



Rethinking the APR

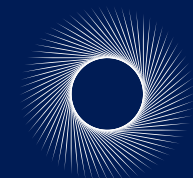
Modernizing Credit Disclosure for a Changing Lending Market

OCTOBER 2026

Mandala research commissioned by Block

Contents

Executive summary	3
Americans are increasingly using short-term credit, however they are bound by outdated disclosure requirements	4
The APR disclosure regime was developed almost 60 years ago, and does not reflect today’s diverse credit system	9
APRs can misrepresent borrowing costs, particularly for short-term credit products, potentially pushing consumers to higher-cost alternatives, limiting credit access	16
Alternative disclosure requirements could better protect and support consumers in the modern credit landscape	22



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Note: All dollar figures are US dollars unless indicated otherwise.

Executive summary

Americans are increasingly using short-term credit, however they are bound by outdated disclosure requirements



3.4x the number of Americans have started using Fintech products over the last decade



The APR was established in 1968 as a disclosure requirement in the Truth in Lending Act (TILA)



90% of states have legislated APR caps for short-term consumer products

The APR disclosure regime was developed almost 60 years ago, and does not reflect today's diverse credit system



32% of consumer credit flows to products that largely did not exist in 1968



79% APR considered reasonable on average, when respondents were asked to identify the fair cost for a 6-week loan, which is above the APR cap in most states

APRs can misrepresent borrowing costs, particularly for short-term credit products, potentially pushing consumers to higher-cost alternatives, limiting credit access



13x higher costs can be implied when APRs are used to estimate the actual cost of a short-term credit product



Disclosures can influence behavior With survey data demonstrating the ranking of identical products changes when exposed to different disclosures



31% of respondents 'very confident' they could explain what an APR was in a self-reported survey

Alternative disclosure requirements could better protect and support consumers in the modern credit landscape



Foundational principles of TILA were based on increasing the **comparability**, **comprehension** and **transparency** of the American credit market



A modern framework should build upon TILA principles, ensuring consumers continue to have **access** to innovative credit products



A more flexible approach that allows for different disclosure approaches for short-term credit products may better meet the needs of the modern borrower



1

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4

Alternative disclosure requirements could better protect and support consumers in the modern credit landscape

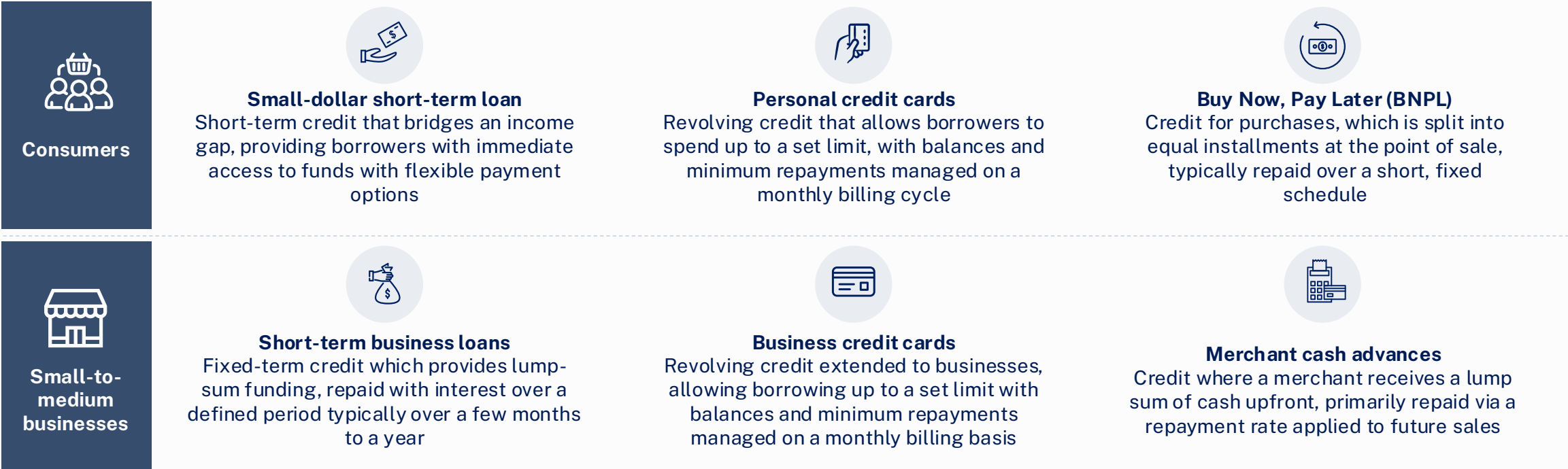
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Appendix

Consumers and small and medium-sized businesses (SMBs) increasingly rely on a diverse range of small-dollar short-term credit products

Examples of commonly used consumer and SMB small-dollar short-term credit products

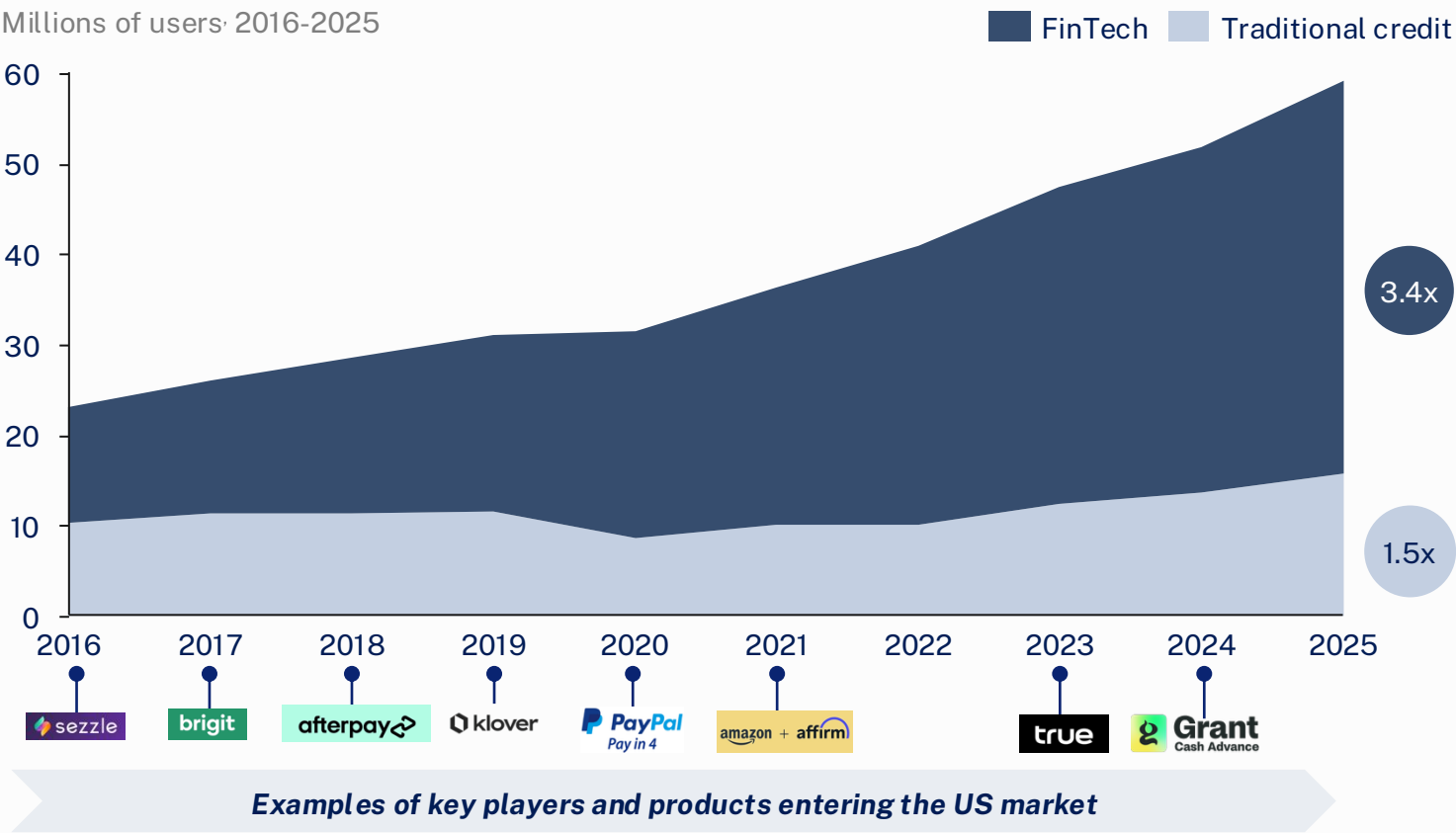
Small-dollar short-term credit products typically refer to loans under \$2,500¹ for consumers and \$50,000² for small businesses, with a duration of less than 12 months. These products have grown significantly in popularity, reflecting evolving consumer needs and broader shifts in the credit landscape.



1. Based on the definition of ‘small dollar loan programs’ in legislation such as Cornell Law School (2010) Grants to establish loan-loss reserve funds. 2. Based on the US Small Business Administration definition of ‘microloans’ at SBA (2024) Microloans.
Source: Bizcap (2026) When is a short-term business loan better than bank loan?; Board of Governors of the Federal Reserve System (2026) “Buy Now, Pay Later” Beyond “Pay in 4”, A Comprehensive Product Overview; CNBC Select (2026) Best merchant cash advances; Federal Trade Commission (2024) Payday Lending; US Chamber of Commerce (2026) How credit cards keep America’s small businesses running strong; US News (2025) How do credit cards work?; Mandala analysis.

FinTech platforms are helping to meet the demand for short-term credit, with users of these platforms more than tripling over the last decade

Short-term credit product users over time, by provider type¹



- FinTech refers to **technology-enabled changes in the delivery of financial services** through new business models, applications, processes and/or products
- **FinTech users grew by 3.4x** (from 12.7M to 43.6M) between 2016 and 2025, more than double the 1.5x in traditional credit (from 10.3M to 15.6M).
- **Consumers increasingly choose fintech products** for the flexibility and choice they offer.
- **The Federal Reserve Survey of Household Economics and Decision-making suggests the top reasons consumers use BNPL products include:**
 - Wanting to spread out payments
 - Being the only way to afford a purchase
 - Avoiding interest charges
 - Having convenience
 - Avoiding credit cards

1. For people who report using the credit product in the past 12 months. Volume is based on the number of survey responses, scaled to the U.S. population using the survey weights. FinTech captures Buy Now, Pay Later. Due to BNPL only being included in the survey from 2021, 2015 to 2020 usage is back-projected using the 2021-2025 growth rate. Traditional credit captures payday and pawn loans.

