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Paying in Installments: Student Parents and the Rise of Buy Now, Pay Later

Alexandra Penrose
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Introduction

Buy now, pay later (BNPL) services have become increasingly popular as economic conditions continue to shift, and many Americans struggle to cover basic expenses.[1] A 2025 report from the Consumer Financial Protection Bureau (CFPB) documented rapid growth between 2019 and 2022, with daily applications increasing more than tenfold and daily purchase volume rising from less than $7 million to nearly $100 million.[2] The number of BNPL users in the United States reached roughly 69.2 million in 2022 and is projected to reach 96.3 million by the end of 2026.[3] This widespread adoption is only part of the picture. The CFPB found that 63% of BNPL borrowers held multiple BNPL loans at the same time in 2022, and 33% of these borrowers carried loans across multiple platforms.[2]

BNPL services, offered by providers such as PayPal, Klarna, and Affirm, allow consumers to divide large purchases into short-term installment payments that carry no interest as long as each payment is made in full and on time. Missed or partial payments can trigger late fees, and some longer-term BNPL plans carry interest from the start. That structure makes BNPL particularly appealing to individuals experiencing financial insecurity or difficulty managing monthly expenses, a group many postsecondary students fall into, especially for students with dependents.[4] Recent increases in use among lower-income households and families with children raise additional questions about how postsecondary students balancing educational, financial, and family obligations engage with these products.[5]

The Student Financial Wellness Survey (SFWS) from Trellis Strategies offers a baseline for understanding BNPL use among students. In the 2025 SFWS, almost one in four



undergraduate students reported using BNPL as a credit source (23%). That share nearly doubled at 44% among students who were caregivers or legal guardians to a child or children. To understand that gap, this brief provides a closer look at the financial pressure student parents are managing.

Key Findings

- Nearly half (44%) of students who are caregivers or legal guardians to a child or children reported using buy now, pay later (BNPL) in 2025, more than double the rate of their non-parenting peers (19%).
- Student mothers (47%) were more likely to use BNPL than student fathers (34%).
- BNPL usage was highest among Black and Hispanic student parents (51% each).

How BNPL Debt Adds Up

National data show that BNPL use is often repeated, with the average user taking out approximately six loans per year.[2] While average monthly payments for individual loans range from around $135 to $289, the cumulative effect of multiple open loans over time can be substantial.[3,6] The average BNPL user borrows around $2,085 across multiple purchases.[3] Although, these loans are marketed as interest-free, they still carry financial risks, including late fees for missed payments and interest that will start to accrue if the loan is not paid within the payment window (e.g., PayPal Credit offers six months of interest-free financing). As a result, how borrowers manage repayment can have lasting effects on their financial stability. The 2026 Student Financial Wellness survey includes a question asking participants about their on-time BNPL payment behavior, which will provide future data on repayment patterns and potential financial strain.

