLife members' financial health.

Fintech credit product users often faced financial challenges, including overspending, cash flow issues, and reliance on multiple forms of credit.

2/3 **Almost two-thirds of members who used BNPL experienced a problem such as overspending.**

The main reasons for using Cash Advance and EWA were to resolve cash flow timing issues and deal with income and expense shocks.

2/5 **Almost two-fifths of members used four or more credit products.**

Users of Cash Advance and EWA were five and three times more likely to also use payday loans compared to non-users.

Read Brief One

Introduction

Fintech credit products have grown in popularity over the past few years, filling market gaps where mainstream providers aren't meeting consumer needs, and offering people a way to manage income and expenses by spreading out payments or getting cash before payday. Products like Buy Now, Pay Later (BNPL), Cash Advance, and Earned Wage Advance (EWA) are marketed as flexible alternatives to traditional credit, appealing to those who prefer installments or need short-term financial relief. But our research reveals a concerning trend: rather than creating financial stability, product use often indicates deeper financial distress—and may even exacerbate financial insecurity.

To better understand how fintech credit affects people's financial well-being, SaverLife, with support from the Gates Foundation, is examining the realities of those using these products and the impacts on their financial health. This is the second brief in a two-part series exploring fintech credit products and financial health.

This brief builds on previous research by digging deeper into the connection between fintech credit and financial well-being. It explores three key questions:

1. **Are fintech credit users more or less financially healthy than non-users?**

2. **How does fintech credit use affect monthly cash flow and overdraft fees?**

3. **What improvements can be made to fintech credit design to better support financial health?**

Our findings reveal that people who rely on fintech credit—especially Cash Advance and EWA—are often in a more fragile financial state than those who do not use these products. While the data does not necessarily prove that fintech credit causes financial instability, our research does suggest that those already struggling are more likely to turn to these tools, raising questions about how these products impact an already financially precarious consumer base. SaverLife members describe using BNPL or Cash Advance because they lacked cash on hand to cover basic expenses or had limited savings. As one member shared, "There've been times I've struggled financially and needed [help] just for basic needs." Another individual turned to EWA after a tough financial year left them without savings, forcing them

FINTECH CREDIT ISN'T ALWAYS ABOUT CONVENIENCE–IT'S OFTEN A DECISION ROOTED IN FINANCIAL DISTRESS.

"There've been times I've struggled financially and needed [help] just for basic needs."

- SaverLife Member

to scramble just to cover bills. These member experiences show that using fintech credit isn't always about convenience—it's often a decision rooted in financial distress.

Another key issue emerging from this research is debt stacking, where people juggle multiple forms of debt, from credit cards to BNPL and Cash Advance to make ends meet. One member described turning to fintech credit products while juggling credit card debt: "I had so many bills, I was juggling so much that I had to wait to pay credit card bills. That meant late fees and dings on my credit. "Fintech credit use also impacts cash flow and stability. While these products offer short-term relief, they can create long-term challenges.

Users report struggling with automated repayment cycles that withdraw funds unexpectedly, sometimes leaving them short of essentials. One member explained how using these products impacted the cash flow of their bank account: "Payday morning could feel like my paycheck never even existed," they shared, as multiple apps automatically withdrew payments, leaving them without control over their money. Another member shared how Cash Advance trapped them in a cycle: "I was able to make it to payday, but then it would bite me because it would take [the repayment] right back." Others said automatic BNPL payments caught them off guard, forcing last-minute budget adjustments just to cover basic expenses.

This research highlights a critical insight: fintech credit products are more than just innovative financial tools—they can signal underlying financial hardship. The people most reliant on these products often have limited savings, high debt, and unpredictable income. This raises important questions:

- How can we improve financial stability so fewer people need these products in the first place?
- If people do use them, how can these products be designed to support, rather than hurt, financial health?
- What protections and transparency measures are needed to prevent financial harm?

By analyzing survey data, transaction patterns, and qualitative interviews, this brief takes a closer look at the real impact of fintech credit products and offers insights on how to create better, consumer-friendly financial solutions.

AUTOMATED REPAYMENT CYCLES CAN BITE USERS BACK

"Payday morning could feel like my paycheck never even existed... I was able to make it to payday, but then it would bite me because it would take [the repayment] right back."

-SaverLife Member

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Methods

A sequential explanatory mixed methods design was used to answer the research questions. First, a total of 1,319 SaverLife members completed a survey from July 16, 2024, through August 31, 2024, concerning their experiences with various financial products and services, financial health and circumstances, and demographic characteristics. After validating survey responses, a sample of 1,192 member responses was retained for statistical analysis using bi- and multivariate methods. Second, survey results were reviewed to determine topics and lines of inquiry for interviews with 12 members in October and November 2024. Interview transcripts were reviewed and coded to identify key themes related to the research questions. Third, transaction data were analyzed to examine the use of BNPL, Cash Advance, and EWA and how use is associated with the incidence of overdraft fees among 11,957 SaverLife members and across 187,718 member months, for an average of 16 months per member of transaction data analyzed.

Sample Demographic Characteristics

SaverLife members who completed the survey were represented in similar proportions between 25 and 44 years old (47%) and 45 to 64 years old (42%), while 8% were 65 and older, and 3% were 18 to 24 years old. The vast majority of members identified as women (78%). Just over half (51%) of members identified as white, 31% Black or African American, 8% Hispanic or Latino, 5% Asian or Pacific Islander, 4% bi-racial or multiracial, and 1% other identities.

Over half (54%) of members said they were single while 46% lived with a partner or spouse, 54% had one or more children, and 26% identified as living with a disability regardless of employment status. These characteristics are very similar to those of all SaverLife members.

Sample Financial Characteristics

Over a quarter (29%) of members had annual household income below $25,000, 31% had income between $25,000 and $50,000, 17% had income between $50,000 and $75,000, 9% had income of $75,000 to $100,000, and 14% had income of $100,000 or higher. Concerning employment status, 46% and 12% were employed full- or part-time, respectively, 13% unemployed, 11% self-employed, 11% disabled and unable to work, 3% retired, and 4% caregivers. Nearly a fifth (17%) said they did not have a form of health insurance.

Among members who were employed full- or part-time, 80% received at least one employee benefit. On average, members received less than three benefits. The most common benefits were health insurance (68%) and retirement (defined contribution) plans (63%). All (100%) of members said they or a member of their household received one or more public benefits, the most common of which was Supplemental Nutrition Assistance Program (SNAP) benefits (47%) followed by disability benefits (20%). Most members (85%) received just one of these benefits.