Source: Board of Governors of the Federal Reserve System (2026) *Economic Well-Being of U.S. Households in 2025*; The Federal Reserve (2026) *Survey of Household Economics and Decision-making, 2015-2025 Survey Data*; World Bank & IMF (2018) *The Bali Fintech Agenda*; Mandala analysis.

Consumer credit products in the US are required to disclose an Annual Percentage Rate (APR), intended to support consumer decision-making

Overview of APRs



What is an APR?

An **Annual Percentage Rate (APR)** represents the total annual cost of borrowing money, including both the interest rate and any additional fees charged.

It is calculated using the formula below.¹

$$APR = \left(\frac{(Interest\ charges + fees) \div Loan\ amount}{Number\ of\ days\ in\ loan\ term} \times 365 \right) \times 100\%$$



What are APRs intended for?

APR disclosure requirements and finance charges were established under the **Truth in Lending Act (1968)**. APR was intended to provide a standardized disclosure requirement for **comparing borrowing costs across lenders within credit product categories**.



How are APRs used?

Lenders are **legally required to disclose an APR** for most consumer credit products across the US. Business products generally do not require APRs², but are commonly quoted for some products such as business credit cards.

Loan Term	12-36 Months	37-60 Months	61-72 Months
New Auto Loan APR as low as Apply Now	3.89%	4.29%	4.59%
Used Auto Loan APR as low as Apply Now	4.79%	5.29%	5.39%

Sample product APR disclosure under the legislation²

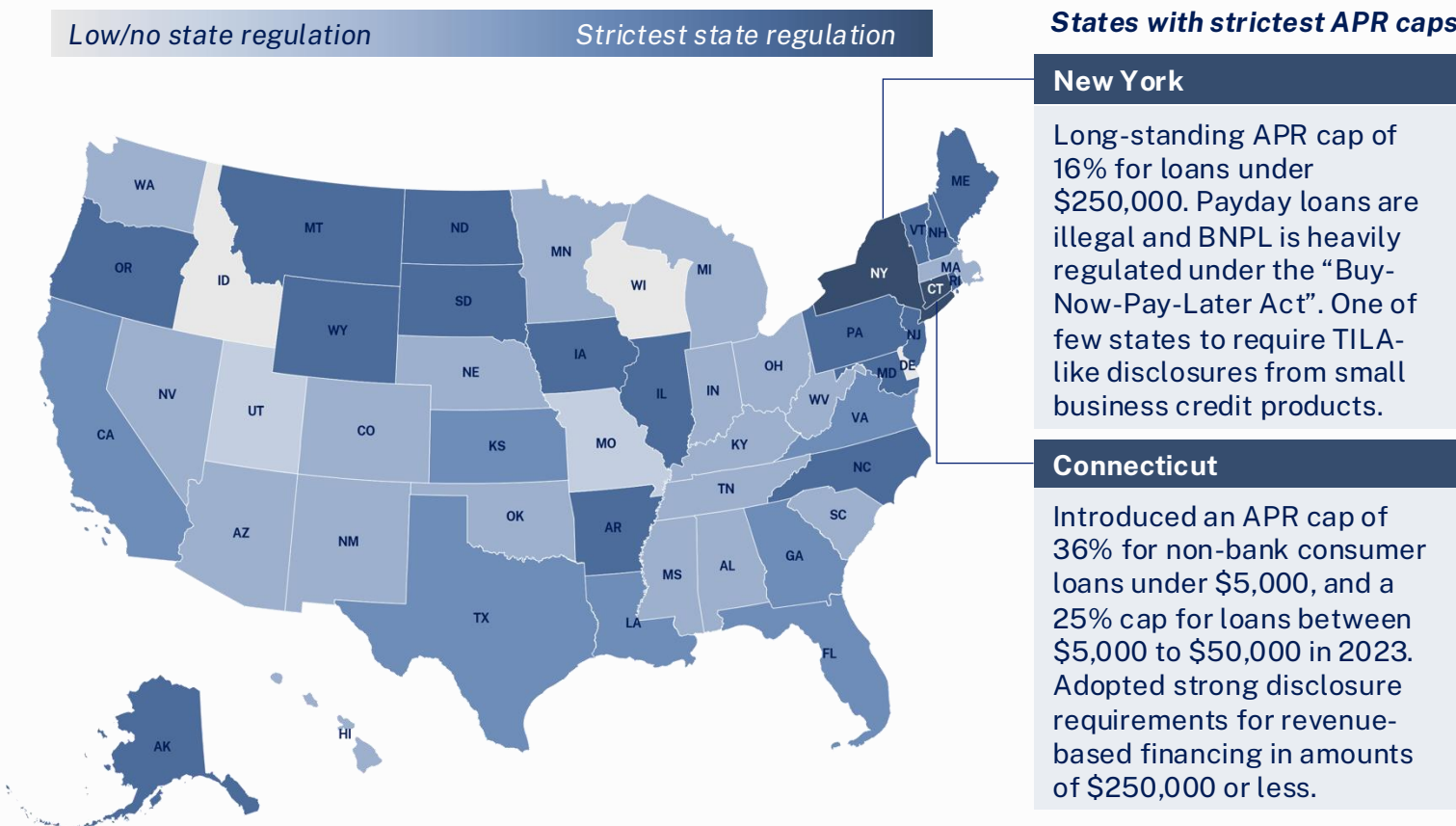
0% intro APR for 12 months from account opening on purchases and qualifying balance transfers. 18.49%, 24.49% or 28.49% variable APR thereafter. Balance transfers made within 120 days qualify for the intro rate and fee.

²You must be 18 or older, a resident of the U.S. and meet additional eligibility criteria to qualify. Loans through the Afterpay Pay Monthly program are underwritten and issued by the First Electronic Bank. A down payment may be required. APRs range from 0.00% to 35.99%, depending on eligibility and merchant. As an example, a 12 month \$1,000 loan with 21% APR would have 11 monthly payments of \$93.11 and 1 payment of \$93.19 for a total payment of \$1,117.40. Loans are subject to credit check and approval and are not available in all states. Valid debit card and acceptance of final terms required to apply. Estimated payment amounts shown on product pages exclude taxes and shipping charges, which are added at checkout. Click [here](#) for complete terms.

1. A more complex formula to calculate APR exists called the actuarial method as noted by CFPB ([n.d.](#)) *Appendix J to Part 1026 — Annual Percentage Rate Computations for Closed-End Credit Transactions*. 2. Business loans and charge accounts are generally not covered under the relevant legislation as noted by Congress.gov (2024) *Overview of the Truth in Lending Act*. Source: Afterpay (2025) *Pay monthly*; Bank of America (2026) *What is APR and how does it work?*; Navy Federal Credit Union (2026) *New and used auto loans*; Wells Fargo ([n.d.](#)) *Choose the credit card that fits your life*; Mandala analysis.

US states have adopted different approaches to regulating short-term credit products, although there has been a trend toward stricter lending requirements

Annual Percentage Rate (APR) cap for \$500 six-month installment loan or equivalent, by state



Note: Heatmap accurate as of December 2025. Strictness captures consumer APR caps and growth in small business credit disclosure requirements
Source: Alston & Bird (2026) Commercial Financing Disclosure Requirements and Exemptions; American Bar Association (2025) Commercial Financing Disclosure Laws Survey; Congress.gov (2026) S.3793 – Predatory Lending Elimination Act; National Consumer Law Center (2025) Fact Sheet: State Annual Percentage Rate (APR) Caps for \$500, \$2,000 and \$10,000 Installment Loans; Skadden (2026) Consumer Financial Enforcement States to Watch in 2026; National Conference of State Legislatures (2025) Payday Loans 2025 Legislation; Mandala Analysis.

Maximum allowable APRs for credit products vary substantially across states

The median US state APR cap is 39.5%, and 10 US states have adopted a 36% cap on APRs, stemming from the Military Lending Act implemented in 2006

- Some states including New York and Connecticut have implemented tighter APR caps than 36%, making some credit products commercially unviable
- Some states such as Idaho have no cap on APRs, instead requiring that a loan’s terms are not unconscionable

States are trending toward stricter lending and disclosure requirements

- The Predatory Lending Elimination Act (S.3793) introduced in February 2026 seeks to apply a nationwide APR cap of 36% to all consumer credit products by extending the Military Lending Act and amending the Truth in Lending Act (TILA)
- At least 10 states had pending legislation to regulate payday lending as of 2025
- 11 states over the last three years have implemented disclosure requirements for small business credit products



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5

Appendix

Short-term credit products have evolved in response to changing consumer and business needs, along with technological advancements

