National Consumer Law Center
Fighting Together for Economic Justice

January 13, 2026

The Hon. Bryan Steil
The Hon. Stephen Lynch
Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Statement for the record, Hearing on "Delivering for American Consumers: A Review of FinTech Innovations and Regulations

Dear Chairman Steil and Ranking Member Lynch:

Please accept this statement for the record for the January 13, 2026 hearing on "Delivering for American Consumers: A Review of FinTech Innovations and Regulations" before the Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence of the House Committee on Financial Services. This statement is from the National Consumer Law Center on behalf of its low-income clients.

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness.

Innovations can take many forms. New forms of technology can improve financial services, reduce costs, increase access, and create new opportunities. But the uses of new technologies and business models are not inherently positive. They can also exacerbate old problems, be used to evade consumer protections, and create news risks for both individuals and the economy as a whole. In this statement, we highlight:

- The Committee should oppose the “Earned Wage Access Consumer Protection Act.” The bill would fuel the ongoing affordability crisis by insulating a new form of payday loan that takes hundreds of dollars a year from low-wage workers from any meaningful federal and state protections, including those for servicemembers.

- Buy now, pay later loans, when used sparingly, can offer benefits over credit cards, but the loans have many risks and the business model is to push growing, unaffordable debt onto struggling families. Congress should codify the Consumer Financial Protection Bureau’s 2024 BNPL rule and go farther to protect people from a new form of debt trap.

- Artificial intelligence (AI) will have many positive uses in financial services and will also accelerate dangerous business practices and create new serious risks as yet unknown. Congress should reject bills, such as the discussion draft of the Model Risk Management Modernization Act or H.R. 4801 (Hill), the Unleashing AI Innovation in Financial Services Act, that create “alternative compliance” or “sandbox” programs allowing companies that use AI or other so-called “innovative” products to obtain waivers of federal consumer protection laws. Congress should also support states’ role in our federalist system and oppose President Trump’s efforts to block both red and blue states from protecting the public from dangerous uses of AI.

Payday Loan Apps (so-called “earned wage access services”)

The Committee should oppose the discussion draft of the “Earned Wage Access Consumer Protection Act,” which was noticed for the hearing. **Fueling an affordability crisis**, the bill would protect payday loan apps that **take hundreds of dollars a year** from low-wage workers and would exempt high-cost payday loans from federal and state protections, including those for servicemembers.

A new report by the National Consumer Law Center, *Picking Workers’ Pockets: Unfair, Deceptive and Abusive Practices by Earned Wage Payday Lenders*, exposes the many abusive practices of earned wage payday lenders that take money out of workers’ pockets.

In November, nearly 200 labor, consumer, and civil rights organizations urged you to oppose any bill similar to H.R. 7428 in the last Congress. The current bill is **far worse**; it includes all of the previous flaws and puts them on steroids. The bill:

- **Broadly preempts state laws and oversight,** including all state interest rate, fee and cost limits and most if not all of the new state laws in red and blue states.

- Permits **high fees without limit**, including DailyPay’s “powerful business model” that takes an average of **over $300/year** from low-wage workers and as much as **$1400 over two years,** and protects payday loan apps that **increase overdrafts.**

- **Eviscerates the Military Lending Act** by exempting payday loan apps with such a broad definition that even traditional payday lenders could adapt.

- Permits manipulations that make **free options extremely slow, inconvenient, and difficult to access** (as shown in this video).

- Leaves oversight to the Consumer Financial Protection Bureau at a time when the Administration is **dismantling the CFPB**.

Current law does not prevent people from using payday loan apps. It merely requires APR disclosures for higher-cost loans if finance charges exceed $7.50 for advances over $75 (and $5 below that) and limits costs to servicemembers. **At a time when many families are struggling to make ends meet, Congress should not pass a bill that makes workers pay to be paid and insulates a business model that drains thin wages.**

Buy Now, Pay Later

Pay-in-four buy now, pay later (BNLP) loans are a rapidly growing alternative to credit cards, offered routinely at online checkouts and increasingly for in-person shopping. Used sparingly and carefully, BNPL credit could be a reasonable alternative to paying the full price up front or putting it on a credit card, with interest that can pile on for months and even years.

But BNPL loans carry many risks. A 2025 survey by BankRate found that about half of users experience issues, including overspending, missing payments and regretting a purchase. What looks like free financing can turn into a high cost loan.

BNPL users tend to be younger and are disproportionately Black, Hispanic or female, though usage is growing in other populations. Many users are 'financially fragile' with lower credit scores, higher, often revolving, credit card debt, and higher balances on other unsecured consumer credit. BNPL is not just being used for discretionary purchases. LendingTree found that many people use BNPL to try to make ends meet, including for items like groceries. The risks that BNPL loans pose to these populations make it all the more important to enact strong protections.

Unaffordable debt

BNPL credit can make purchases look cheaper than they are if consumers focus on the initial one-quarter payment rather than the entire purchase price. The full price will typically be due in six weeks, which is little more than a single monthly cycle for rent and other bills. If a buyer cannot afford to make a purchase in full, it is not clear if deferring the payment for six weeks will make the purchase any more affordable, and it may cause problems paying other bills. Studies show that many BNPL users struggle with their finances.