Fintech Credit Users Have Worse Financial Health Than Non-Users

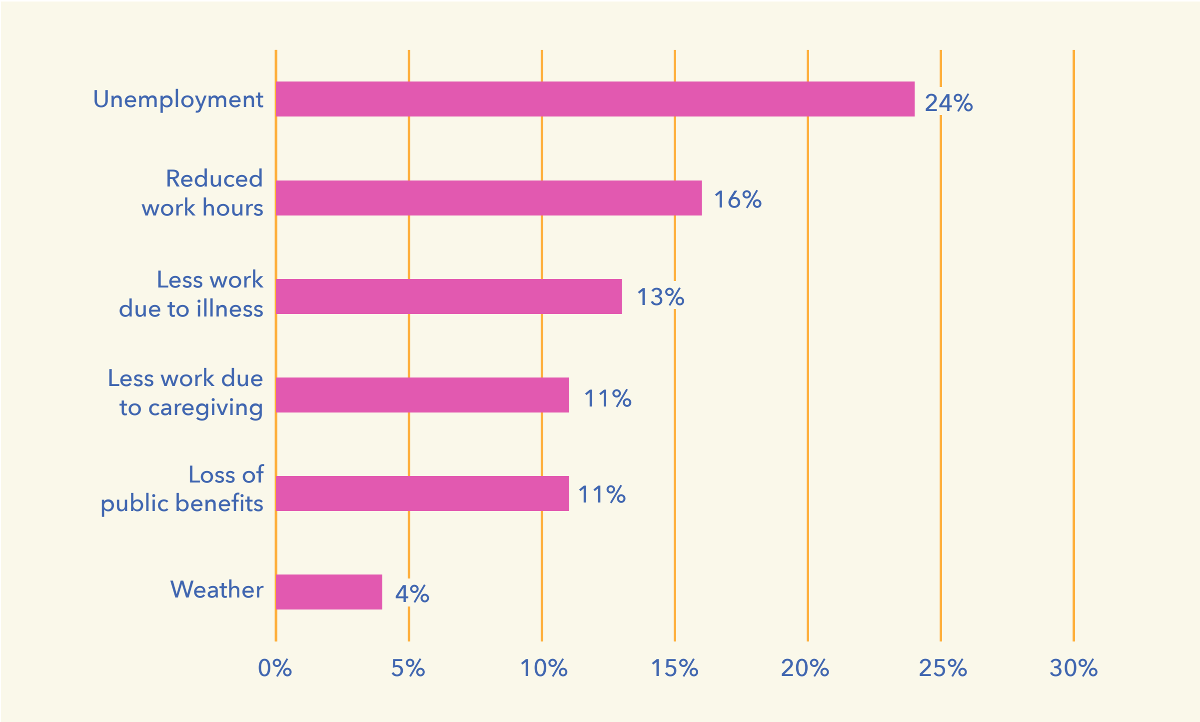
WHEN SAVINGS FALL SHORT: HOW MEMBERS BRIDGE FINANCIAL GAPS

One SaverLife member described turning to EWA because they were short on cash and lacked any savings. Another revealed that a particularly rough year had wiped out all their savings, leaving them scrambling just to cover bills. “I would consider using BNPL because I can’t afford the interest on credit cards,” they admitted, highlighting the steps they have to take to manage their financial obligations.

In considering how the use of fintech credit products relates to SaverLife members’ financial health, an important place to start is with financial circumstances that may relate to product use. Qualitative interviews suggest that for many members, financial hardship is a key driver behind the frequent use of BNPL and Cash Advance/EWA products, indicating that those relying on these products are less financially healthy in the first place. These services often help members navigate limited cash and savings while experiencing unexpected financial shocks. However, they also underscore the precarious situations of those who use them.

The relationship between financial hardship and the use of fintech credit products is further underscored by survey data—members who encounter drops in income and/or large, unexpected expenses may be more likely to use these products to help stabilize their finances. Overall, 53% of SaverLife members said they experienced one or more income shocks in the prior 12 months. On average, members had 1.51 shocks (median = 1). The incidence of specific shocks were as follows:

Figure 1. Types of Income Shocks Among SaverLife Members



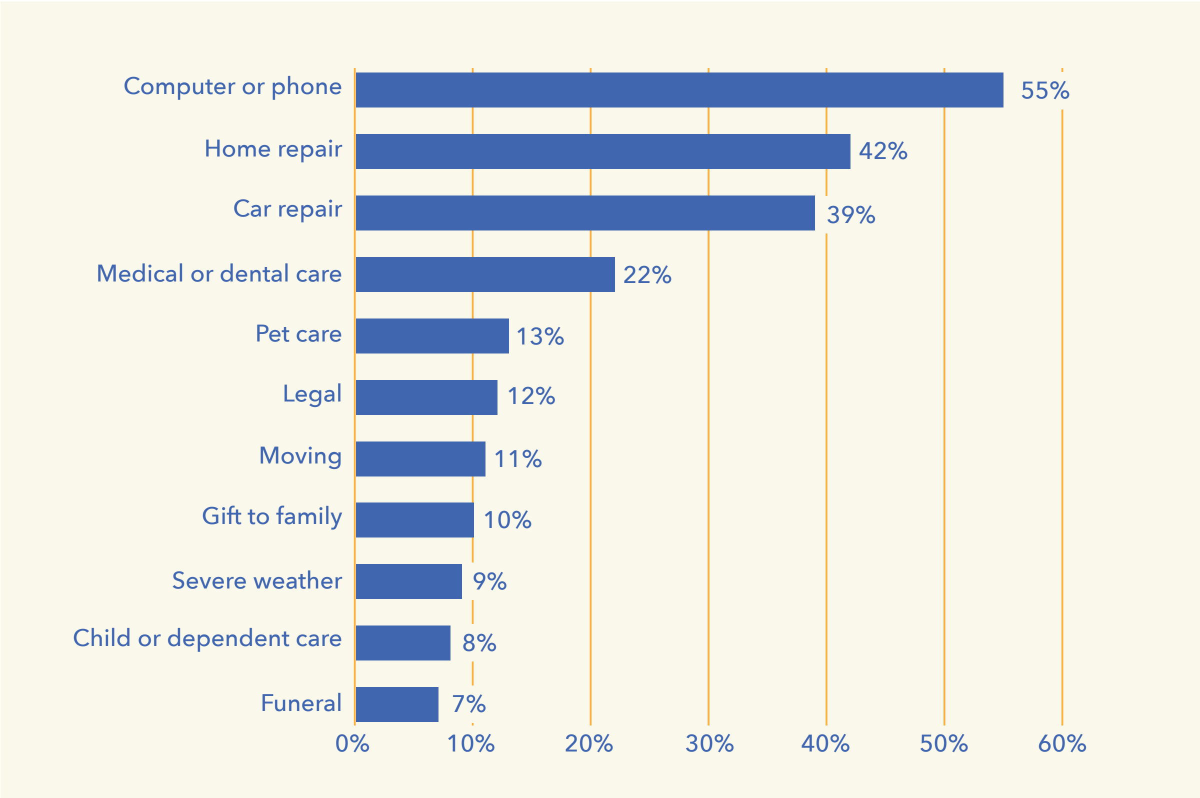
The most common income shock was a period of unemployment, affecting almost a quarter of SaverLife members, followed by a reduction in work hours. Members who experience unexpected drops in income may turn to fintech credit products to help make ends meet.

Results of probit regression models controlling for income and short-term savings showed that experiencing one or more income shocks was associated with a greater likelihood of using each of the three products (BNPL, $p < .01$; Cash Advance and EWA $p < .001$). For example, 60% of BNPL users had one or more income shocks compared to 51% of non-users.

While most (64%) SaverLife members said their income is about the same each month, 29% said it varies somewhat and 8% said it varies a lot. Our analysis reveals a clear connection between income volatility and the use of certain fintech credit products. Even after controlling for factors like income and short-term savings through probit regression models, members with somewhat or highly variable income were significantly more likely to use EWA ($p < .01$). However, this pattern did not hold for BNPL or Cash Advance products.

While income volatility can strain financial stability, unexpected expenses—or expense shocks—add another layer of pressure. Nearly all (98%) of SaverLife members said they experienced one or more shocks in the prior 12 months, highlighting just how common these financial disruptions are. On average, members reported facing 2.36 expense shocks in a year with a median of two shocks. These shocks range from an emergency car repair to medical bills and other sudden costs. The specific types of expense shocks reported by members were as follows:

Figure 2. Types of Expense Shocks Among SaverLife Members



The most common expense shocks were related to repairing or replacing durable goods (computer or phone, home, car) used in daily life; 82% of SaverLife members had to replace or repair one of these durable goods.