Overview of consumer and SMB credit trends across US macroeconomic phases

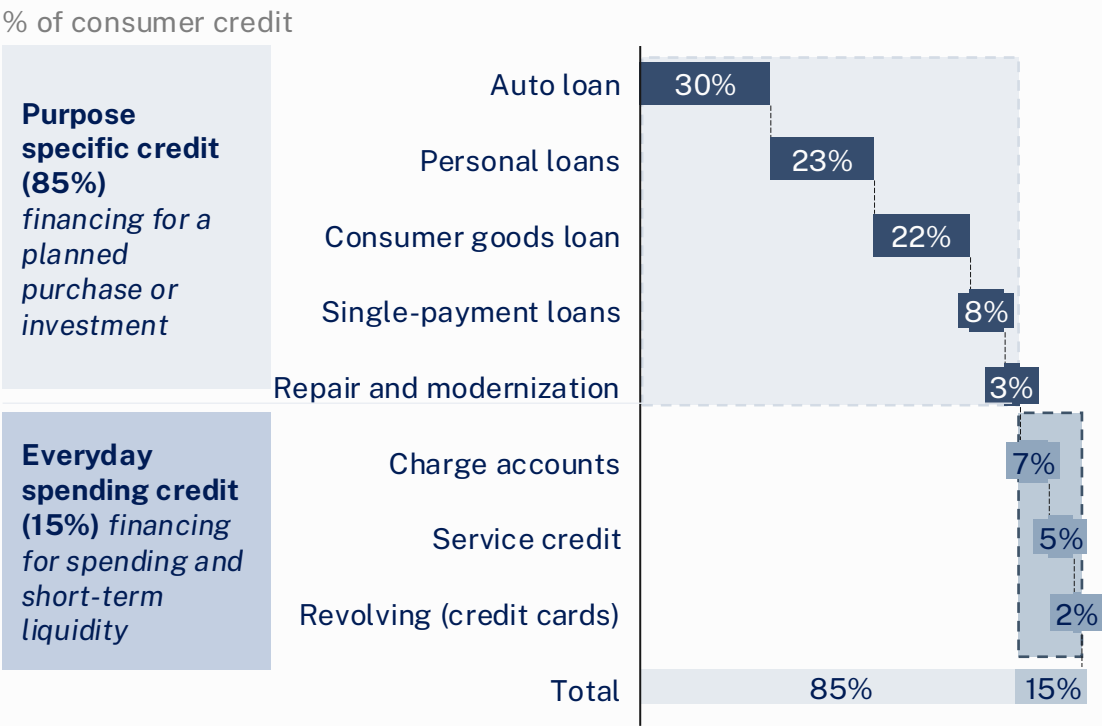
	Postwar economy (1950-1970s): <i>Rising household consumption</i>	Shifting economy (1980-1990s): <i>Financial liberalization</i>	Internet economy (2000-2010s): <i>Increasing use of digital commerce</i>	Modern economy (2010s-Present): <i>New emerging financial infrastructure</i>
ECONOMIC TRENDS	▪ Post-war prosperity raises household wealth and consumption ▪ Large banks and credit unions dominate financial services	▪ Household participation in financial activities and use of credit rises ▪ Small businesses compete more intensely in response to growing demand and regulatory shifts	▪ Retail, banking, and financial services digitalize rapidly ▪ Small business exposure to global supply chains and competition increases	▪ Income becomes more flexible and fragmented through gig and creator work ▪ Digital platforms become the primary way consumers shop and businesses operate
CREDIT NEED CREATED	▪ Newfound household demand drives uptake of installment credit ▪ SMBs need working capital to keep pace with growing demand	▪ Consumers increasingly seek short-term liquidity to fund consumption ▪ SMBs face cash flow gaps as competition increases	▪ Consumers seek access to new online short-term credit products ▪ SMBs need quick capital without lengthy bank approval processes	▪ Consumers expect credit to be instant and integrated into online purchases ▪ Digital-first SMBs expect integrated credit offerings that recognize transaction data, not just credit history
NEW CREDIT PRODUCTS	▪ Credit cards ▪ Merchant cash advance ▪ Small Business Administration (SBA) loans ▪ Business credit cards	▪ Community Development Financial Institutions (CDFI) Fund ▪ Auto-title loans ▪ Payday loans	▪ Online small installment loans ▪ Earned wage access	▪ Buy Now, Pay Later ▪ Embedded borrowing within apps and other platforms ▪ Crypto-backed loans

Note: New credit products are non-exhaustive.
Source: Alcazar and Bradford (2020) *In the Nick of Time: The Rise of Earned Wage Access*; Block (2025) *Block's Modern Approach to Credit: Expanding Access While Managing Risk*; Capital One (2025) *When were credit cards invented?*; EBMS (2024) *The Evolution of Buy Now, Pay Later: A Historical Perspective*; Forbes (2025) *History of credit cards*; Cohen (2025) *The History of Merchant Cash Advances*; Grier (2019) *The History & Future of the Merchant Cash Advance Industry*; Horowitz and Kravitz (2023) *Payday Loans and Overdraft*; Johnson (2025) *The Future of Small Business Lending is Embedded*; Ryan et al. (2011) *A Brief Postwar History of U.S. Consumer Finance*; SBA (2025) *Celebrating 70 years of service to America's small businesses*; U.S. Department of the Treasury (2026) *About Us*; Mandala analysis.

MANDALA | 10

The consumer credit market has evolved significantly since APR became the standard disclosure requirement in 1968

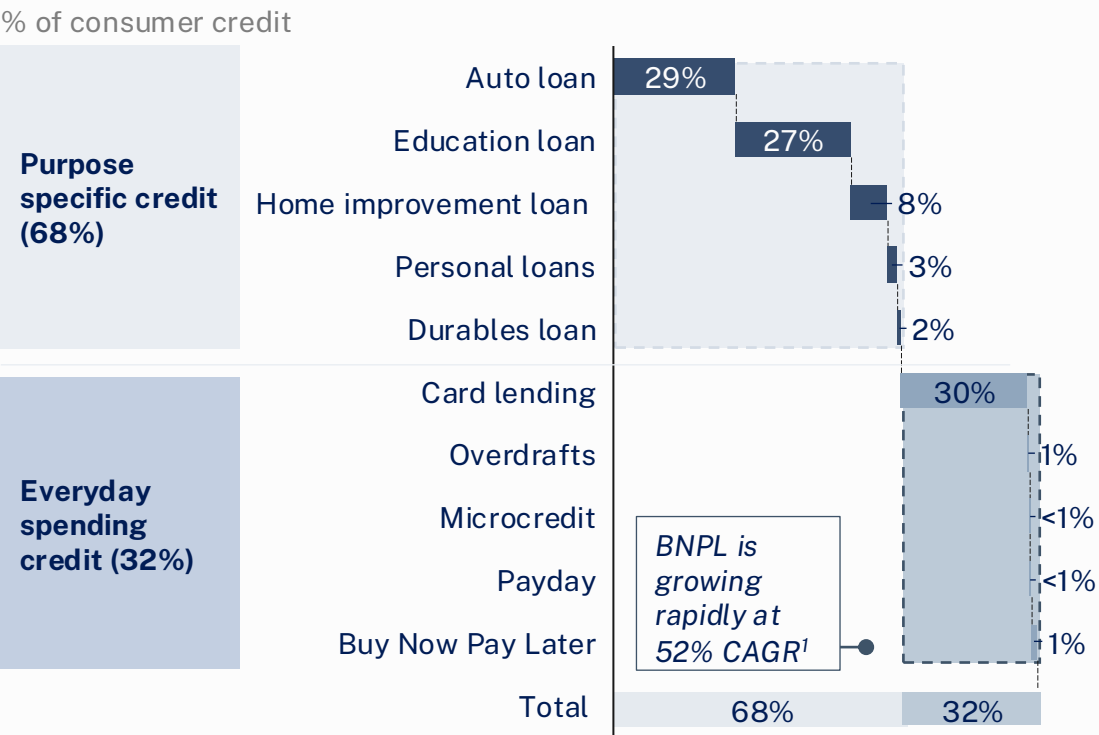
Breakdown of consumer credit in 1968



The **APR requirement** became standardized when **85% of consumer credit consisted of purpose-specific loans with defined repayment schedules.**

Note: Mortgage loans are excluded as part of consumer credit. Student loan data is unavailable for 1968 but is likely a small share of consumer credit. Including student loans would raise the purpose-specific credit share above 85%. Source: Board of Governors of the Federal Reserve System (1969) *Federal Reserve bulletin*; FDIC (2025) *BankFind Suite*; FRED (2026) *Revolving Consumer Credit Owned and Securitized*; Mandala analysis.

Breakdown of consumer credit in 2025



Around **1 in 3 dollars (32%)** of consumer credit now flows to products that were **largely absent** when **APR became the standard disclosure requirement.**

1. CAGR measures the mean annual rate of growth in outstanding balance from 2020 to 2025. Mortgage loans are excluded as part of consumer credit. Source: Euromonitor Passport (2026) *Payments and lending dataset 2011-2030 US*; Company data (2026) *Fintech companies USA*; FDIC (2025) *BankFind Suite*; Mandala analysis.

The modern economy is no longer characterized by a single, dominant earning model, paving the way for a more diverse set of supporting credit products

Earning models in 1968 compared to today

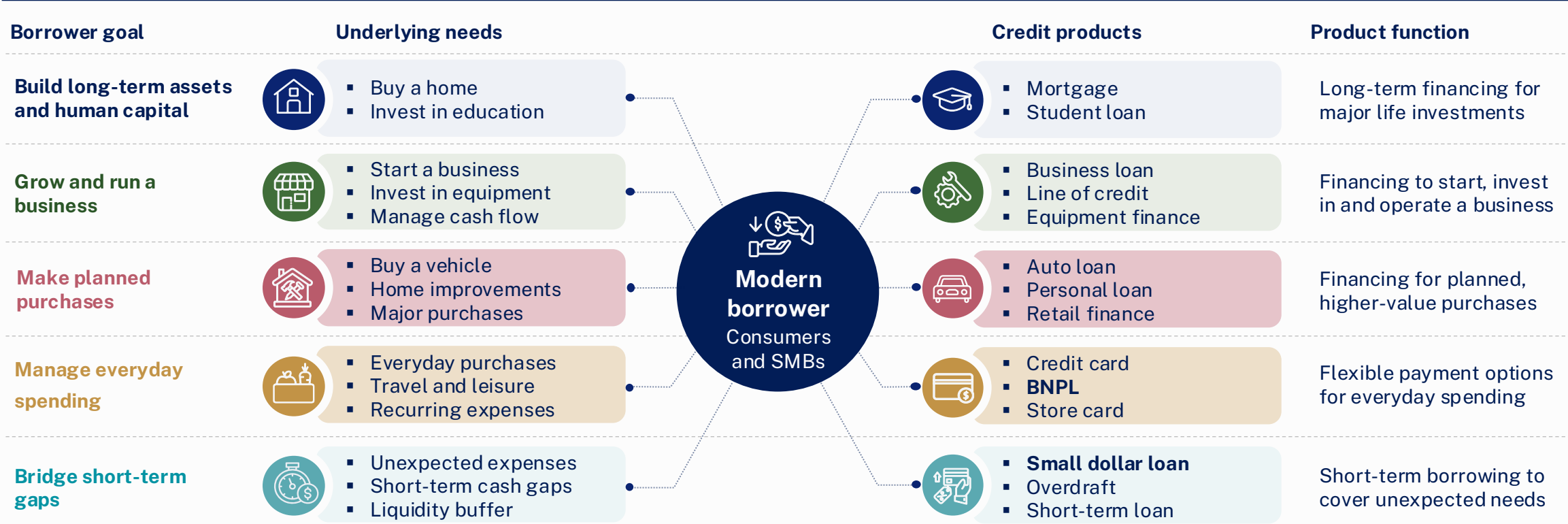
Consumer and SMB financial needs have diversified, driving demand for more specialized credit products. A broader set of credit products is needed to support access and financial resilience as income patterns become less uniform and ways of earning a living diversify.



