SNAP STUDY

2025 subprime financing study

How and why small businesses offer access to tertiary financing for credit-challenged consumers

The growing need for subprime financing

If you're noticing more shoppers struggling to get what they need, you're not alone. Nearly one in three small businesses say more customers need financing to pay for their purchases.[1] But what happens when customers don't qualify for traditional financing based on their credit history?

Inclusive subprime or tertiary financing, including installment loans and lease-to-own financing, can bridge the gap and keep your customers from walking away empty-handed. And that means more sales and revenue for your business.

Snap Finance wanted to strengthen our understanding of how and why small businesses use subprime financing, which is typically for those with credit scores below 670. We also wanted to better understand how it benefits businesses. Snap surveyed decision makers representing small and medium-sized businesses to learn more about the impact of tertiary financing – and to help businesses like yours better understand and reach the subprime financing market.

Highlights

1. **Subprime financing and the tertiary market**
2. **How small businesses use subprime financing**
3. **How subprime financing benefits small businesses**
4. **Choosing the right financing partner for your business**

1

Subprime financing and the tertiary market

Customers with imperfect credit want the same access to goods and services that other consumers enjoy. They're in your store or on your website and ready to shop. But they often don't have all the funds to pay upfront and may not qualify for traditional financing.

Recent research from Snap Finance found that among consumers with credit scores below 670, 78% have been turned down for financing – up 2% from the previous year.[2]

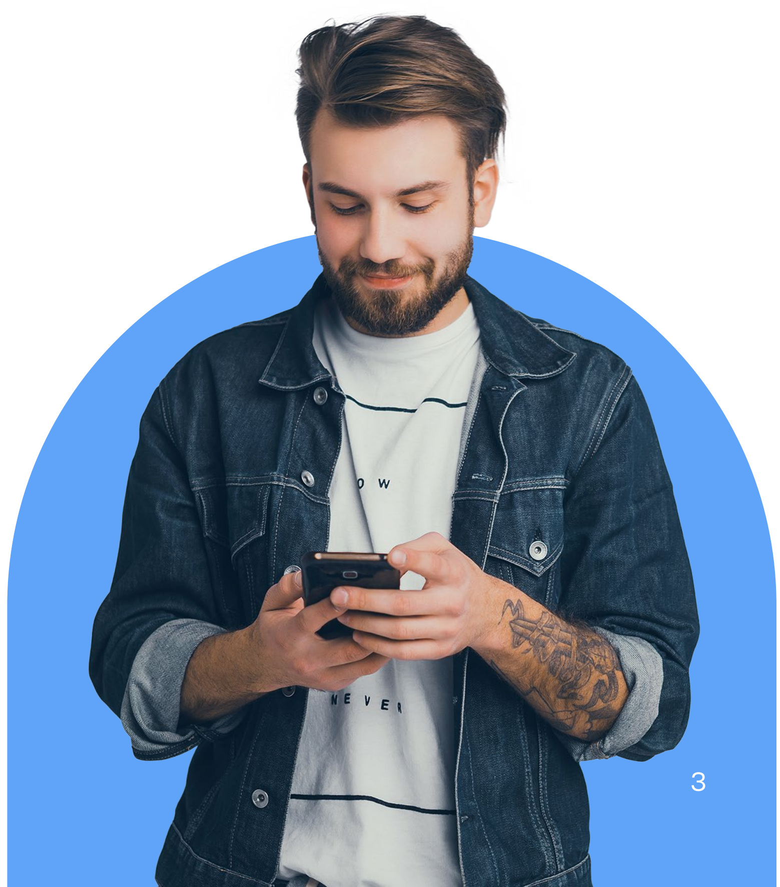
If shoppers are denied traditional financing, subprime financing can help customers get what they need and help your business close the sale.

What is subprime financing?