The ability to absorb these shocks by using existing resources like income and savings appears to be closely tied to the use of fintech credit products. Probit regression models, which controlled for income and short-term savings, revealed a clear pattern: experiencing one or more expense shocks significantly increased the likelihood of using all three fintech credit products (BNPL, $p < .05$; Cash Advance, $p < .001$, EWA, $p < .01$). To put this into perspective, 85% of Cash Advance users had one or more expense shocks in the past year compared to 74% of non-users. This suggests that members use fintech credit products to navigate financial emergencies when existing resources fall short.

FINTECH CREDIT USE GOES BEYOND ONE-OFF EMERGENCIES

"If I could ever reach a point where I felt financially stable–where I wasn't constantly juggling debt–it would feel so different. Right now, it's like I'm always borrowing from one source to pay another. My parents used to call it 'robbing Peter to pay Paul.'"

-SaverLife Member

Fintech Credit Product Use is a Barometer of Financial Distress

As noted above, financial circumstances have a lot to do with the decision to use fintech credit products. Yet is use related only to periodic events, like a drop in pay, a car repair, or the need to pay a bill before payday? Or is fintech credit product use related to ongoing financial distress? The former scenario reflects the use of Cash Advance and EWA as marketed, while the latter may indicate that ongoing difficulty making ends meet may compel use.

Qualitative interviews with SaverLife members reveal that for many, fintech credit use goes beyond one-off emergencies. Members often described not having enough cash on hand, struggling with debt, and juggling multiple forms of credit just to stay afloat. One member describes the financial instability caused by managing multiple forms of debt saying "If I could ever reach a point where I felt financially stable–where I wasn't constantly juggling debt–it would feel so different. Right now, it's like I'm always borrowing from one source to pay another. My parents used to call it 'robbing Peter to pay Paul.'"

Another described their routine of managing finances by relying heavily on credit cards and BNPL. With maxed-out cards and a low checking account balance, they would use whatever credit was left to make BNPL payments. When credit wasn't available, they turned to Cash Advance to cover essentials like utilities, credit card payments, or BNPL installments. This constant juggling of financial tools was a way to delay using their limited cash reserves, though it perpetuated a cycle of debt.

These personal narratives illuminate the broader trends we observed in the data, illustrating how fintech credit use often signals not just isolated financial shocks but chronic financial vulnerability.

Quantifying Financial Health Gaps Between Fintech Credit Product Users and Non-users

To understand the connection between fintech credit use and financial stress more deeply, we compared users and non-users of BNPL, Cash Advance, and EWA across seven key indicators of financial health (see Appendix 1 for a definition of these indicators). These indicators capture common financial struggles, such as: not having enough money for food, difficulty managing debt, dipping into retirement savings early, and other signs of financial instability.

The findings are striking: SaverLife members who used any of these fintech credit products consistently fared worse across all seven indicators compared to non-users. The following three charts display this trend across the use of BNPL, Cash Advance, and EWA.