Note: Illustrative comparison.
Source: ABI (2001) *The Meaning of Consumer Credit in the United States*; Block (2026) *The Rise of the Modern Earner Economy*; Cordeiro & Assuncao (2024) *Health and work: new times, new paradigms*; Ryan et al. (2010) *A Brief Postwar History of US Consumer Finance*; Mandala analysis.

More specialized borrowing needs have driven a broader ecosystem of credit products

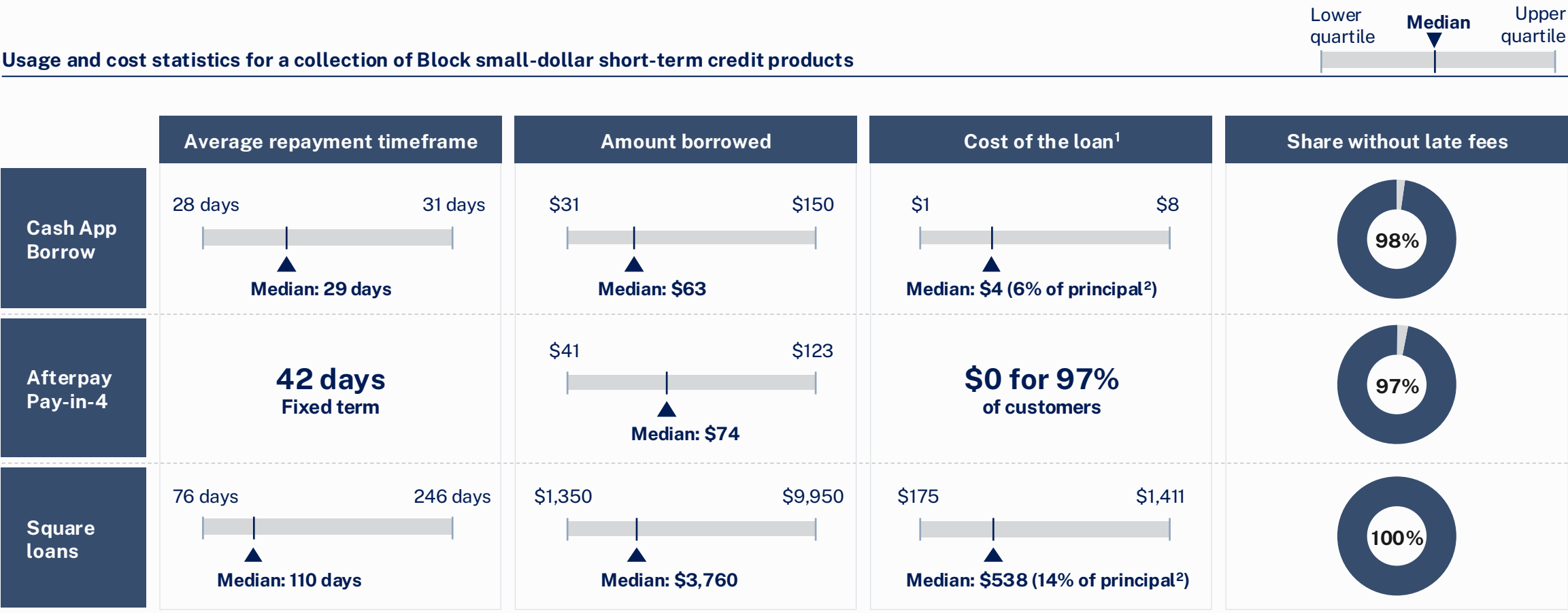
Overview of modern financial needs and credit products



Credit has become increasingly specialized as financial markets evolve. Consumers and SMBs now use a range of products for different purposes. Traditional lending remains essential for major investments and longer-term borrowing, while short-term products such as **BNPL** and **platform-based small dollar loans** (e.g. Cash App Borrow) have emerged to address everyday spending and short-term cash flow needs.

Platform-based short-term credit usage is typically brief, low cost, and repaid on time

Usage and cost statistics for a collection of Block small-dollar short-term credit products



Platform-based short-term credit is typically repaid within weeks to a few months (median 29 to 110 days), with a low incidence of attracting late fees across all three products (0% to 3%). This points to episodic and brief usage that is well-managed rather than persistent debt.

1. Total cost of the loan, including finance charges and late fees 2. Calculated based on the median cost of the loan and the median loan amount. Note: Bars reflect the interquartile range from a sample of internal Block data. Sample consisted of 100,000 users of each of Cash App Borrow, Afterpay Pay-in-4 and Square Loans (n=300,000). Source: Internal Block data; Mandala analysis.

MANDALA | 14

Every major component of the typical lending model has evolved since 1968, except disclosure

Components of the lending model in 1968 compared to today

Component	 1. Credit assessment	 2. Product types	 3. Pricing structure	 4. Distribution	 5. Disclosure	Disclosure is the least evolved component of the lending model
1968 (when TILA was introduced)	Credit bureau data and income verification	General-purpose loans (e.g. personal loans, credit cards)	Interest-based pricing charged over time	Branches and direct lender applications	Annual percentage rate (APR)	While most components of the lending model have seen significant evolution, disclosure continues to rely on an outdated requirement
Today	- Cash-flow analysis - Transaction data - Alternative data - AI / ML models	- BNPL - Cash App Borrow - Short-term installments - Specialized lending	- Interest/fixed fees - Merchant-funded (e.g. BNPL) - Subscription models - Revenue share - Hybrid models	- Embedded finance - In-app lending - Platform-based credit - Instant digital approval	APR (with incremental refinements over time)	Restrictive APR caps may make certain modern lending models commercially unviable, reducing consumer access to credit
Level of evolution	Significant evolution	Significant evolution	Significant evolution	Significant evolution	 Incremental evolution only	

Fit-for-purpose disclosure should evolve alongside the lending model, not unintentionally constrain innovations that improve consumer access and choice.



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5

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A range of disclosure metrics have been proposed or implemented across different jurisdictions to communicate the cost of credit

Overview of select financial disclosure approaches

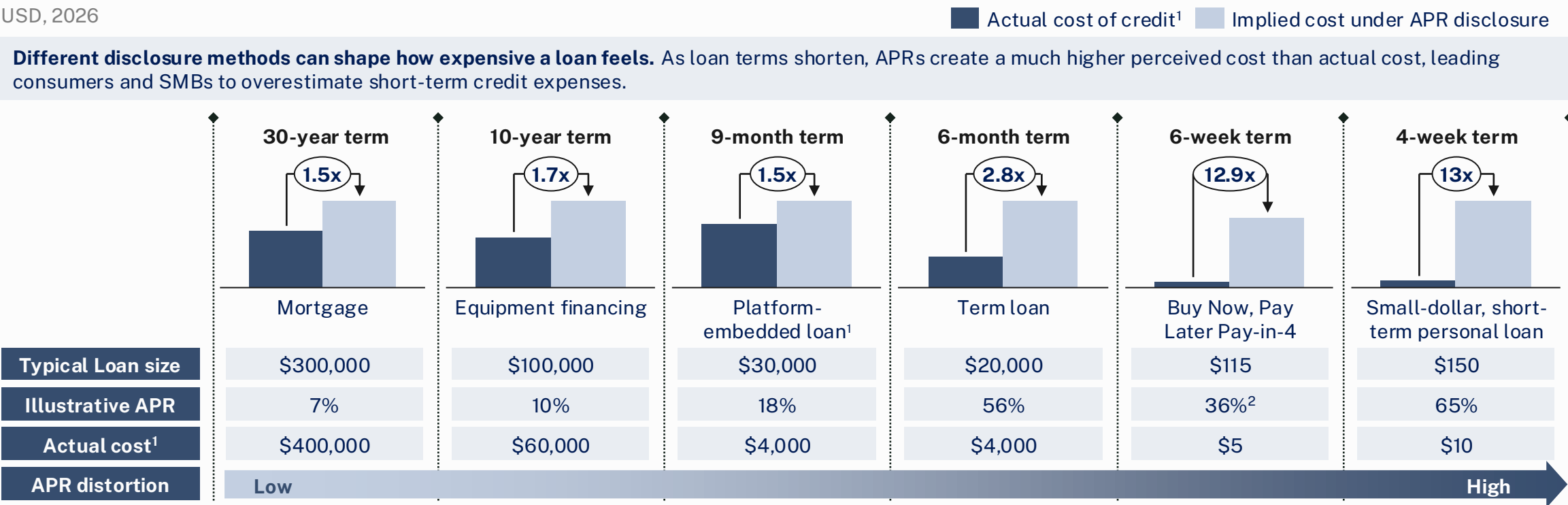
	 Annual Percentage Rate (APR)	 Total Cost of Credit (TCC)	 Cost per \$100 borrowed	 Typical Realized Cost (TRC)
 Measures	Annualized cost of credit expressed as a single yearly rate that reflects payment timing.	Aggregate dollar cost of credit over the full term (including interest, fees, charges and taxes).	Total cost of credit as a flat dollar amount per \$100 borrowed.	Aggregate dollar cost a borrower typically incurs over the credit episode, including late fees and reborrowing .
 Best suited to	Comparing longer-term installment loans with defined repayment schedules.	Fixed-term loans where total cost over the life of the loan is clear.	Short-duration and small amount credit where APR can be misleading.	Products with high rollover or repeat-borrowing , where realized cost differs from stated terms.
 Adoption & evidence	Widely mandated by regulators (e.g. US TILA). High regulatory adoption and long-standing use.	Mandated in the UK and EU. Moderate to high regulatory adoption and evidence base.	Explored by the UK FCA as an alternative to APR for short-term credit. Limited regulatory adoption to date.	Inspired by academic research. Not currently mandated by regulators.



Each disclosure approach measures cost differently, suits different products and borrower behaviors, and has different regulatory adoption and evidence.

APR disclosures can create a disproportionately high perception of borrowing cost, particularly for shorter-duration credit

Actual against implied cost of credit under APR disclosure



APR implied costs are defined as the principal multiplied by the disclosed APR rate. For multi-year loans, this annual rate is multiplied by the number of years in the loan.