Primary financing covers traditional loans, credit cards, and other financing options that rely mainly on customers' credit scores to determine whether they're approved or not. Interest rates are usually lower for those with good to excellent credit, who are referred to as prime borrowers.[3]

Shoppers who don't qualify for financing from a primary lender may be approved by an alternative third-party financing provider. These providers often consider more than credit scores from major credit bureaus when making approval decisions, which may increase customer approval rates.

This type of financing for credit-challenged consumers may be referred to as no-credit-needed, subprime, or tertiary financing – and it's often customers' only means of obtaining credit.



Subprime financing options

Lease-to-own financing can be a viable option for many customers with credit challenges. With lease-to-own financing, a third-party provider, such as Snap Finance, purchases the merchandise and leases it to your customer. The provider typically pays you once the merchandise is delivered and then the customer makes payments over time to the third-party provider until they've completed the terms of their lease. At that point, the customer obtains full ownership.

Installment loans are another inclusive financing solution that allows customers to make payments over time for certain products and services through a third-party provider. Some providers, including Snap Finance, help customers with less-than-perfect credit make payments over time for certain products and services.

Among consumers with credit challenges, 42% have used installment loan financing in the past five years and 24% have used lease-to-own financing – a 2% jump in the last year.[2]

How big is the market for subprime financing?

An increasing number of consumers have credit scores that make it difficult to secure traditional financing. They may have a low credit score because of how they've handled money in the past or be new to credit with little or no information to create a conventional credit score. More than 47 million Americans are considered subprime borrowers – up 1.2 million in the last year.[4]

Although it can vary from lender to lender, a subprime borrower is generally defined as someone who has a FICO® score below 670.[3] A FICO score between 580 and 669 is considered fair, and one between 300 and 579 is considered poor.[5]

29% of consumers have a FICO score below 670[6]

That's a significant portion of your potential customer base. Providing access to inclusive subprime financing, such as lease-to-own financing and installment loans, is an opportunity to help more customers while opening new revenue streams for your business.

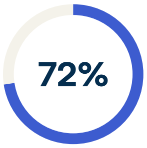
2

How small businesses use subprime financing

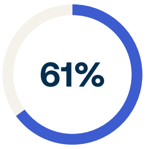
Economic shifts, greater awareness, and other factors are increasing demand for subprime financing. If you're thinking of adding tertiary financing as an option for your customers, now may be the time.

Among small businesses that use tertiary financing, 74% said more customers are asking for or in need of subprime financing.

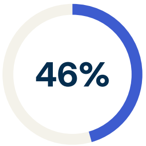
In addition to economic conditions, small businesses attribute a growing demand for subprime financing to:



More customers have a better understanding of subprime financing options



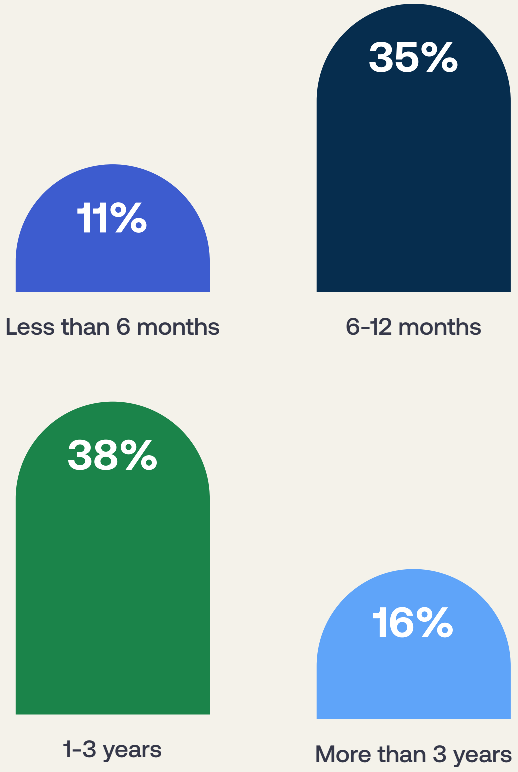
My business has increased promotion of this type of financing



Customers are having a harder time getting approved for other financing

To meet an increased need for more financing options, Snap Finance found that **36% of small businesses offer access to some form of subprime financing.** And 46% of those businesses began offering access to subprime financing in the past 12 months.