Figure 3: BNPL Users Have High Debt and Limited Savings

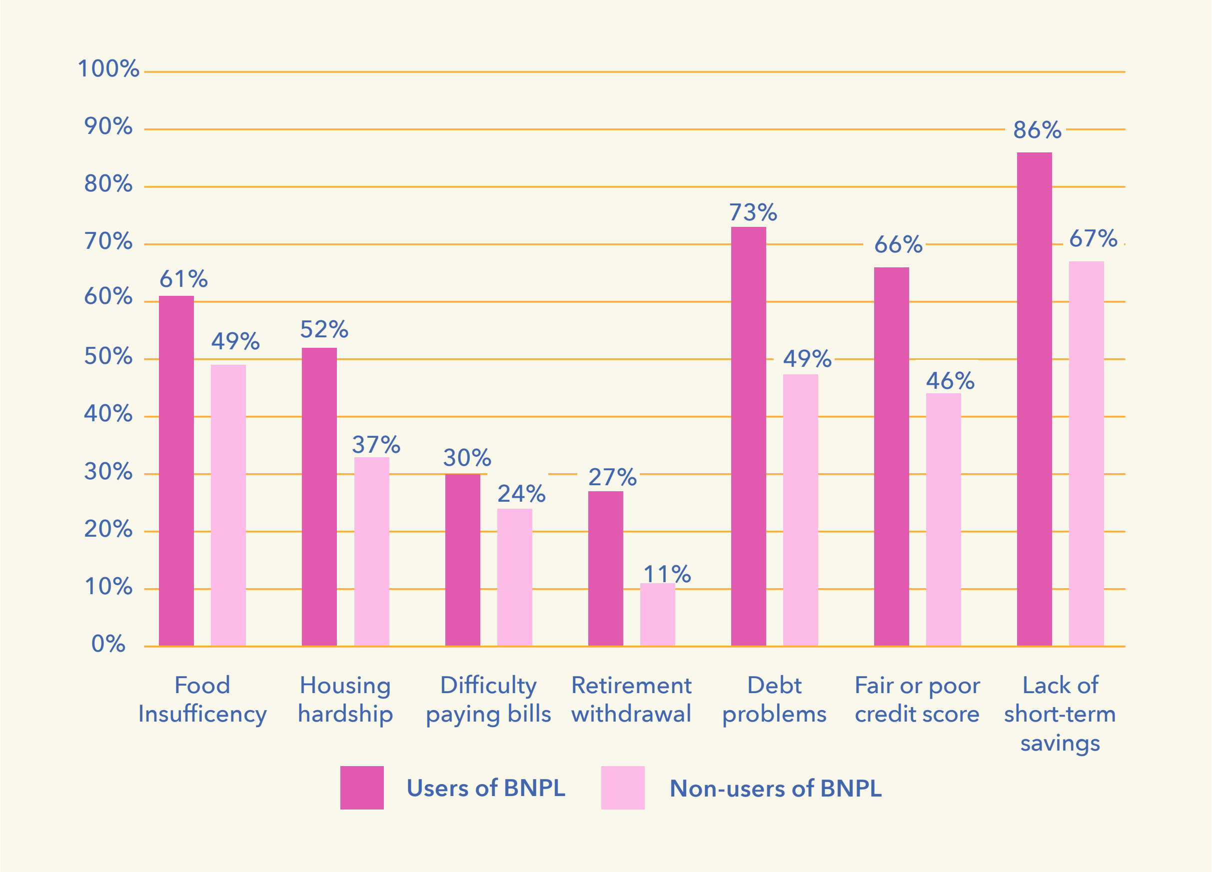


Figure 4: Cash Advance Users Experience High Levels of Financial Insecurity

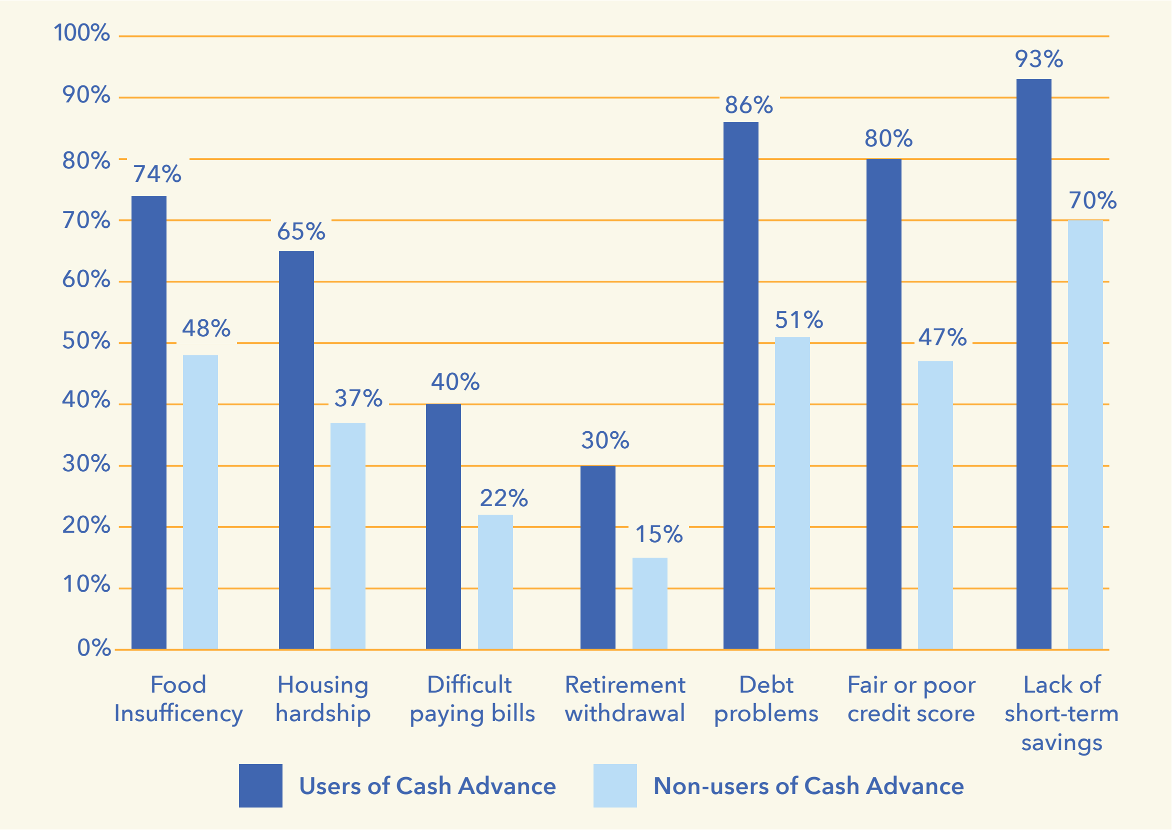
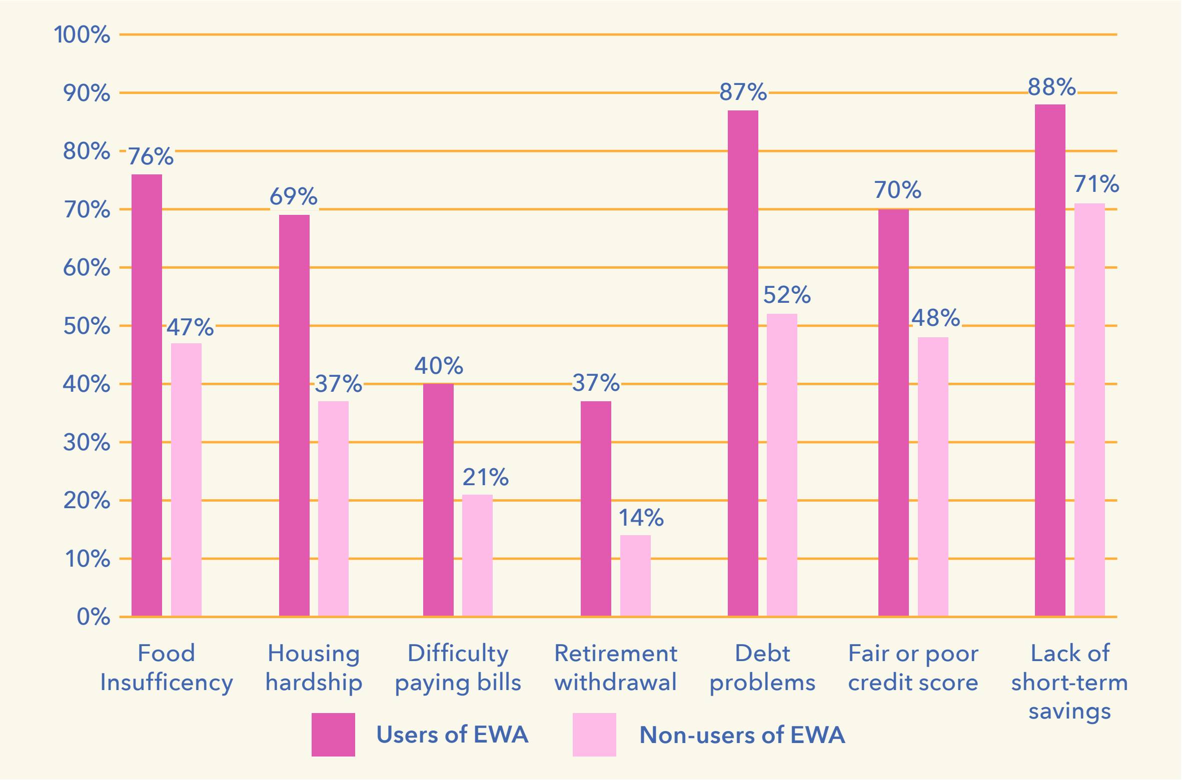


Figure 5: EWA Users Experience Debt Problems at High Rates[1]



1 Members who said that they do not work for an employer that offers this (N=29) or "I'm not sure" (N=213) were excluded from this analysis.

Across all 21 comparisons (7 financial health indicators X 3 fintech credit products) user/non-user differences were statistically significant at $p < .05$ and lower.[2]

This clear pattern highlights a key takeaway: fintech credit users are more financially vulnerable than non-users, regardless of the product. However, the gap isn't the same across all products. The disparities in financial health are most pronounced among users of Cash Advance and EWA, compared to BNPL. This suggests that while BNPL may be used more broadly, Cash Advance and EWA are more strongly associated with ongoing financial struggles.

It's also important to consider that other facts–like income levels and short-term savings–may also influence these differences. However, even after accounting for these variables, fintech credit use remains a strong indicator of financial distress. The results below are from a series of probit regression models that control for the influence of household income (see Brief One, where we note how income is related to the use of these products). We also controlled for age, gender identity, racial or ethnic identity, having children, marital or partner status, living with a disability, having health insurance, and zip code. The table below summarizes our results, showing that the use of fintech credit products is strongly associated with having worse financial health.

Table 1. Results of Regression Models: Use of Fintech Credit Products is Associated With Worse Financial Health

Indicator	Buy Now, Pay Later	Cash Advance	Earned Wage Advance
Food insufficiency	***	***	***
Housing hardship	***	***	***
Difficulty paying bills	ns	***	**
Made a retirement withdrawal	***	***	***
Debt problems	***	***	***
Fair or poor credit score	***	***	ns
Lack of short-term savings	***	***	***

Note: ns = not statistically significant; ** $p < .01$, *** $p < .001$, which indicates that the observed differences are statistically significant with less than a 1% and 0.1% probability of occurring at random, respectively.

Even after accounting for income and other factors, the connection between fintech credit use and financial distress remains clear. Of the 21 relationships between fintech credit products and financial health indicators that we examined, 19 remained statistically significant. This strong pattern suggests that the use of these products is closely linked to poorer financial health, even when controlling for key financial variables.

2 This means that the probability that the differences were due to chance were less than 5%.

Debt Burden and Overdraft Fees Are Higher Among Fintech Credit Users

Building on these findings, we took a closer look at two specific markers of financial distress: debt burden and overdraft fees. Consumer advocates have long raised concerns that fintech credit products like BNPL, Cash Advance, and EWA may worsen debt problems. Our data supports this concern. SaverLife members who use these products are more likely to report problems with debt, such as falling behind on payments or having accounts in collections. To better understand this relationship, we examined how specific types of debt issues are linked to fintech credit use.

