What is lease-to-own (LTO)

How is it different
from buy now pay later
(BNPL) options?

Katapult℠
No Credit Required

CONTENTS

1 What is lease-to-own (LTO)?

2 Who needs LTO?

3 What is BNPL?

4 Why LTO is a good option and Katapult

What is lease-to-own?

LTO is an attractive option for consumers who have no, or evolving credit to obtain items they need through a lease-to-own agreement with the lease-purchase provider. There is no long-term obligation for the customer to continue leasing, and customers typically return the product to the LTO provider, not to the retailer, and have no further obligation other than amounts past due.

Luckily, in the LTO space, the goods are owned by the LTO provider, and therefore, if the retailer return window has expired,the goods are returned to the provider and not to the retailer.

67%

Roughly **67%** of those with a **FICO score of 700** or less need a **pay-over-time** financial option.

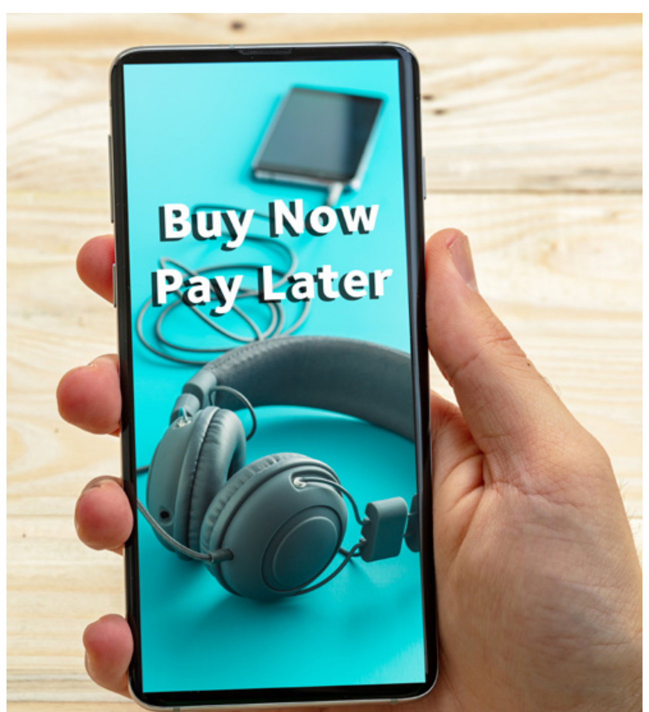
For retailers with average product prices of $300 or more, having a lease-purchase option available to customers not only gives them more brand reach to new segments of customers, but also influences the number of transactions because more customers can generally access the LTO solution.[1]

[1] FDIC National Survey of Unbanked and Underbanked Households, 2017.

What is Buy Now Pay Later (BNPL)?

According to a recent BNPL study done by The Ascent, over one-third of U.S. consumers have used a BNPL service, a number that's risen significantly over the past couple of years.[2]

Unfortunately, the study also found that only about 1 in 5 consumers who use these services actually understand how they work.[3]

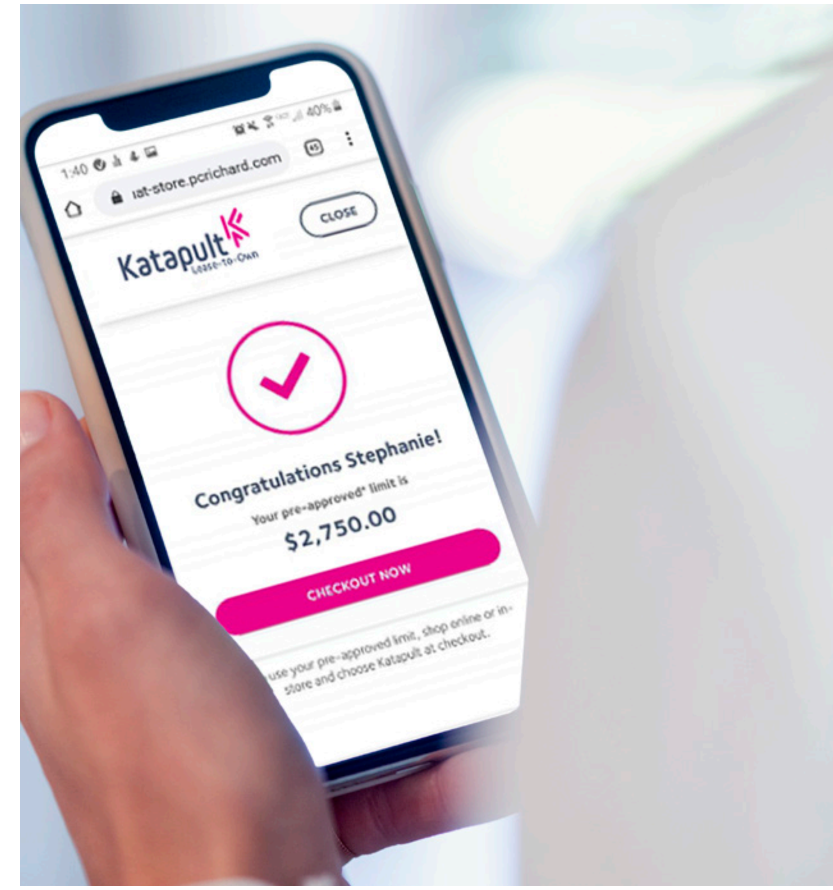


The BNPL providers offer a similar benefit to customers but have more traditional terms that are similar to credit cards, unlike a LTO option that is an alternative to traditional financing and does not involve credit. In fact, several LTO providers will partner with a BNPL provider so the retailer has more financial and payment solutions to provide to more segments of customers.

BNPL providers are structured to break purchases into a few parts or finance over a few weeks or months, typically 6 to 36 months, depending on the provider. Most BNPL providers have interest free periods, where if the balance is paid-in-full before the period ends, paying interest is avoided. If the consumer doesn't pay off the item within the interest-free timeframe, they are charged regular interest rates that are generally high. BNPL providers generally don't check a consumer's credit score to qualify them for that option at checkout and do not report on time payments to credit bureaus. That said, some providers may report late payments or send the debt to collections, which will damage a consumer's score.[2]

[2] https://www.theatlantic.com/magazine/archive/2021/01/ jeans-now-pay-later/617257/

[3] https://www.fool.com/the-ascent/credit-cards/how-does-buy-now-pay-later-work/



Why offer lease-to-own?

With an LTO transaction, consumers typically have several paths to ownership for the product they're leasing. With each payment, the customer has the option to exercise a buyout option at any time, continue leasing for the full term of the agreement resulting in automatic ownership of the item(s), or return the items without any further obligations other than paying any outstanding fees already incurred. A lease-purchase agreement offers consumers flexibility that may make it more attractive than traditional financing.

LTO gives customers the power to obtain what they need when they need it.

Katapult℠
No Credit Required

Katapult is the leading omnichannel point-of-sale payment platform, providing alternative payment solutions for retailers and consumers.

Our cutting-edge technology integrates seamlessly with online platforms, enabling our retail partners to expand their customer base, increase sales, and grow revenue.

Katapult's consumer-centric focus ensures a quick application and approval process, transparent terms, and tailored payment plans.

Katapult associates with hundreds of retailers across the U.S., with merchant support teams, marketing insights and suggestions for continued success.

Learn More