Financial Instability for Student Parents

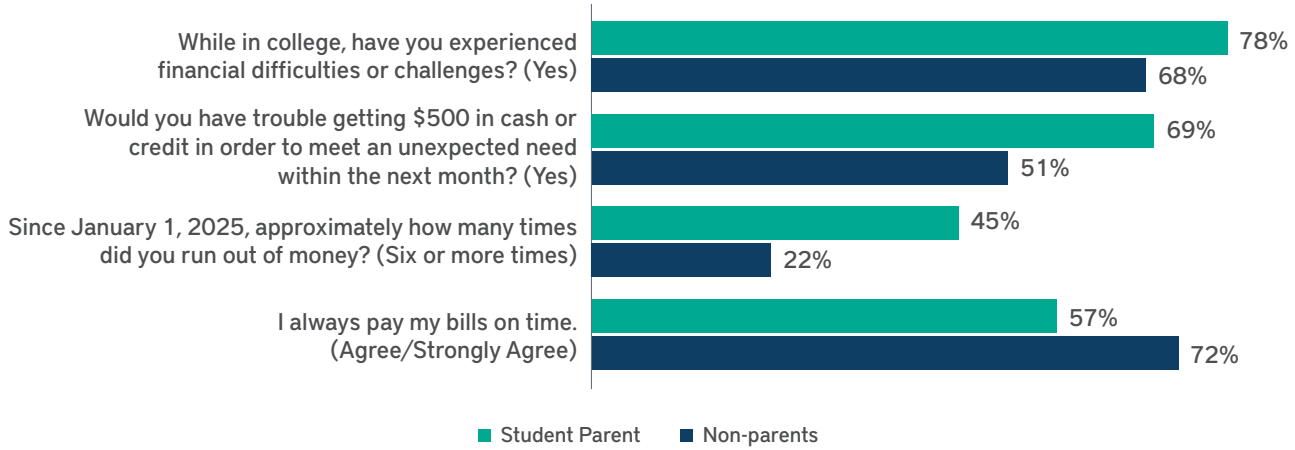
In the 2025 SFWS, 15% of respondents reported being a caregiver or legal guardian to a child or children, and close to half of those students were using BNPL as a borrowing source (44%), compared to just 19% of non-parenting students. Similar gaps appeared across other credit sources, including credit cards, payday loans and auto title loans. This is not surprising, as most student parents faced financial challenges during college (78%) and did not believe they could obtain $500 in an emergency (69%). Almost half of student parents also reported running out of money six or more times (45%), pointing to a need for borrowing options that don't come with high interest rates. That strain can be carried over into repayment where 29% of student parents reported that they do not always pay their bills on time, compared with 12% of all undergraduates. Additionally, 44% of student parents felt their overall debt was unmanageable.

Most student parents in the 2025 SFWS agreed that it was important to financially support their family while attending college (87%). Balancing those responsibilities often meant difficult financial tradeoffs, and many student parents may take on additional debt to support both their education and their families. Our data found that 71% of student parents had experienced at least one form of basic needs insecurity, which can push students toward higher-interest credit options, a pattern research has linked to a higher risk of stopping out.[7,8] However, these financial challenges looked different across the student parent population, especially in repayment behavior, financial strain and basic needs security.