Table 2. Debt Problems and Use of Fintech Credit Products

Indicator	Buy Now, Pay Later			Cash Advance			Earned Wage Advance		
	Yes	No	p	Yes	No	p	Yes	No	p
Behind on payments:									
Personal loan	17%	9%	***	30%	7%	***	23%	10%	***
Auto loan	20%	8%	***	25%	10%	***	30%	10%	***
Student loan	19%	9%	***	18%	12%	**	20%	12%	*
Medical or dental bills	22%	14%	**	25%	15%	***	22%	16%	ns
Credit card	35%	17%	***	38%	21%	***	29%	22%	ns
Debt in collection	32%	20%	***	42%	19%	***	34%	20%	***

Note: * $p < .05$, ** $p < .01$, *** $p < .001$, meaning the probability that the observed differences were due to chance were less than 5%, 1%, and 0.1%, respectively.

Across 18 combinations of debt problems and fintech credit products, 16 showed statistically significant differences–indicating that fintech credit users face debt challenges at much higher rates than non-users. Similarly, the total number of debt problems were significantly higher among users compared to non-users. On average, users of these products are 110% more likely to be behind on debt payments and 84% more likely to have debt in collections compared to non-users.

These findings suggest that fintech credit products are not being used as an alternative to other forms of debt, but in addition to existing debt—and that they're part of a broader struggle to manage mounting financial obligations.

Credit Card Use: A Complex Relationship for Consumers

LEARN MORE

As we report in Brief One, members who use BNPL have the same rate of credit card ownership as those who do not, while members who use fintech Cash Advance and EWA are less likely to own credit cards.

Read Brief One

Another piece of the puzzle is how fintech credit products fit into the larger landscape of consumer debt, particularly credit card use. SaverLife members may be using BNPL, Cash Advance, and EWA either as alternatives to credit cards or in addition to them to cover short-term financial needs.

To examine the relationship between fintech credit product use and traditional credit card use further, we asked members about how much they had in outstanding credit card balances[3]. BNPL users had an average balance of $7,229 compared to $4,347 among non-users ($p < .001$). For Cash Advance and EWA users, however, differences in credit card balances were not statistically significant.

We also calculated a credit card debt-to-income ratio, which compares outstanding credit card balances to annual household income. On average, SaverLife members' credit card debt equaled 16% of their income, with a median of 4%, indicating that a small number of members are carrying especially high debt loads.

Interestingly, there were no significant differences in debt-to-income ratios between users and non-users of fintech credit products. This suggests that while some fintech credit users carry high credit card balances, others may rely on these products precisely because they have limited access to traditional credit.

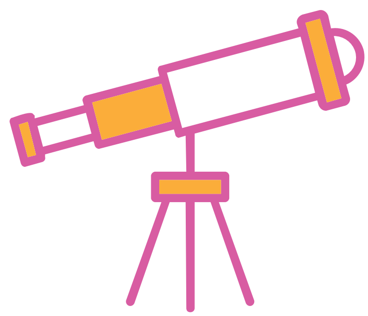
3 We surveyed members about how much they had in outstanding credit card balances, coding the data as the midpoint in the selected range (e.g., $2,500 for the selected range of $2,001 to $3,000). On average, members with credit cards (N=772) had an outstanding balance of $5,692 with a median of $1,500, indicating that a small number of members had especially high balances.

What Transaction Data Reveals About the Use of Fintech Credit Products

While survey and interview data provide valuable insights into the intersection between fintech credit product use and financial health, transaction data provides another level of understanding of real-time financial behavior. To complement the self-reported data from our survey with SaverLife members, we now turn to transaction data captured through the SaverLife platform.

This data reflects real-time financial decisions, capturing both the frequency of fintech credit use and key indicators of financial distress—such as overdraft activity, recurring payments, and cash flow patterns. The data reported in this section is an analysis of checking account data from 11,957 SaverLife members, covering 187,718 months of transaction activity from January 1, 2021 to July 31, 2024[4].

OBSERVING THE FREQUENCY OF FINTECH CREDIT USE



Our analysis finds that fintech credit product use is fairly common among SaverLife members. Nearly two-thirds (62%) of members used one or more of these products at least once over the study period. However, when we zoom in on monthly activity the picture shifts: most members are not using these products frequently and less than a third of active months among users involved multiple transactions.

- **BNPL:** 33% of SaverLife members used BNPL at least once during the study period. Among BNPL users, transactions occurred in 41% of their active months, and in 31% of those months, they had multiple BNPL transactions. On average, BNPL users made 2.42 transactions per month, with an average monthly payment of $80.

- **Cash Advance:** 42% of members used Cash Advance at least once, making it the most commonly used product in this study. For active users, Cash Advance was used in 38% of their months, with 25% of those months involving multiple transactions. On average, Cash Advance users made 1.49 transactions per month, with an average monthly advance amount of $116.

4 These data are from checking accounts only, excluding accounts with less than $500 and more than $20,000 in deposits to approximate primary transaction accounts and exclude accounts through which small business inflows and outflows may be occurring. We searched by provider name to identify BNPL (e.g., Affirm, Klarna), Cash Advance (e.g., Earnin, Dave, Brigit), and EWA (e.g., FlexWage, PayActiv) transactions. Data are not continuous for all members; there are missing months and/or certain months have been excluded due to analytic sampling decisions.

- **EWA:** EWA was the least commonly used product[5], with 18% of members using it at least once during the study period. Among EWA users, transactions occurred in 23% of their active months, and 16% of those months involved multiple transactions. On average, EWA users accessed wages 1.19 times per month, with an average monthly advance of $217.

A little more than a quarter (26%) of members use more than one fintech product simultaneously, even though this may increase repayment challenges. Only 7% of members use all three products:

Table 3. Combined Use of Fintech Credit Products among SaverLife Members

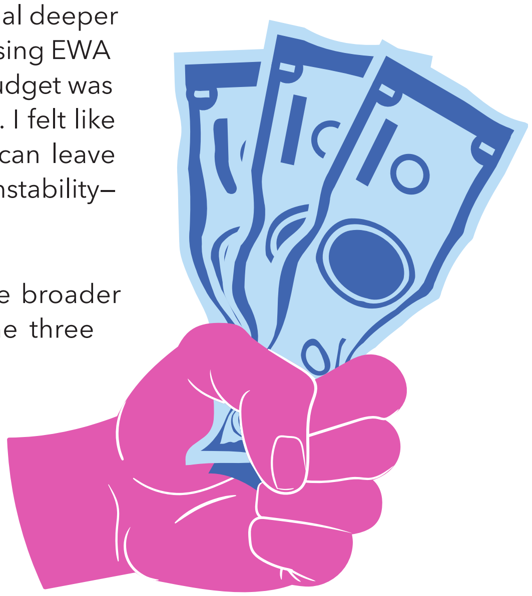
Buy Now, Pay Later (BNPL) only	18%
Cash Advance only	31%
Earned Wage Advance (EWA) only	9%
BNPL + Cash Advance	23%
BNPL + EWA	6%
Cash Advance + EWA	7%
All three products	7%

Note: This includes N=7,439 members who used at least one of these products.

Financial Strain Drives Cash Advance Use

While many SaverLife members use these products infrequently, their experiences reveal the underlying financial strain that leads people to rely on them. Even occasional use of BNPL, Cash Advance, and EWA reflects underlying financial stress, as members turn to these options to manage cash flow gaps. The need to repay these products forces users to constantly adjust their budgets, sometimes cutting back not just on discretionary spending but even on essentials.