No interest, but late fees and other charges obscure the cost of BNPL

BNPL companies tout the credit as interest free. But some lenders charge late fees, bounced payment fees, and other fees, which can add up to the equivalent of a high annual percentage rate (APR). Other companies are starting to charge monthly subscription fees for the option of "free" BNPL loans. BNPL providers that charge fees that are not included in the APR make it difficult to compare the total cost of BNPL credit to credit cards and other credit options.

Disputes if purchase returned or problematic

People have had trouble canceling BNPL loans for purchases that were returned or did not deliver what was paid for. The Consumer Financial Protection Bureau had said that BNPL providers legally must resolve disputes and errors, but it recently withdrew that interpretation, though the dispute resolution obligations may remain.

Complicated, multiple payment dates

A credit card has a single payment due once a month on a predictable date, regardless of the number of purchases a consumer has made. A consumer who has made four BNPL purchases could have eight or more payments due in a single month, falling haphazardly on different dates depending on the date of purchase. Juggling multiple due dates can be confusing and result in miscalculations that could trigger late fees and overdraft fees.

Overdraft fees

BNPL providers typically require consumers to authorize automatic debits to their bank account or credit card. If the bank account does not have sufficient funds, the payment may trigger a negative balance and an overdraft fee or nonsufficient funds (NSF) fee as high as $35, negating the benefit of "no interest."

Double whammy if BNPL credit is repaid through a credit card

Though most people repay through their bank account, some select the credit card repayment option. One lender requires a credit card. That can be the worst of both worlds: The consumer will likely incur interest, may end up with longer term debt, and still have the risk of late fees on the BNPL loan if the credit card is maxed out and the BNPL payment is rejected.

Unlikely credit building but possible harm to credit scores

Some BNPL lenders report loans to credit bureaus and some newer credit models have been adjusted to account for BNPL's structure. But it is unlikely that reporting will help credit scores in the immediate future. Some large lenders are not reporting, timely payments are generally not considered in credit scores, and reporting would not help under current credit scoring models. But if the consumer defaults on a BNPL loan, the lender or a debt buyer may report the debt, which will definitely harm the consumer's credit score.

Congress should codify and improve BNPL protections

In 2024, the CFPB issued an interpretive rule that clarified that BNPL lenders must comply with some of the core protections that apply to credit cards, including clear account-opening disclosures, dispute rights when you don't get what you paid for or you are charged incorrect fees, and time to pay before late fees or negative credit reporting. In 2025, the CFPB withdrew that interpretive rule, though the withdrawal has little legal significance, and the law remains the law.

Nonetheless, to avoid confusion, Congress should codify the 2024 and should go farther to address other issues, including ensuring that BNPL lenders consider ability to repay, charge only reasonable late fees, respect privacy, use data only in ways that people would expect, and ensure that use of data does not result in discrimination or surveillance pricing. In the absence of strong protections at the federal level, states should also adopt protections for BNPL borrowers, as New York has done.

Artificial Intelligence (AI)

The use of AI in the financial sector has the potential to reduce costs, improve efficiency, detect and prevent fraud, and increase the access, quality, and choice of financial services and products. But these potential benefits for consumers, customers, investors, markets, and the financial system can only materialize if people are protected from the many risks of AI in financial services through the consistent application and enforcement of federal civil rights, consumer protection, investor protection, market integrity, and financial supervision statutes and regulations.

AI poses widespread risks to families. AI systems can improperly deny people credit, jobs, and housing, freeze access to your money, violate your privacy, and enable imposters to take money out of your account. Opaque AI systems need guardrails and oversight to make sure they do not discriminate against people based on race, age, gender, religion, and many other factors, such as living in a rural area or where people shop. AI can violate our privacy, steer us to dangerous products, give us false information, and result in surveillance pricing with people being offered different prices based on private data and hidden reasons.

Just as the internet transformed financial services, virtually all products and services already use or soon will use AI. The mere fact that a product uses AI provides no justification for relieving it of the obligation to comply with federal or state consumer protection laws and requirements, just as the use of the internet is no excuse for violating consumer protection laws.

Congress must oppose bills like the discussion draft of the Model Risk Management Modernization Act, noticed for this hearing, or H.R. 4801 (Hill), the Unleashing AI Innovation in Financial Services Act, that create "alternative compliance" or "sandbox" programs allowing companies that use AI or other so-called "innovative" products to obtain waivers of federal consumer protection laws. Congress must also reject President Trump's effort to block states that, on a bipartisan basis, have passed laws to protect people from problems caused by AI.

With Congress unwilling to pass legislation protecting people from AI and this Administration gutting our consumer protection agencies, states are essential to protecting the public.

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Thank you for the opportunity to submit this statement for the record.

Yours truly,

Lauren Saunders
Associate Director
National Consumer Law Center
On behalf of its low-income clients