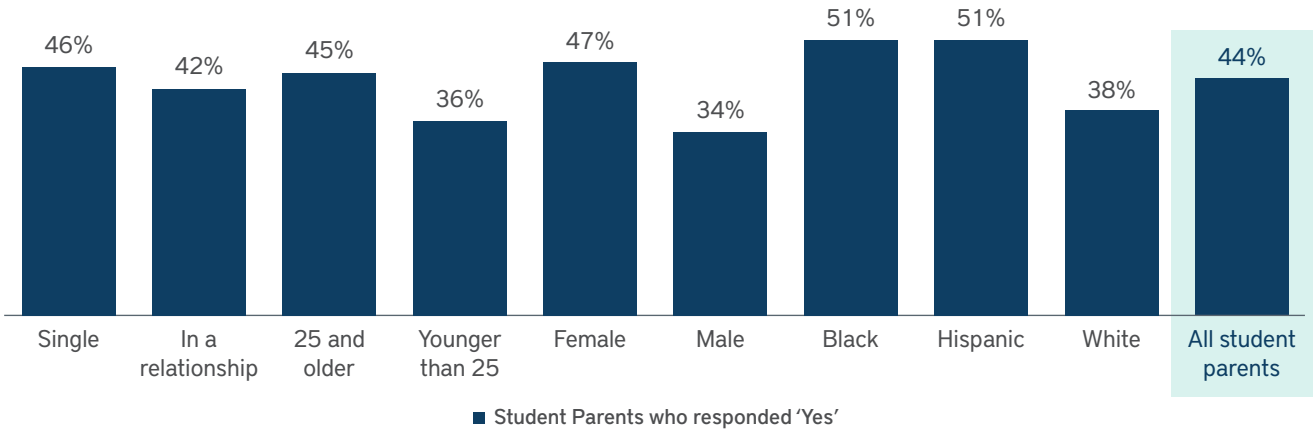
Differences Among Groups

Borrowing among student parents seemed to be less of a matter of choice and more of a response to persistent financial instability. Looking at credit card use, nearly all student parents who used a credit card relied on it to cover everyday expenses (91%), highlighting a dependence on credit to afford basic necessities, including housing, food, and transportation. This was consistent across student parent demographics, as the rates of reliance on credit cards for basic needs were high regardless of gender, race and ethnicity, age, or relationship status. Based on our data, BNPL loans seem to have also become a common tool for managing expenses, but reliance is not distributed evenly across these populations as it is for credit card use. Findings from the 2025 SFWS showed that while financial hardship and BNPL use was widespread among student parents, it was disproportionately concentrated among those who were single, female, older, and Black or Hispanic. The variations in BNPL use across student parent populations may point to an uneven distribution of financial strain, as some groups demonstrated substantially greater reliance on short-term credit than others.

Experiences of financial adversity in the 2025 SFWS



Q58: Buy Now, Pay Later Services - Since January 1, 2025, have you used the following borrowing sources?



Most single student parents (83%) and student mothers (80%) were more likely to report financial challenges, and most could not obtain $500 in an emergency (81% and 75%, respectively). There were also noticeable differences in financial repayment, with nearly a third of older student parents (those who are 25 years of age or older) reporting that they do not always pay their bills on time (31%). Older student parents were more likely to carry revolving credit balances, with almost a third struggling to manage their overall debt (33%). In addition, a vast majority of single student parents reported experiencing basic needs insecurity (82%), and this number was highest among Black (79%) and Hispanic (70%) parenting respondents.

However, even where hardships tended to be lower, borrowing remained widespread. For example, a majority of student fathers reported having financial difficulties (70%) but were less likely to report basic need insecurities (64%) – while these are still high numbers, they are the lowest across parenting student populations. Similarly, just over a third of student fathers reported running out of money six or more times (36%), compared to 45% of all student parents. While they may have experienced financial hardship less frequently, most student fathers reported using credit cards (70%), and of those who did, almost all also stated they used them to pay for basic needs (90%). This is an indication that shared household resources do not eliminate financial strain but may instead shift how it is managed through credit.

Across all groups, the pattern is consistent: students facing the greatest structural and financial vulnerabilities are more likely to rely on some form of credit source, such as BNPL, to meet their essential needs, despite having the lowest capacity to manage repayment. The immediacy and flexibility of BNPLs are appealing and enable students to meet basic needs despite insufficient cash on hand. However, because these tools only provide temporary relief, they may extend rather than resolve financial strain, especially for those already cycling through periods of resource depletion. While financial literacy and self-efficacy can ease some pressures, they cannot fully offset the structural strain these students face.[9,10]

What Does This Mean?

Buy now, pay later use among student parents should not be seen as a reflection of financial irresponsibility, but rather a form of gap management under sustained financial constraint for those with dependents and fixed, non-negotiable expenses. Over time, this pattern can carry broader academic and economic consequences. Persistent financial precarity is commonly associated with reduced cognitive bandwidth and lower-quality academic work, increasing the risk of mistakes and poor grades.[10] Without intervention, BNPL may function less as a bridge to stability and more as a mechanism that maintains or deepens existing financial insecurities. This dynamic is especially concerning given the clear links between financial precarity, mental health strain, and academic performance, raising the likelihood of course failure, extended enrollment, or stop-out.

Financial education alone is not enough to address the root causes of financial stress.[9] Instead, postsecondary institutions and policymakers should focus on structural interventions that directly reduce financial instability and reliance on short-term credit. This includes expanding need-based grant aid, scaling emergency financial assistance programs, increasing access to affordable childcare, and strengthening basic needs support. There is a need for safer, more regulated short-term financial options that protect borrowers from the cycle of accumulating debt while still meeting the need for immediacy. Reducing reliance on BNPL and other credit sources requires more than improving how students manage money; it requires improving the financial conditions under which student parents are asked to learn, work, and care for their families.

Endnotes

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