1. Actual cost represents TCC, defined as the aggregate dollar cost of credit (including interest, fees, charges and taxes) over the full term. Note: For further detail on the calculation, please see the methodology section. 2. Maximum APR applied to out of network transactions
Source: Afterpay (2026) Pay monthly now available; StudentAid (n.d.) Interest Rates and Fees for Federal Student Loans; Barkley & Leicht (2026) Compare today's mortgage rates; Baynes & Gerson (2026) Current SBA Loan Rates Explained (2026): 7(a), 504 & Microloan; Cash App (2025) Borrow Loan Agreement; Square (n.d.) Loans; Ward (2026) Average Business Loan Interest Rates for 2026; Mandala analysis.

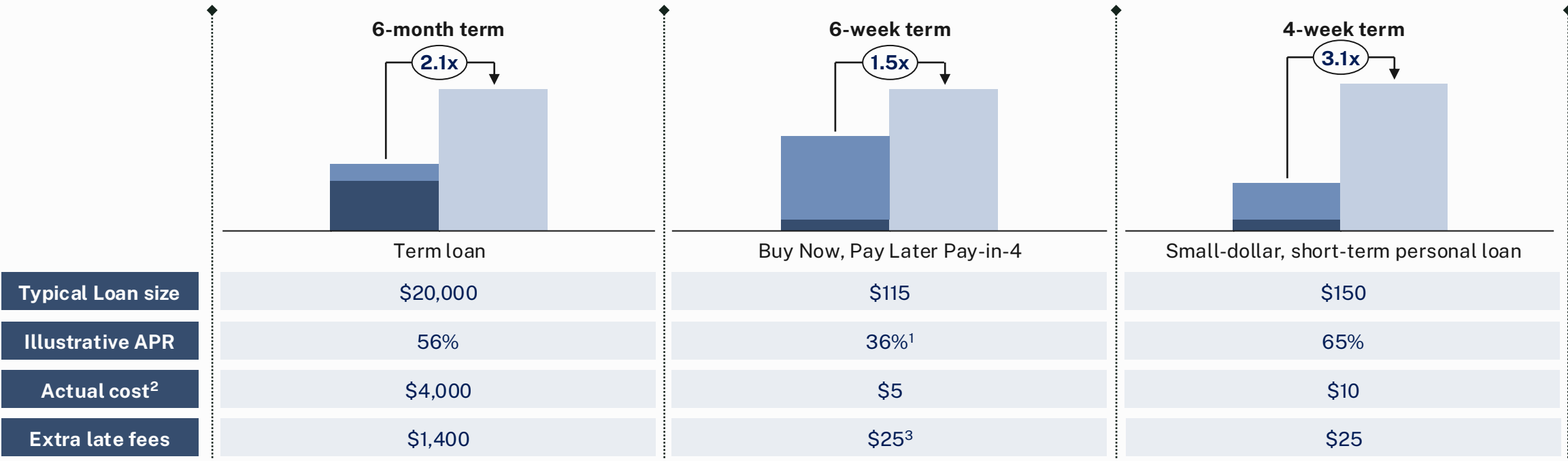
MANDALA | 18

APRs continue to overstate the cost of credit when consumers and SMBs pay their loans three months late

Actual against implied cost of credit under APR disclosure, including late fees

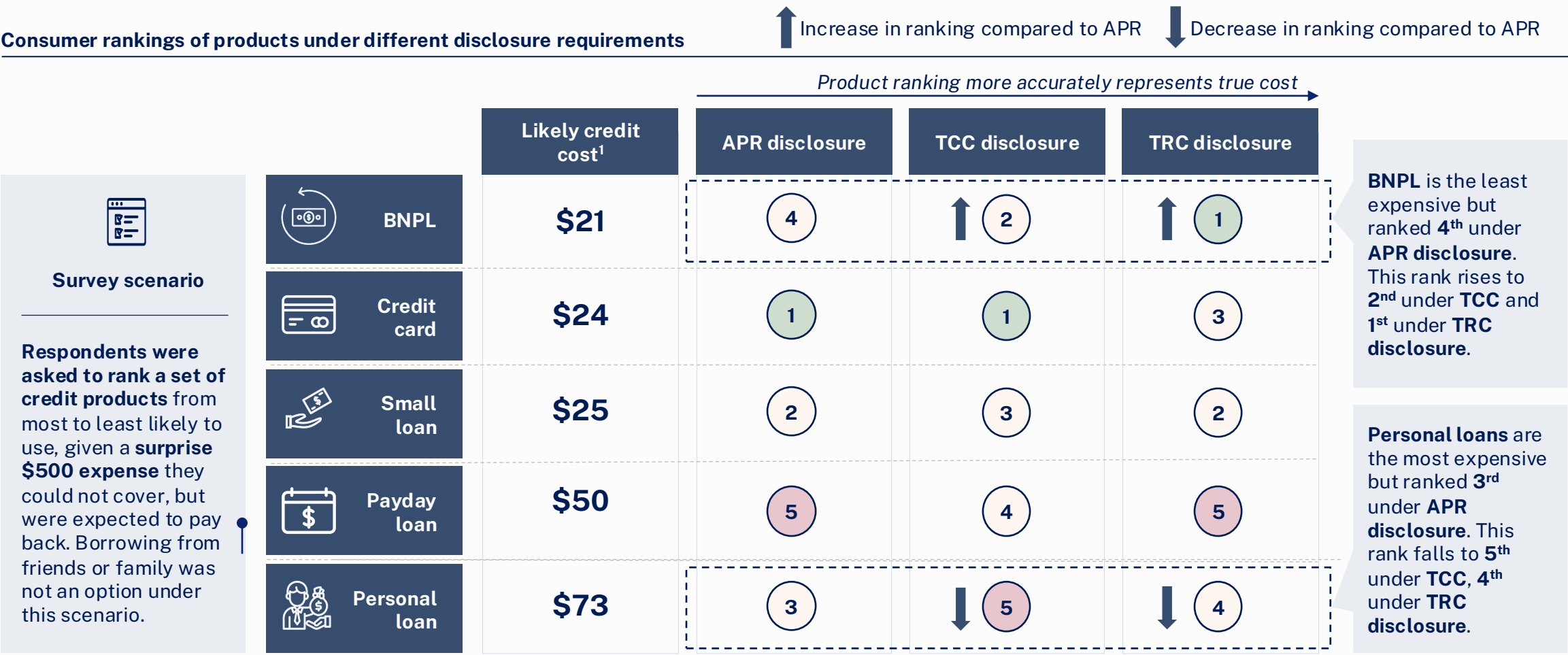
USD, 2026

Even when borrowers incur late fees, the cost of credit can remain up to 3.1 times lower than the cost implied by the disclosed APR. APR calculations do not typically account for late fees, showing how far APR overstates the true cost of credit.



1. Maximum APR applied to out of network transactions 2. Actual cost represents TCC, defined as the aggregate dollar cost of credit (including interest, fees, charges and taxes) over the full term. 3. Note that this is the maximum late fee that can be charged, with fees capped 25% of the order value. Note: For further detail on the calculation approach, please see the methodology section. Source: Afterpay (2026) Pay monthly now available.; Afterpay (2026) Is there a cost to using Afterpay?; Cash App (2025) Borrow Loan Agreement; Cash App (n.d.) Understand what happens if you miss a Borrow payment; Ward (2026) Average Business Loan Interest Rates for 2026; Mandala analysis.

Financial disclosure requirements can have a significant impact on consumer choices, with APRs potentially pushing borrowers to higher-cost products



1. Likely credit cost refers to the expected cost of using this product in the scenario presented. It captures finance charges the borrower could expect to incur over the life of the loan

Note: Survey respondents were randomly allocated to one of four groups, each shown a different disclosure metric describing the above products. While the disclosure metrics were different, the products were otherwise identical across groups.

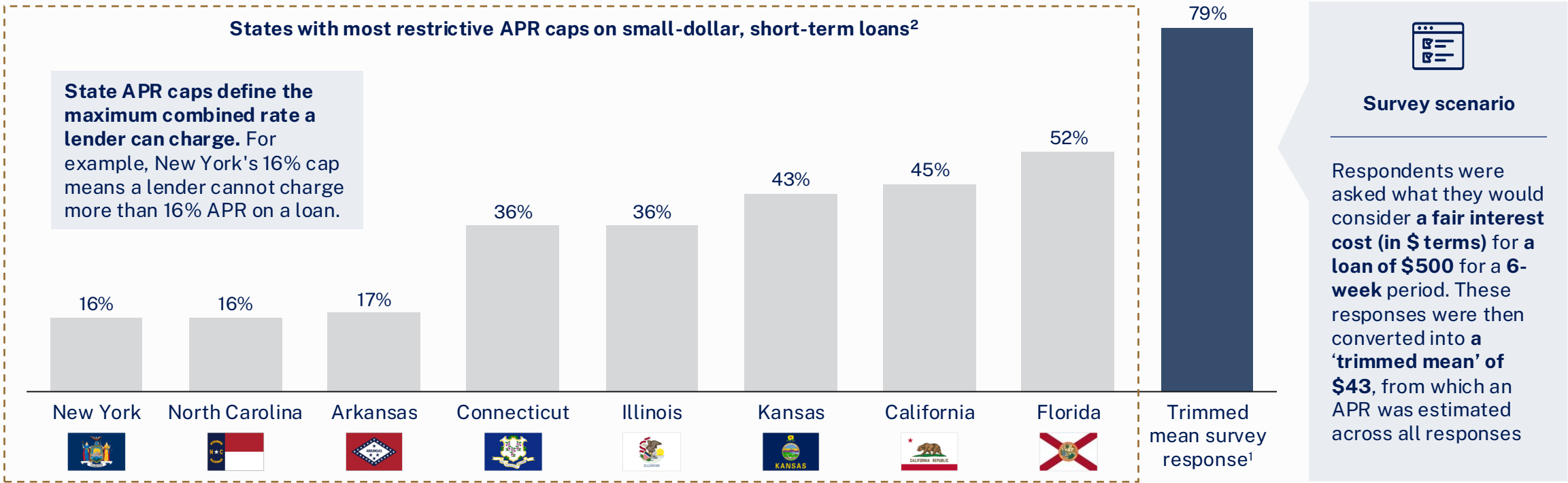
Source: BPI international consumer survey (2026), n = 1,597; Mandala analysis.

Revealed consumer preferences suggest they are comfortable with high APRs despite states imposing restrictive caps

Consumer-reported fair APRs against State APR caps

% of survey respondents, 2026

The trimmed mean APR consumers are willing to pay sits at 79%, nearly five times the state cap in New York and North Carolina, and well above caps in multiple other states. This gap suggests APR caps may be too restrictive for small-dollar, short-term credit products, preventing consumers from accessing products they view as fairly priced.