While Cash Advance may provide short-term relief, they often signal deeper financial challenges. One member reflected on their experience using EWA and how using the service tightened their monthly budget: "The budget was tighter that month because I didn't want to have to borrow again. I felt like the drawbacks outweighed the benefits." This repayment cycle can leave members short on cash for upcoming bills, reinforcing financial instability—even when these products are used infrequently.



To quantify the experiences of financial strain, we examined the broader patterns of financial strain among SaverLife members using the three

5 That EWA was the least frequently used product reflects that its availability is limited to those who work for an employer that offers it. The amount borrowed for EWA is higher than for Cash Advance, likely because members who use EWA can borrow up to 50% of their wages whereas Cash Advance apps cap advances at lower levels.

fintech credit products examined in this study. To do this, we created a measure of financial strain based on whether the member had positive or negative cash flow in a particular month, and if negative, how severe it was (see Table 4)[6].

Table 4: Financial Strain Score

Financial Strain Score	Monthly Financial Condition
0	No financial strain - monthly income was equal to or exceeded spending
1	Mild strain - monthly income was only slightly lower than expenses
2	Moderate strain - monthly income was moderately lower than expenses
3	High financial strain - monthly income was significantly lower than expenses

These scores reflect the financial stability of each member on a monthly basis. This scoring system was used to determine the degree to which financial strain existed in the month preceding the use of BNPL, Cash Advance, EWA, and/or overdrafts[7].

This analysis of financial strain found that BNPL and EWA use were not significantly related to financial strain in the preceding month. In contrast, Cash Advance use showed a clear connection to financial strain, with usage more likely in months following periods of high financial strain. Specifically, members were more likely to use Cash Advance after experiencing a month with a financial strain score of 3—indicating very low income and high expenses—compared to months with no strain ($p < .01$, $F(3, 2169) = 4.4$). This suggests that Cash Advance is used in response to financial distress, as financial strain typically precedes the use of the product. This suggests that these loans are primarily used to cover past financial gaps rather than to prevent future ones, reinforcing cycles of financial instability.

We also observed a strong link between financial strain and the likelihood of account overdrafts. Overdrafts were significantly more common in months following periods of moderate to high financial strain ($p < .001$, $F(2.7, 1951.75) = 3.14$). Specifically, overdraft incidents increased after months with a financial strain score of 2 ($p < .001$) and were even higher following months with a score of 3 ($p < .05$). These findings suggest that after experiencing financial strain, members often draw down their checking account balances to critically low levels - and pay a heavy price in the form of overdraft fees.

6 Severity was determined based on quartile distributions of account inflows and outflows. A score of 1 was assigned for months in which inflows were one quartile below the quartile for outflows, a score of 2 when inflows were two quartiles below the quartile for outflows, and a score of 3 for when inflows were in the first quartile and outflows were in the fourth quartile, indicating maximum financial strain.

7 Members who had no or uninterrupted credit product use were excluded from the analysis, resulting in an analytic sample of 7,316 members.

Fintech Credit Products Increase Risk of Overdrafts

Members who are experiencing negative cash flow may be spending down account balances to a level that puts them at risk for overdraft fees, which may exacerbate their financial strain as these fees reduce the amount of money members have available to buy groceries and cover other essential needs. To understand overdraft incidence and amounts related to the use of fintech credit products, we completed two types of analysis:

1. A group comparison between those who used one or more fintech credit products and those who did not use these products, focusing on account overdrafts.

2. Whether account overdrafts changed after fintech credit product use (pre-post analysis).

COMPARISON OF USERS AND NON-USERS OF FINTECH CREDIT

Compared to non-users, users of one or more fintech credit products had higher incidence ($p < .001$) and amounts ($p < .001$) of overdraft. The use of each of the three products was also associated with overdraft incidence and amount ($p < .05$). These results mirror the general trend from the survey data showing that SaverLife members who use these products have worse financial health compared to non-users.

CHANGES IN OVERDRAFT BEFORE AND AFTER FINTECH CREDIT PRODUCT USE

The next step was to consider whether overdrafts increased or decreased after members used these products. A decrease in overdrafts could suggest that using these products helped improve cash flow timing for members to help them avoid overdraft fees. An increase in overdrafts could suggest using these products may have made cash flow timing worse, not better. For example, monthly BNPL payments and full repayment of EWA and Cash Advance loans are typically completed automatically, reducing users' bank account balances or paychecks. To consider these outcomes, we examined account overdrafts in the 90 days before and after the initial use of these products. Data were included in this time series analysis only if a member had six months total of uninterrupted transaction data. We found that users of one or more of these products had larger account overdraft amounts in the 90 days after initial product use compared to non-users ($p < .001$). This result may mean using these products makes overdrafts more likely, resulting in fees (usually $30 to $35 per incidence) that may exceed fees charged for fintech Cash Advance and EWA, and eroding the interest savings of using BNPL versus a credit card. However, it is also possible that when members began using fintech credit products, they were starting a financial downslide that continued into the 90 days after use and included increased overdrafts.

Lack of Fee Transparency Adds to Financial Uncertainty

HIDDEN FEES ARE A CONCERN TO MANY MEMBERS

"Of course, there's going to be some kind of fee, but as long as it's not too much—because I'm already in financial distress."

-SaverLife Member

Quantitative data provides a deeper understanding of how members experience other types of fees when using these products. While overdraft fees specifically did not arise in qualitative interviews, hidden fees when using fintech products was a concern to many members. One member explained how late fees and other charges are often poorly disclosed, leading to unexpected costs. They worried that missed payments could result in accounts being sent to collections and harm to their credit scores—issues that users were unclear about when signing up for these services. These occurrences indicate that the use of fintech credit products might indeed make financial health worse. Another member expressed frustration with unclear repayment details; this lack of transparency creates financial uncertainty for users already in precarious situations. For individuals in financial distress, even modest fees can feel overwhelming. "Of course, there's going to be some kind of fee," one member acknowledged, "but as long as it's not too much—because I'm already in financial distress." This highlights how fees further strain those who rely on these products.

Short-Term Relief, Long-Term Struggle: Fintech Credit Use as a Signal of Financial Vulnerability

This study examined the relationship between three fintech credit products—BNPL, Cash Advance, and EWA—and their effects on the financial well-being of SaverLife members. By analyzing self-reported survey data and transaction records, alongside insights from member interviews, we uncovered patterns that reveal how these products are often intertwined with financial instability.

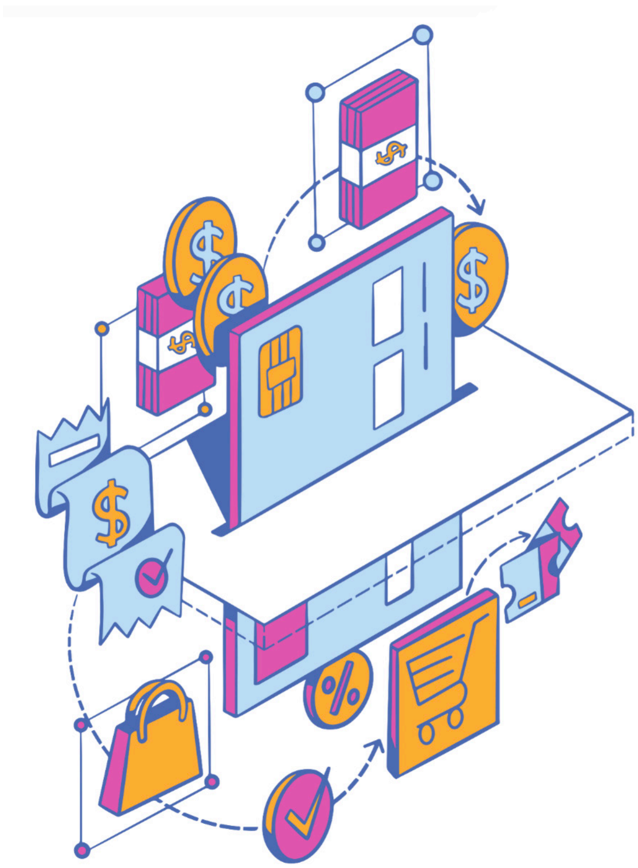
Across the board, income fluctuations and unexpected expenses emerged as key factors driving the use of fintech credit. Members experiencing volatile income or financial shocks were significantly more likely to turn to BNPL, Cash Advance, and EWA to manage immediate shortfalls. However, the data shows that use of these products often coincides with broader financial challenges. Members who use fintech credit consistently display worse financial health compared to non-users, including lower savings, higher debt burdens, and greater difficulty affording basic expenses like food and housing. The gap is especially pronounced among Cash Advance and EWA users, where financial health disparities are wider than those observed for BNPL users, reflecting deeper levels of financial strain.

