Avoid predatory rent fees: What consumers should look for when splitting rent in two interest-free payments to help manage their finances

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By John Pitts, VP of Government Relations, Public Policy, and Social Impact

Rent is typically the most predictable and often largest bill people have. It's also one large lump sum, often due on the first of the month.

Several products allow consumers to split their rent into multiple payments. The problem is that some of those products saddle consumers with additional costs or allow debt to snowball. A recent report from Protect Borrowers documents cases where some products use "hidden fees and contractual traps to take advantage of consumers" with effective interest rates that "exceed 180 percent."

Being financially blindsided by hidden fees and/or still paying January's rent in March is not solving affordability, it's stacking debt. That's why our products are structurally different. There are no late fees or hidden charges with Affirm, ever. Consumers are not able to borrow from Affirm if they still have an outstanding balance from the prior month.

People who want to break up their rent into smaller payments should not have to worry about owing far more than their original rent.

With Affirm, they don't have to.

Affirm's core business philosophy is to align our interests with those of consumers. We never charge late fees. When a payment is late, we lose money. Every transaction is underwritten individually to assess whether it can be repaid responsibly before it's approved. And the cost and payment schedule are shown upfront, before someone decides whether to transact.

Our pilot with Esusu

In line with our mission to build honest financial products that improve lives, we are exploring whether we can offer consumers who want to split rent a way to do it without any junk fees. We recently partnered with Esusu on a limited pilot program that allows eligible renters to divide their rent into two, biweekly, interest-free payments, with the balance repaid within 30 days.

With Affirm's option, there are no gotchas: no interest, no late fees, no surprises. We do not allow consumers to continue borrowing if they have an outstanding balance from the prior month. If you fall behind, you can't take on more and we lose. Not only does this prevent debt from becoming a runaway train but it also incentivizes to only approve people that are willing and able to repay.

Life doesn't always line up neatly with a calendar. Financial products should recognize that reality, not punish and take advantage of it. We're testing this offering with Esusu to help eligible people manage their finances responsibly by dividing what is often their month's largest expense into two equal, interest-free installments. This can provide needed flexibility, help people stay on track, and reduce short-term strain *without increasing the total cost of rent*.

Setting high standards for borrowers

Consumers rely on credit across their financial lives. But that doesn't mean they should be offered *bad* credit products. Using credit to responsibly plan and manage your finances means understanding what is being offered, and under what terms, in order to make an informed decision.

Unfortunately, the report from Protect Borrowers shows that, for some products, these costs aren't clear. Worse, some of them have consumers think they're signing up for a flexible repayment schedule only to incur significant extra costs or risks.

Affirm was built to be the antithesis of that. We believe financial products should be transparent, with incentives aligned to consumers' success. They should allow consumers to choose structure over stress.

That's the standard we've always set, and the one we will keep.

Disclosure:

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