1. Mean calculated after removing the top and bottom 10% of responses. 2. Based on state APR caps for \$500 six-month installment loan
Source: National Consumer Law Center (2025) Fact Sheet: State Annual Percentage Rate (APR) Caps for \$500, \$2,000 and \$10,000 Installment Loans; Consumer Financial Protection Bureau (2026) § 1026.22 Determination of annual percentage rate; BPI international consumer survey (2026), n = 1,597; Mandala analysis.



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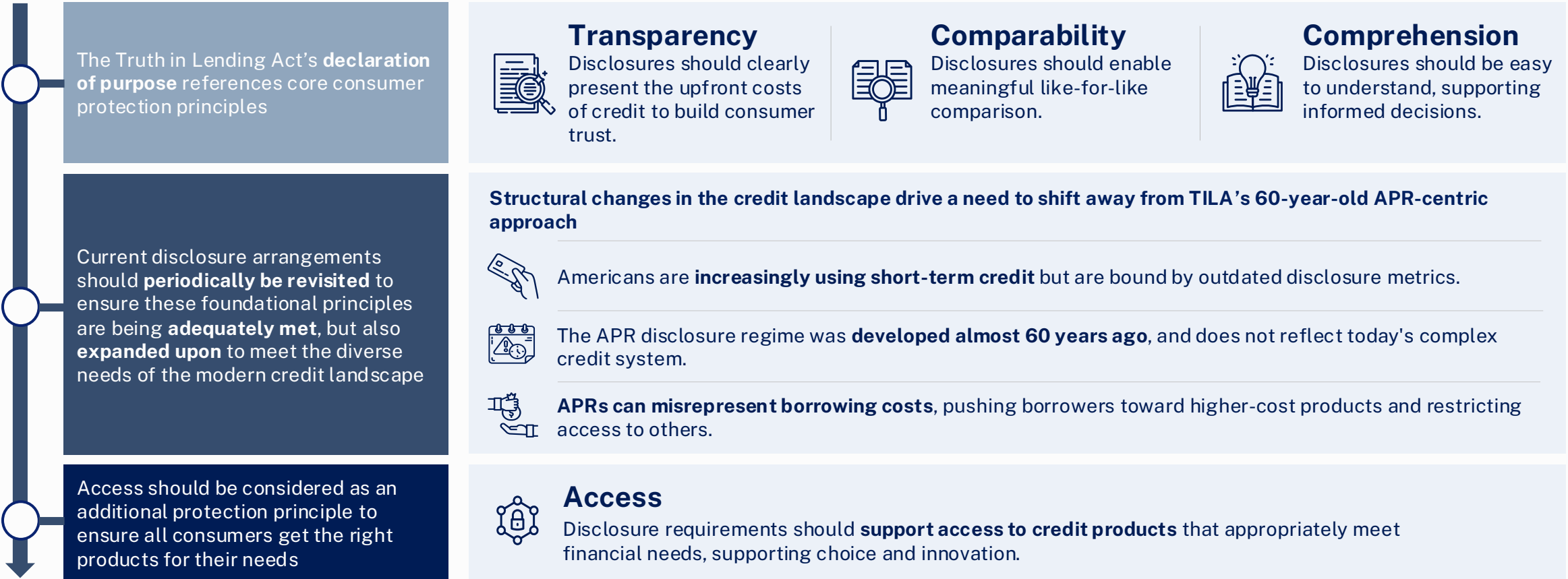
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5

Appendix

An effective credit disclosure approach should build on the foundational principles of TILA to reflect the diverse credit landscape and needs of consumers today

Principles of disclosure requirements



Alternative disclosure requirements may better align with modern consumer protection principles

Overview of disclosure requirements and their alignment with policy principles

Alignment:

High

Medium

Low

The following slides provide an assessment of each disclosure approach against these principles

		Annual percentage rate (APR)	Cost per \$100	Total cost of credit (TCC)	Typical realized cost (TRC)
Foundational consumer protection principles (referenced by TILA)	1 Transparency	Misrepresents implied costs for short-term credit, but accurately represents revolving products	Accurately represents costs for revolving and short-term credit, but does not effectively convey total cost for large loans	Accurately represents costs across most credit types, but not calculable for revolving products	Captures late fees and core costs, including for revolving products, but not for new products with limited data
	2 Comparability	Allows for comparison within similar product types	Allows for comparison within similar product types	Allows for comparison within similar product types	Allows for comparison within similar product types, though harder for new products with limited usage data
	3 Comprehension	Mixed level of consumer understanding of disclosure requirement	Mixed level of consumer understanding of disclosure requirement	Mixed level of consumer understanding of disclosure requirement	Mixed level of consumer understanding of disclosure requirement
Additional principles	4 Access	May overstate short-term product costs, discouraging access to newer, innovative options	Applies across most credit types, and does not restrict access to any specific product segment	Applies across most credit types, and does not restrict access to any specific product segment	Requires historical data, so may exclude newer products from being offered or disclosed

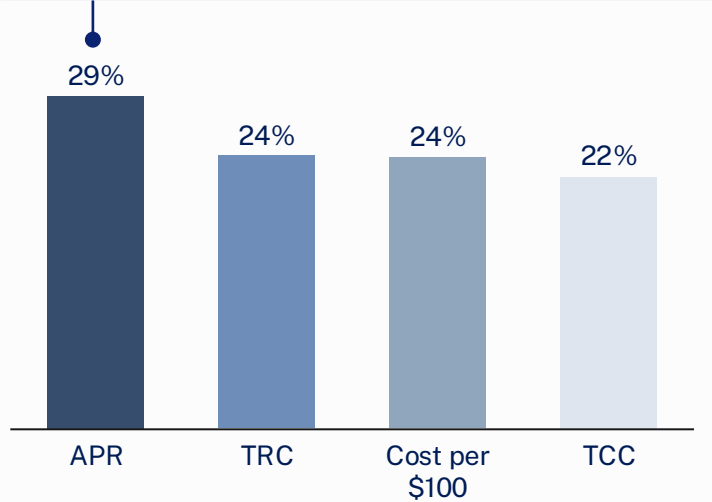
The above assessment draws on a detailed survey of credit consumers, analysis of the credit product landscape, and a review of existing academic and policy research.

Transparency and comparability: APR is perceived by survey respondents as the least representative of the cost of borrowing compared to other disclosures

Overview of consumer and SMB attitudes toward disclosure transparency and comparability

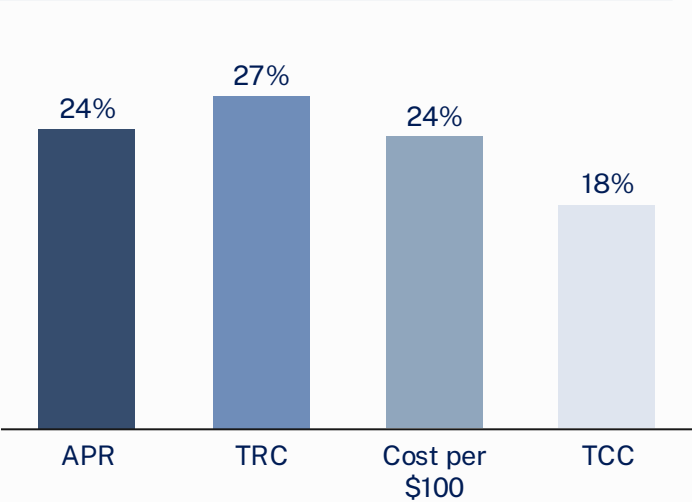
% of respondents

APRs were ranked the least representative of the true cost of borrowing for both consumers and SMBs out of the four options. APRs were also ranked second after TRC as the least useful disclosure to compare products when deciding whether to proceed with a loan.



Least representative of the true cost of borrowing

TILA's declaration of purpose calls for price transparency through consumers' "awareness of the cost [of credit]" ¹



Least useful in deciding whether to proceed

TILA calls for comparability through "the consumer [to be] able to compare more readily the various credit terms"¹

Transparency

- Dollar-based measures (TRC, cost per \$100, TCC) were typically rated as being more representative of the true cost of borrowing than APR, likely because they present a tangible figure rather than an annualized rate.
- Of the four measures, only TRC captures late fees for the average borrower and loan, providing a more complete picture of total cost. TCC cannot be calculated for revolving credit, given the absence of a fixed principal or term.

Comparability

- APRs ranked as second least useful for comparison when deciding whether to proceed with a loan, after TRCs. This is consistent with UK research in 2026, which found that the total amount repayable was more useful for comparing and choosing a credit product than the APR.²
- TRC requires historical data on average loan size and borrower behavior, limiting comparability when a new product is assessed alongside established products.

1. GovInfo (2024) 15 U.S.C. 1601 - Congressional findings and declaration of purpose; GovInfo (n.d) Public law 90-321; 2. FCA (2026) Research Note: Navigating the disclosure trade-off: Balancing flexibility and standardisation in cost-of-credit information.
Source: BPI international consumer survey (2026), n = 1,597; Mandala analysis.