Interviews with SaverLife members shed light on the personal experiences behind these trends. For many, fintech credit use is not a temporary solution but part of an ongoing struggle to manage limited resources. Members described how BNPL and Cash Advance help them cope with financial shocks when there isn't enough cash on hand, but this often leads to a cycle of borrowing and repayment that's hard to escape.

Another recurring theme was frustration with the lack of transparency in product terms, particularly hidden fees that can catch users off guard and worsen financial stress. While negative cash flow frequently precedes the use of Cash Advance, indicating that use of these products is often a direct response to financial shortfalls, this pattern was less clear for BNPL and EWA users. Nevertheless, members who rely on any of these products face higher rates of overdrafts, both in frequency and in the amounts overdrawn, highlighting the fragile financial conditions that persist even with access to fintech credit.

These findings reveal that fintech credit products often serve as both a coping mechanism and a symptom of broader financial vulnerability. For many members, the use of these products reflects underlying gaps in financial stability, including limited savings and insufficient income to meet basic needs.

Addressing these challenges requires more than just product innovation; it calls for policies and solutions that strengthen financial resilience, reduce reliance on short-term credit, and create pathways toward lasting financial health. In the final section, we map a path forward.



From Quick Fixes to Real Solutions: Reforming Fintech Credit for Good

THE BORROWING CYCLE: BNPL AND CASH ADVANCE

Members described how BNPL and Cash Advance help them cope with financial shocks when there isn't enough cash on hand, but this often leads to a cycle of borrowing and repayment that's hard to escape.

Fintech credit products are clearly playing a role in providing households with financial liquidity, offering short-term credit solutions where traditional financial products fall short. But these products are most commonly used by those already facing financial instability, unpredictable incomes, and mounting debt—raising urgent questions for fintech companies, financial institutions, regulators, and consumer advocates alike. How can short-term credit be provided responsibly without worsening long-term financial health? What role should financial service providers play in designing products that acknowledge and address the precarious financial conditions of vulnerable consumers—without causing further harm? At the same time, we recognize the economic realities at play: the challenge of providing small-dollar credit at scale, the rising cost of living, and the income volatility that drives consumer reliance on these products in the first place.

The following opportunities balance meeting the needs of consumers with responsible innovation, transparency, and balanced consumer protection.

DESIGNING PRODUCTS THAT SUPPORT FINANCIAL STABILITY

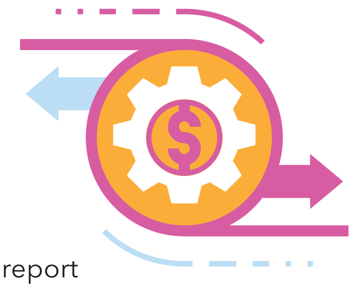
- **Align Repayment with Financial Realities:** Many consumers turn to Cash Advance and EWA to manage cash flow disruptions—the very challenge these products aim to solve. However, balloon repayment structures often leave users struggling to cover essential expenses when repayments are pre-determined and automatically deducted. Flexible repayment options (e.g. considering the ability to repay based on real-time data) can give users greater control over when funds are deducted, reducing the likelihood of overdrafts or the need to reborrow.

- **Design with Guardrails to Limit Unsustainable Borrowing:** Debt stacking is common, with a quarter of users taking out multiple fintech credit transactions in a single month. Providers should implement guardrails (such as the CFPB's suggested guardrails on EWA), including spending caps or transaction limits to help prevent unsustainable borrowing. Since many BNPL users rely on other forms of credit (including credit cards) to make payments, spending limits and affordability checks could promote responsible usage and improve repayment rates. Proactive messaging to a consumer regarding their overall financial picture at the point of decision could help mitigate further harm to one's financial health.

- **Encourage Saving While Borrowing:** Providers should integrate savings mechanisms into their products to help users shore up reserves over time while accessing liquidity when needed (e.g. EarnUp). Features like rounding up transactions or loan repayments for savings can provide a buffer against future financial shocks.

- **Improve Credit Assessments:** Lenders using cash flow-based underwriting models should carefully consider fintech credit usage, especially given the lack of reporting to credit bureaus. A heavy reliance on these products can indicate financial distress rather than responsible credit management. A more nuanced approach to credit assessment can help prevent overextension and support sustainable borrowing.

ENHANCING TRANSPARENCY AND CONSUMER AWARENESS



- **Clearly Communicate the True Cost of Credit:** Consumers often report confusion about fees, repayment terms, and potential hidden risks. Industry standards and regulatory guidance should point to clear, upfront disclosures detailing full repayment amounts, late fees, and potential overdraft risks. In reality, these disclosures are often buried in footnotes or displayed in complex manners that lead to consumer confusion and erode trust. In addition, tipping models may encourage users to pay higher costs than necessary and should be eliminated.

- **Reduce Fees for Expedited Access:** Rapid access to cash is a key part of fintech credit's value proposition, but it should not come at the expense of consumers, who face repeated fees for expedited access. Caps on daily withdrawal amounts (e.g., $150 per day, up to $750 per pay period) may seem like consumer protections but can unintentionally drive borrowers to make multiple transactions in a short period—paying a fee each time. Instead, providers should implement policies that prevent excessive fees, such as bundling transactions over a set period and eliminating unnecessary expedited charges.

- **Pre-Purchase Prompts:** Simple alerts, such as "You already have multiple BNPL loans due. Are you sure you want to add another?" can help users make more informed decisions before taking on additional debt and reducing default risk for providers.

EXPANDING SAFE AND AFFORDABLE CREDIT ALTERNATIVES, INCLUDING THE OTHER SIDE OF THE COIN - SAVINGS

- **Leverage Data to Predict and Prevent Financial Strain:** Considering the enormous amount of customer data that financial service providers house, fintechs and traditional financial institutions alike should use real-time transaction data to identify indicators that detect recurring cash flow shortfalls, preventing hardship, default, and damaged credit. Proactive solutions—such as early intervention tools, low-cost credit alternatives (e.g. Spot Me features), referrals to credit counseling or automated savings transfers—can help prevent overdrafts and reliance on high-cost short-term loans.

- **Expand Access to Affordable Small-Dollar Loans:** Traditional banks and credit unions should expand access to low-interest, small-dollar loans with flexible repayment options. These could serve as safer alternatives to Cash Advance and payday loans and also serve as an opportunity to strengthen an institution's value proposition beyond transactional checking accounts.

