



A higher standard for credit—without fees

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The hidden costs of the consumer credit system are under fire at the moment and for good reason. Too many people are paying extra costs they never agreed to, through fees that they don't expect but can't avoid.

This is bad for the consumer: the real cost of credit stays out of sight until it's already too late to say no. And it also creates doubt that credit providers can lend in a fair and honest way.

Credit done right can be one of the most useful financial tools that a person has. That means showing the full cost up front, with no added fees.

This is how Affirm operates, because we believe success in credit comes when the borrower and the lender have aligned interests. We built our business to win only when they do. If they don't pay us back, we don't make money.

Consumer advocates and policymakers are starting to focus on fees as the key flaw in the credit system, a flaw we were founded to disrupt. We know how hard that system is to change. There seem to be endless new fees lurking in the dark, from traditional credit card issuers to newer fintech lenders.

These fees range from the punitive—like a stinging fine for someone who is a day late—to the exploitative—like the cost to "snooze" your due date by a few days. And credit cards, of course—which many conversations may omit simply because they've been around so long—impose heavy fees on consumers: 53% of Americans, for example, are impacted by deferred or compound interest that swell a balance left unpaid.

Good credit works the other way. It is designed to work with the borrower, not against them. The borrower gets money they can repay on terms they understand, and the lender is paid when, and only when, the loan is paid back.

That's Affirm: no late penalties, no deferred interest, nothing hidden, the whole cost shown in clear terms, real dollars and cents, before anyone agrees to the loan. When we charge interest, we charge simple interest, so the amount owed stays the same.

We don't ask consumers to be perfect, and no one can promise they'll never fall behind. So we treat a missed payment as our risk to carry, not a fee to collect. That forces us to underwrite precisely, lending only what we believe someone will actually repay. It should be no surprise that the vast majority of Affirm payments are made on time.

The borrowers behind those payments are not in crisis. Roughly 70 percent of the people who pay over time with Affirm are near-prime, prime, or superprime, with an average balance of around \$700. These consumers are careful, managing their money with purpose and planning.

The far heavier weight on American households is the credit card. The average household now carries nearly \$11,000 in revolving debt, on a product built to earn the most when the balance goes unpaid. Any honest conversation about protecting these borrowers has to start with these costs, to people and the economy.

The standard should be simple. No surprise fees, the full cost shown upfront, and a real check on someone's likelihood of repaying. That means declining when they can't. We'd welcome Congress holding every lender to it, credit cards included. Honest lenders can clear that bar. And those that can't, shouldn't be protected.

The consensus is now zeroing in on fees as the problem. We're keeping ours where they've always been: at zero.