Transparency and comparability: No single disclosure requirement is suited to every product type - an effective modern framework allows for flexibility

Overview of transparency and comparability of disclosure requirements across select consumer credit products¹

Suitability: High Medium Low

	Category	Annual percentage rate (APR)	Cost per \$100	Total cost of credit (TCC)	Typical realized cost (TRC)
Shorter term Longer term	Small dollar, short term loans	Annualizing a short-term loan can overstate its perceived cost, but comparable when terms are similar	Rollover risk can differ by lender, but comparable when terms are similar	Rollover risk can differ by lender, but comparable when terms are similar	Internalizes rollover and renewal costs, allowing for useful product comparison
	BNPL	Flat fees and short durations can overstate BNPL implied cost and make comparison difficult	Well suited to the fixed-installment structure, and comparable across similar providers	Well suited to the fixed-installment structure, and comparable across similar providers	Late-fee data can be immature across providers, limiting understanding of cost and comparability
	Credit cards	Well suited to product, although multiple rates (e.g. purchase, balance transfer) can complicate comparison	Cannot be easily calculated for credit cards, since there is no fixed repayment period to base the cost on	No total cost can be stated before spending occurs, so issuers cannot easily be compared	Blends borrowers who pay in full with those who carry a balance, limiting comparison
	Fixed-term personal loan	A fixed interest rate determines cost accurately, and stays comparable across similar-term loans	A fixed interest rate determines cost accurately, and stays comparable across similar-term loans	A fixed interest rate determines cost accurately, and stays comparable across similar-term loans	Internalizes late fees, allowing for useful product comparison
	Mortgage	A fixed rate accurately represents this loan's cost, but less comparable for adjustable rates	Does not give a clear view of total cost, though it remains comparable within similar-term loans	A total cost at origination stays accurate and comparable across same-term loans	Different historical interest rates can misrepresent costs, but comparable within similar terms

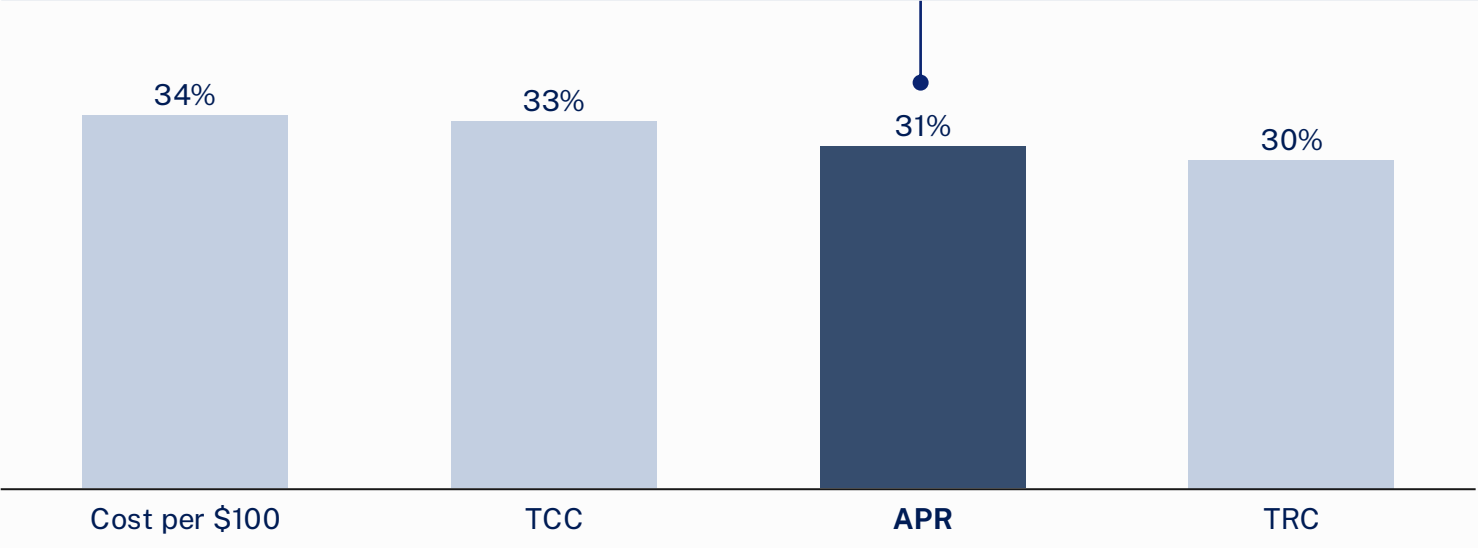
1. This list of credit products is illustrative and not intended to be exhaustive.
Source: Consumer Financial Protection Bureau (2013) CARD Act Report: A review of the impact of the CARD Act on the consumer credit card market; Financial Conduct Authority (2021) Woolard Review into unsecured credit market; Bertrand & Morse (2011) Information Disclosure, Cognitive Biases, and Payday Borrowing; CFPB (2013) Know Before You Owe – Testing Factsheet; Equifax (2026) What is an APR on a credit card?; Mandala analysis.

Comprehension: Consumers and SMBs understand APRs to a similar degree to alternative disclosure requirements

Ease of comprehension for consumers and SMBs, by disclosure requirement

% of respondents who answered they could ‘very confidently’ explain the cost disclosure requirement

APRs were similarly understood as other disclosure requirements, with 31% of respondents stating that they could very confidently explain what APRs mean. This figure may be inflated by familiarity bias, as APR is a widely marketed term, so respondents may overstate their level of understanding.



TILA’s declaration of purpose calls for **comprehension** as a core principle through references to the importance of consumer’s “**informed use of credit**”¹

Comprehension

- 31% of consumer and SMB survey respondents said they could confidently explain APRs, compared with slightly higher shares for cost per \$100 (34%) and TCC (33%); about 30% said the same for TRC. These results align with broader findings that 3 in 10 Americans do not know what "APR" stands for.²
- The comprehension gap is not unique to the US. Surveys suggest that across the UK, 62% to 69% of consumers cannot correctly define what an APR is, showing that comprehension gaps persist across jurisdictions that use the metric.³

1. GovInfo (2024) 15 U.S.C. 1601 - Congressional findings and declaration of purpose; GovInfo (n.d) Public law 90-321; 2. US News (2019) More than 1 in 3 Americans Don't Realize How They're Affected by Bad Credit; 3. IFA Magazine (2023) New study reveals the state of mortgage literacy in the UK; Wealth and Finance International (2019) 68% of Credit Card Holders Don't Know What An APR is and Why This Is Costing Them Money.
Source: BPI international consumer survey (2026), n = 1,597; Mandala analysis.

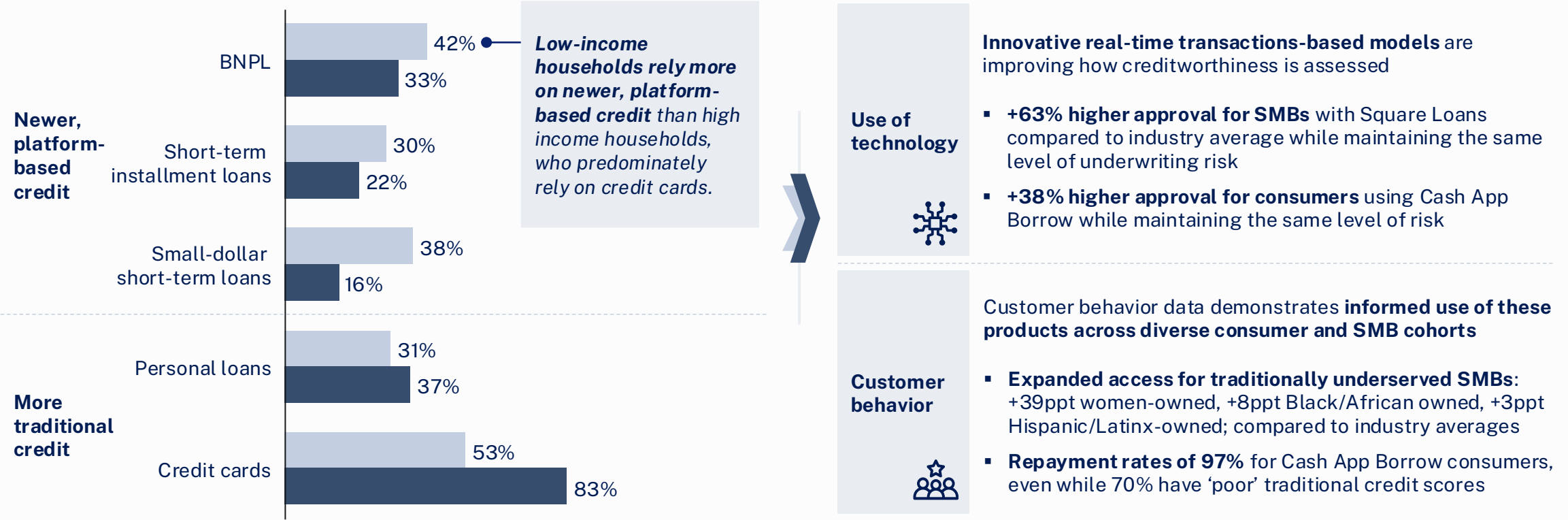
MANDALA | 27

Access: Disclosure requirements should support access to innovative credit products such as BNPL, that meet the needs of diverse consumer groups

Demographics of modern short-term product usage

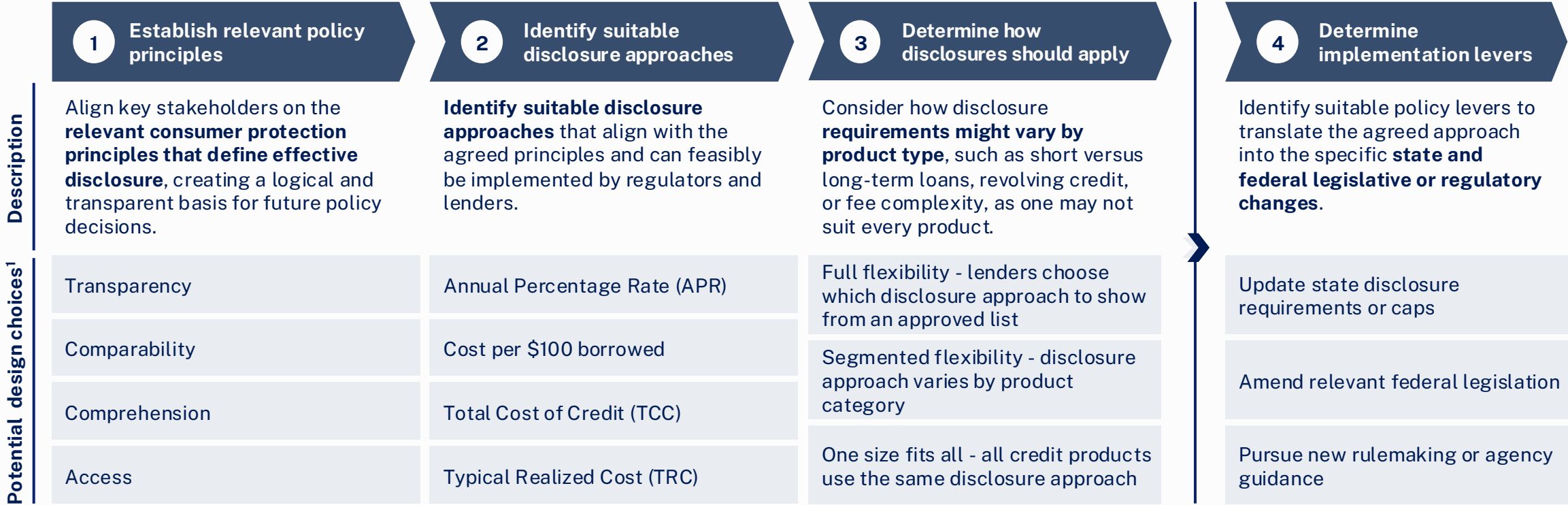
% of respondents who have used the product type in the last 12 months

Low income household High income household



Policymakers should follow a structured design framework to develop a disclosure approach more suited to the modern credit landscape

Proposed policy design framework for developing an effective disclosure approach



Every choice along this framework should be **informed by a clear understanding of how consumers and SMBs use, understand, and repay credit today**, rather than by assumptions carried over from the current framework.

