



## Holiday Shopping & Homebuying: How “Buy Now, Pay Later” Can Impact Your Mortgage Approval

The holiday season brings excitement, generosity, and a whole lot of shopping. With deals everywhere and gift lists growing by the day, it is easy to turn to Buy Now, Pay Later (BNPL) services like Klarna, Affirm, Afterpay, and PayPal Pay in 4 to stretch your budget.

These programs can feel like a lifesaver during December, helping you scoop up presents without paying the full amount upfront. But if you are planning to buy a home in the near future, those small payment plans may carry bigger consequences than most people realize.

### 1. BNPL Increases Your Debt-to-Income Ratio (Even If the Payments Are Small)

Mortgage lenders look at your debt-to-income ratio (DTI), a key factor that determines how much you can qualify for.

Many shoppers assume BNPL is not real debt since it feels flexible and interest-free. But lenders see it differently. BNPL installments often show up on your credit report or bank statements, and underwriters must count them as monthly debt obligations.

Even a few small holiday-related payments can reduce your buying power.

### 2. Some BNPL Accounts Now Report to Credit Bureaus

Historically, BNPL did not affect credit. But that is changing.

Depending on the company and the type of plan you choose, your BNPL activity may now appear on your credit report, both the good and the bad: late payments may hurt your score, too many BNPL accounts can lower your creditworthiness, and inconsistent usage may trigger red flags for lenders.

### 3. Your Bank Statements Tell the Full Story

Even if BNPL does not hit your credit report, underwriters analyze your bank statements. They look for recurring payments, cash flow issues, signs of strained budgeting, and unverified or unusual withdrawals.

### 4. BNPL Can Lead to Over-Spending

Because it feels painless, holiday shoppers are more likely to purchase items they would not normally buy when the cost is split into installments.

When mortgage lenders review your financial profile, they are looking for stable, predictable, responsible spending. If December turns into a blur of BNPL plans, it may paint a different picture.

### 5. High BNPL Usage May Require Letters of Explanation

If your statements show many BNPL transactions, underwriters may request clarification on what the charges were, proof that they are paid off, and verification that they are not ongoing obligations.

How to Shop Smart This Holiday Season (and Still Prep for Homeownership)

- Limit BNPL usage to essentials you can pay off quickly.
- Avoid multiple active BNPL accounts.
- Choose debit or credit when possible.
- If you plan to buy a home soon, talk with your lender early.

### The Bottom Line

BNPL can be a helpful tool when used mindfully, especially during December's holiday rush. But if you are planning to buy a home soon, understanding how these services impact your mortgage approval helps you stay confident and prepared.