Length of time small businesses have used subprime financing

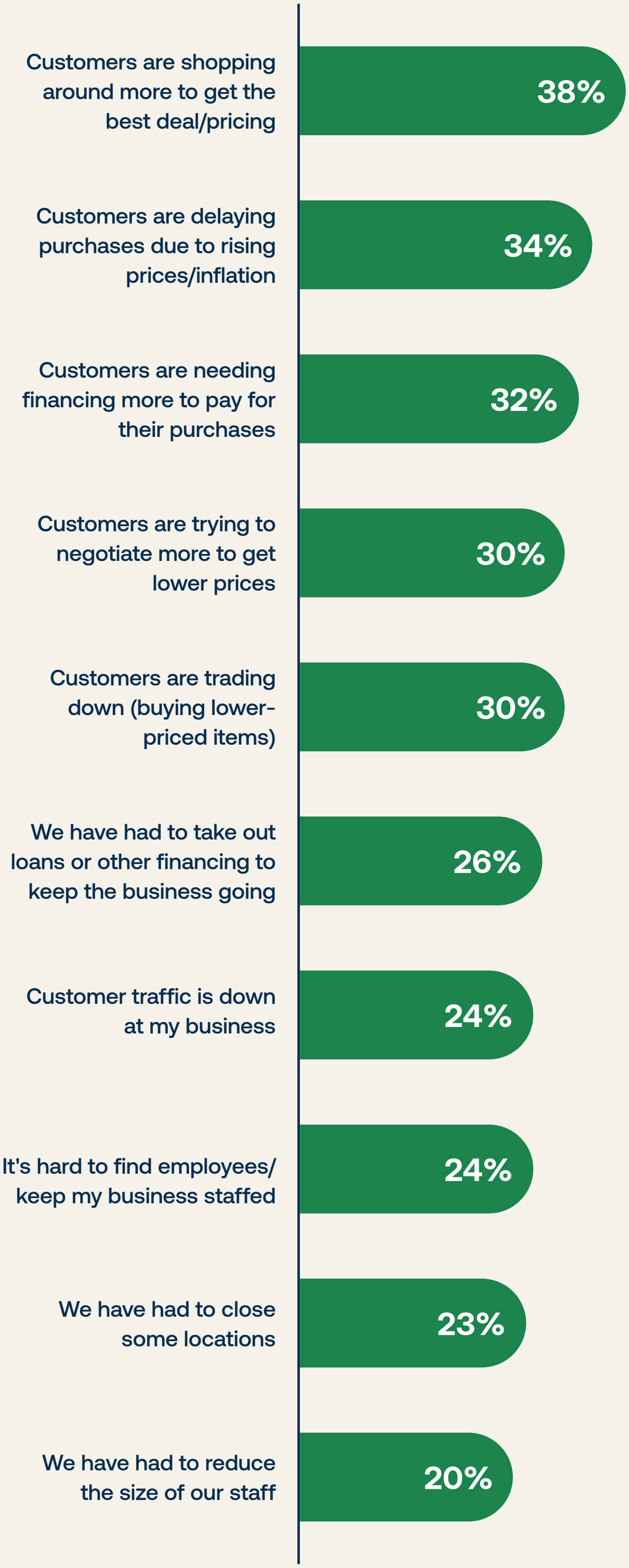


Small businesses and the economy

Small and mid-sized businesses are on the frontlines of economic uncertainty. From rising costs to lagging consumer confidence, economic headwinds can lead to decreased sales, cash flow challenges, a reduction in staffing, and other day-to-day impacts.

When Snap Finance surveyed small businesses, 60% said they were extremely or very concerned about the economic environment, up 34 points from our 2024 survey.

The economy’s impact on small businesses



Findings based on proprietary research. Snap Finance, 2025.