1. Design choices shown are illustrative and are not intended to be comprehensive.
Source: Mandala analysis.

Allowing for flexibility in disclosure across product categories, underpinned with ‘access’ as a core principle, would modernize the consumer credit landscape

Recommended policy design choices for developing an effective disclosure approach

 Recommend approach

	1 Establish relevant policy principles	2 Identify suitable disclosure approaches	3 Determine how disclosures should apply	4 Determine implementation levers
Potential design choices ¹	Transparency Comparability Comprehension Access	Annual Percentage Rate (APR) Cost per \$100 borrowed Total Cost of Credit (TCC) Typical Realized Cost (TRC)	Full flexibility - lenders choose which disclosure approach to show from an approved list Segmented flexibility - disclosure approach varies by product category One size fits all - all credit products use the same disclosure approach	Update state disclosure requirements or caps Amend relevant federal legislation Pursue new rulemaking or agency guidance
Choice rationale	Consumer protection principles should build upon the core principles of transparency, comparability and comprehension established in TILA. Access should be considered an additional principle to ensure all consumers access products that suit their needs	The APR, cost per \$100 and TCC are examples of metrics that could achieve all four policy principles under different product circumstances. The TRC is a poor measure for comparability and can limit access to new products	Segmented flexibility would allow disclosures to be tailored for individual product categories. It is more appropriate than a one-size-fits-all approach, and would be harder to manipulate than a lender-led full flexibility approach	Amending TILA would likely be politically contentious and time consuming. Advocating for adjustments to state-based requirements and agency guidance may achieve the same goals and be implemented more rapidly.

Source: Mandala analysis.



1

Americans are increasingly using short-term credit, however they are bound by outdated disclosure requirements

2

The APR disclosure regime was developed almost 60 years ago, and does not reflect today's diverse credit system

3

APRs can misrepresent borrowing costs, particularly for short-term credit products, potentially pushing consumers to higher-cost alternatives and limiting credit access

4

Alternative disclosure requirements could better protect and support consumers in the modern credit landscape

5

Appendix

Methodology: Estimating the actual cost of credit and APR for credit products

Credit product type	TCC calculations	APR calculations	Sources
<i>Mortgage</i>	Estimate the repayment schedule by adjusting the EMI formula to product-specific repayment cycles	Average APR for a 30-year fixed loan provided by Barkley & Leicht as of 1 July 2026	- Barkley & Leicht (2026) <i>Compare today's mortgage rates</i> - Kagan (2025) <i>Equated Monthly Installment (EMI): How it works, formula, examples</i>
<i>Equipment financing</i>	Estimate the repayment schedule by adjusting the EMI formula to product-specific repayment cycles	APR is the midpoint of the range provided across a variety of SBA loan products	Baynes & Gerson (2026) <i>Current SBA Loan Rates Explained (2026): 7(a), 504 & Microloan</i>
<i>Platform embedded lending</i>	- Use Square Loan fee structure - Multiply the principal by the factor rate of 1.13 estimated from the \$18,000 loan example on Square's website	- Use Square Loan fee structure - Estimate using the US rule, as described in Consumer Financial Protection Bureau (2026) § 1026.22 <i>Determination of annual percentage rate</i>	- Square (n.d.) <i>Loans</i> - Consumer Financial Protection Bureau (2026) § 1026.22 <i>Determination of annual percentage rate</i>
<i>Term loan</i>	Estimate the repayment schedule by adjusting the EMI formula to product-specific repayment cycles	Simple average of the APR range provided by Ward (2026)	Ward (2026) <i>Average Business Loan Interest Rates for 2026;</i>
<i>Buy Now, Pay Later – Pay in 4</i>	- Use Afterpay fee structure - Multiply the purchase amount by 0.75 to find the principal excluding down payment - Estimate the fortnightly payments using the equated monthly installments (EMI) formula, adjusted for fortnightly repayments	Adopt Afterpay's publicly disclosed APR. The APR range only applies to out-of-network merchants	- Afterpay (2026) <i>Pay monthly now available</i> - Kagan (2025) <i>Equated Monthly Installment (EMI): How it works, formula, examples</i>
<i>Small-dollar, short-term personal loan</i>	- Use Cash App Borrow's fee structure - Multiply the principal by the setup fee rate of 5%	Estimate using the US rule, as described above	Twitto (2026) <i>Cash App Borrow Review 2026: Eligibility, Fees, and Whether It's Worth Using</i>

Methodology: Estimating costs in a late payment scenario

The late payment scenario assumes that the customer misses the first repayment and continues missing repayments for 3 months. At this point, repayments are made at a sufficient level to fully repay the loan within the original term length if this is longer than 3 months. Otherwise, the payment is made in entirety 3 months after the first missed payment

Credit product type	Late fee calculations	Sources
Term loan	- Late fees are a combination of late fees and additional accrued interest - Late fees: \$30 per month - Accumulated interest: use the APR to estimate the non-compounding interest accrued over the three months, then use the EMI formula to estimate the weekly repayment required to repay the loan	Ward (2026) <i>Average Business Loan Interest Rates for 2026</i>
Buy Now, Pay Later - Pay-in-4	- Assume Afterpay’s late fee structure - Assume the borrower incurs three \$8 late fees	Afterpay (2026) <i>Is there a cost to using Afterpay?</i>
Small-dollar, short-term personal loan	- Assume Cash App Borrow’s late fee structure - Multiply the principal by 1.25% to estimate a weekly late fee - Multiply this by 13 to estimate the total late fees incurred for a three-month late payment - Note: Cash App Borrow interest does not compound	Cash App (n.d.) <i>Understand what happens if you miss a Borrow payment</i>

Methodology: Survey design

Survey overview

As part of this research, Mandala commissioned a survey that was fielded by Bully Pulpit International to support the findings of this report. The survey was conducted across a consumer sample (n=997) and a sample of owners and/or financial decision makers for SMBs (n=600). Our analysis weights these samples using the US Census.

	Consumers	SMBs
Age (median)	49 years	40 years
Gender		
Male	38%	53%
Female	62%	47%
Household income		
Under \$34,000	34%	13%
\$34,000-\$63,999	27%	26%
\$64,000-\$101,999	5%	24%
\$102,000-\$163,999	4%	15%
\$164,000+	30%	22%
States		
High regulation ¹	30%	42%
Low regulation ²	30%	33%
All others	40%	25%
Total respondents	997	600

1. High regulation states include Arkansas, New York, North Carolina, California, Connecticut, Florida, Illinois, Kansas,

2. Low regulation states include Delaware, Idaho, Missouri, Utah, Wisconsin

Note: States were classified as high or low regulation based on the presence of both consumer and small business credit disclosure regulation

Survey structure

The first section collected information on respondent demographics and which short-term credit products the respondent has used in the last 12 months.

The consumers and SMB groups are then randomly sorted into four groups. These groups are asked to respond to the same hypothetical scenario but with different information sets. Each group is presented with a different disclosure metric (APR, total cost of credit (TCC), typical realized cost (TRC), or cost per \$100).

Hypothetical scenario
Consumers were asked to select a credit product to make an unexpected \$500 purchase. They were provided information on a BNPL product, a credit card, a small dollar loan, a personal loan and a payday loan. Based on the randomly allocated disclosure, they were asked to rank the products based on their perceived value

SMB financial decision makers were asked to select a product they could use to address a sudden \$10,000 expense. They were provided information on a platform embedded loan, a business credit card, a short-term business loan and a merchant cash advance (MCA). Based on the randomly allocated disclosure, they were asked to rank the products based on the perceived value of these products

Disclosure comprehension
The third section asked all respondents to compare all four metrics on the usefulness, accuracy and ease of understanding. They also were asked to indicate what they considered a ‘fair cost’ would be for a \$500 loan held over a 6-week term

Methodology: Survey design

Panel provider

The panel provider used for this survey was Dynata. They recruit online, utilizing an opt-in access panel (a non-probability sample). Dynata targets the study to meet quota targets and qualifiers before releasing the sample.

Respondent recruitment and screening

Respondents were recruited via Dynata’s opt-in panel, incentivized with panel points that can be exchanged for rewards. Payouts followed industry norms for audience, length and the complexity of the survey.

Consumers were screened on 12-month usage of:

- Buy Now, Pay Later products
- Short-term installment loans
- Other small-dollar loans
- Payday loans
- Personal loans
- Credit cards
- Earned wage access

SMBs were screened on 12-month usage of:

- Short-term business loans
- Platform-embedded lending
- Merchant cash advances
- Invoice factoring/accounts receivable financing
- Business credit cards
- Trade credit

1. High regulation states include Arkansas, New York, North Carolina, California, Connecticut, Florida, Illinois, Kansas,
2. Low regulation states include Delaware, Idaho, Missouri, Utah, Wisconsin
3. United States Census Bureau ([n.d.](#))
Note: States were classified as high or low regulation based on the presence of both consumer and small business credit disclosure regulation

Fielding and weighting

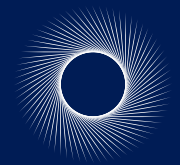
Both the consumer and the SMB sample were weighted to US Census General Population benchmarks for age, race, gender, region, and income.³ This was done by raking within disclosure groups. No quotas were set on age, race, or gender.

Quota rationale

State quotas were structured around high and low regulation states to allow comparison of disclosure comprehension and product ranking across different existing regulatory environments. Product usage quotas ensured all respondents had genuine recent exposure to the credit products being evaluated, rather than relying on hypothetical familiarity.

Survey quotas

	Consumers	SMBs
Total sample	1000	600
Sample per treatment group	250	150
High regulation states ¹	Min 300	Min 200
Low/no regulation states ²	Min 300	Min 200



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