- **Strengthen Employer-Based Financial Supports:** Employers increasingly play an essential role in securing the financial stability and health of their workers. Employers should consider modernizing their benefits package to better fit the needs of a growing low- to moderate-income workforce, including offering Earned Wage Access programs and holistic financial wellness benefits (e.g. financial coaching) that help employees manage cash flow without resorting to high-cost credit products. Employers should consider implementing optional provisions under the SECURE 2.0 Act, including out-of-plan emergency savings programs and the emergency expense withdrawal option in addition to employer emergency financial assistance programs (e.g. Canary).

BALANCING REGULATION WITH INNOVATION

- **Ensure Consistency in the Credit Class:** These new fintech credit entrants often fall outside traditional lending regulations (e.g. Truth in Lending Act and Reg Z), leaving gaps in transparency and consumer protections. While the CFPB has issued several interpretive rules deeming these products as similar to credit cards and credit products, regulators should continue to clearly define BNPL, Cash Advance, and EWA and push for similar protections. A more standardized approach in the market would help consumers compare similar credit products and more clearly understand repayment obligations. Providers can also work collaboratively with regulators to ensure their products are upholding consistently transparent terms and conditions despite not falling under traditional regulatory umbrellas.

Protecting and Respecting Consumers

Fintech credit products offer a financial lifeline for many consumers facing income volatility and unexpected expenses. However, they are not a sustainable solution for long-term financial health. Many consumers use these products out of necessity, not choice, highlighting a broader need for structural solutions that address financial insecurity at their root cause.

To reduce reliance on high-cost short-term credit, policymakers, financial institutions, and fintech providers must collaborate to create a system that promotes financial resilience, fosters consumer trust through transparency and fairness, and affords consumers the flexibility that meets their financial realities. This includes expanding access to safer credit alternatives, strengthening savings infrastructure, ensuring transparency in product terms and disclosures and developing consumer protections that ensure fintech innovation serves consumers rather than exploits them.

By prioritizing responsible product design, transparency, and affordability, together we can move toward a financial system that supports stability, security, and long-term financial well-being for all.

How Our Findings Compare to Other Studies on Fintech Credit Products

The Consumer Financial Protection Bureau (CFPB) published a report on the use of BNPL among U.S. consumers in January 2025, finding that 21% of consumers with a credit report had used BNPL in 2022 with an average purchase of $142, and that most users (61%) had subprime or deep subprime credit scores[8]. In the first brief,[9] we reported that 44% of our members used BNPL at least once in the prior 12 months (from mid-2023 through mid-2024) with an average payment of $33 (which is equivalent to an average of $132 in purchase amounts) and in this study, that 66% of BNPL users had a fair or poor credit score. Our findings are very similar to the CFPB report, except that the BNPL use rate among SaverLife members is more than twice that of all U.S. consumers, which reflects that our members have lower incomes, lower credit scores, and less access to other forms of credit compared to U.S. consumers in general. Another reason for the higher usage rate we observed is that the availability of BNPL in retail settings was greater in our study period compared to the CFPB study. Our findings about how members who use BNPL are more financially vulnerable than non-users mirrors the April 2024 findings from the Federal Reserve Bank of Boston which showed that BNPL users have lower credit scores and checking account balances than non-users.[10] Similar to the Center for Responsible Lending's studies on fintech Cash Advance and EWA products,[11] we too find that use of these products as well as BNPL is associated with higher amounts of account overdrafts and the use of payday loans as reported in our first brief.

8 See https://files.consumerfinance.gov/f/documents/cfpb_BNPL_Report_2025_01.pdf

9 See https://saverlife-about.squarespace.com/fintech-for-good

10 See https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx

11 See https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-ewa-loan-shark-oct2024.pdf and https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-not-free-hidden-costs-apr2024.pdf

Study Limitations and Caveats

A general limitation of research SaverLife conducts with its members is that findings are generalizable to our members, but not the U.S. population. Compared to the U.S. population, SaverLife members have lower incomes, are more likely to identify as female, and are more likely to live in the South. In addition, SaverLife members may be different from the U.S. population concerning comfort with and skills in using financial technology and in being motivated to improve their financial health.

A more specific limitation of this research is that with transaction data, we identified BNPL, Cash Advance, and EWA transactions based on the names of providers of these products. The transactions themselves are not labeled neatly as "Buy Now, Pay Later loan payment" or "Cash Advance loan disbursement". Thus, it is possible that our findings concerning the use of these products using transaction data are under-estimated.

While we assessed how the use of fintech credit products is associated with financial health, we did not measure whether using these products caused changes to financial health, whether positive or negative. We found that account overdrafts increased among members in the 90 days after they began using these products, but we cannot rule out that both product use and overdrafts were part of a financial downslide. Determining whether using these products help or harm financial health may be too difficult to assess with certainty, because there are many different potential outcomes to consider. For example, using an advance product could help a member pay for gas or a car repair so they can continue to work and earn income. Or when the advance must be repaid, it would reduce a member's bank account balance and could make it hard to buy groceries until their next payday. While both positive and negative outcomes are possible, one thing from our study is clear: users of these products are much worse off financially compared to non-users, so these products at the very least should do no harm.

Appendix 1

DEFINITION OF FINANCIAL HEALTH INDICATORS

FOOD INSUFFICIENCY

Members were asked, "In the past 12 months, how often did you worry that your food would run out before you had money to buy more?" with response options of Often, Sometimes, Rarely, and Never. This question is a slight paraphrase of a question from the USDA Food Insecurity Survey module. Responses of Often were coded as 1 to indicate food insufficiency, and 0 for all other responses.

HOUSING HARDSHIP

Members were asked, "In the past 12 months, how often were you late paying your rent or mortgage, did not pay the full amount, or did not pay at all?" with response options of Never, 1 time, 2-3 times, and More than 3 times. All responses except Never were coded as 1 to indicate housing hardship, and 0 for responses of Never.

DIFFICULTY PAYING BILLS

Members were asked, "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" with response options of Very, Somewhat, and Not at all. Responses of Very were coded as 1 to indicate difficulty paying bills and 0 for responses of Somewhat and Not at all.

RETIREMENT WITHDRAWAL

Members were asked, "In the past 12 months, have you made any retirement plan or account withdrawals?" with response options of Yes, No, and I do not have a retirement plan or account. Responses of Yes were coded as 1 and 0 for all other responses. Members of retirement age (65 and older) were excluded from this analysis.

DEBT PROBLEMS

Members were asked, "Which of the following situations have you experienced in the past 12 months? Please select all that apply." with a list that included the following:

Falling behind on medical or dental bills
Falling behind on student loan payments
Falling behind on auto loan payments
Falling behind on a personal loan(s) from a bank or online lender
Falling behind on a personal loan from a family member or friend
Falling behind on credit card payments
Falling behind on child support payments
Contacted by a collection agency(s)

Selecting any of the above options was coded as a 1 to indicate debt problem(s), while selecting none of the options was coded as a 0.

FAIR OR POOR CREDIT SCORE

Members were asked, "How would you rate your credit score? Your credit score is a number that tells lenders how risky or safe you are as a borrower." with response options of Excellent, Very Good, Good, Fair, Poor, I don't know, and I do not have a credit score. Responses of Fair or Poor were coded as 1 and all other responses coded as 0.

LACK OF SHORT-TERM SAVINGS

Members were asked, "At your current level of spending, how long could you and your household afford to cover expenses if you had to live only off the money you have readily available, without withdrawing money from retirement accounts or borrowing?" with response options of Less than 1 week, 1-3 weeks, 1-2 months, 3-5 months, and 6 months or more, with responses of less than 3-5 months coded as 1 to indicate a lack of short-term savings at the recommended level of 3 months or greater, and 0 otherwise.