3

How subprime financing benefits small businesses

If you're looking to grow your business, making inclusive financing solutions available to your customers can yield important results with minimal effort and cost. More financing options for your customers can translate to new market opportunities, increased sales, and a competitive edge in the marketplace.

Increased sales

Financing turns browsers into buyers. When you offer multiple ways to pay over time, including options for people with limited budgets and less-than-perfect credit, you can attract new customers and close more sales.

Among small businesses that use it, 76% said subprime financing increased their sales.

Subprime financing can increase traffic and keep customers with credit challenges from walking away empty-handed. Had financing not been available, 56% of credit-challenged lease-to-own users would have gone to a different store.

Nearly half (48%) of installment loan users with lower credit scores would have done the same.[2]

Greater spend

Financing doesn't just help more customers get what they need; it also enables them to choose higher-quality or more expensive items – or add more items to their purchase. Big-ticket purchases such as electronics, furniture, appliances, and tires might be beyond reach for many without inclusive pay-over-time options.

Among small businesses that use it, 74% of small businesses said customers spend more with subprime financing.

More repeat business

If customers are satisfied with their financing experience at your store, they'll likely be more inclined to shop with you again, creating an opportunity for repeat sales.

Customer satisfaction can cement customer loyalty, which can also translate into new customers through word-of-mouth marketing. When shoppers with credit issues feel they can trust your business to help them get what they need, when they need it, they're more likely to share their great experience with those around them, bringing new customers to your door.

4

Choosing the right financing partner for your business

Many small businesses are facing growing operational and financial challenges due to the current economy and other factors. These conditions make it harder to maintain consistent cash flow, foot traffic, and sales. With little room for error, small businesses are looking for support and a competitive edge.

Subprime financing can be that differentiator, offering important benefits for your business and your customers. But choosing the right provider can make all the difference.

So, what matters most to small businesses when selecting a financing partner? According to survey respondents, these are the **top benefits small businesses consider.**

Prequalified leads

A financing provider that offers prequalified leads can be a game-changer for small businesses looking to increase sales. Prequalification involves a basic review of a customer's creditworthiness to determine if they're likely to qualify for financing. That gives customers a better idea of how they'll pay before they shop and streamlines the sales process for your business.

Incentives

Financing providers may offer incentives or spiffs, including gift cards, cash, or rebates, for using their services. To cover those incentives, financing providers that engage in spiffing may have to raise what they charge the consumer. And keep in mind that, because spiffs are taxable income, they will need to be tracked and reported.

Training and support

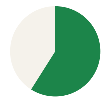
When financing providers offer effective onboarding, training, and ongoing support, small businesses like yours can more accurately explain third-party financing options and answer customers' questions during the application process. In addition, some providers, including Snap Finance, offer access to performance reports to help businesses measure the impact of financing on sales and customer satisfaction.

Quick settlement of funds

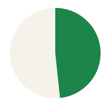
Cash flow is the lifeblood of small businesses. Quick settlement of funds means you receive payment as soon as possible from customer transactions made through third-party financing providers. With faster access to capital, you can more quickly restock inventory, cover day-to-day expenses, and repay debt as needed.

Marketing support

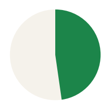
Although 56% of small businesses spent more on marketing in the past 12 months, many say they lack marketing expertise and resources. Snap Finance found that among small businesses:



62% don't have dedicated marketing employees



47% don't use marketing automation tools



45% don't employ a marketing agency

Without that support, small businesses see value in the marketing help offered by a financing provider. Materials, campaigns, and expertise can help small businesses attract new customers and encourage repeat business.

Low or no fees

Small businesses often operate on thin margins, so financing providers that don't charge high transaction fees, administrative costs, or hidden charges directly impact your bottom line. Predictable and transparent pricing fosters trust, making it easier for small businesses like yours to plan and scale without unexpected financial burdens.

Findings based on proprietary research. Snap Finance, 2025.

What's important to small businesses when choosing financing options

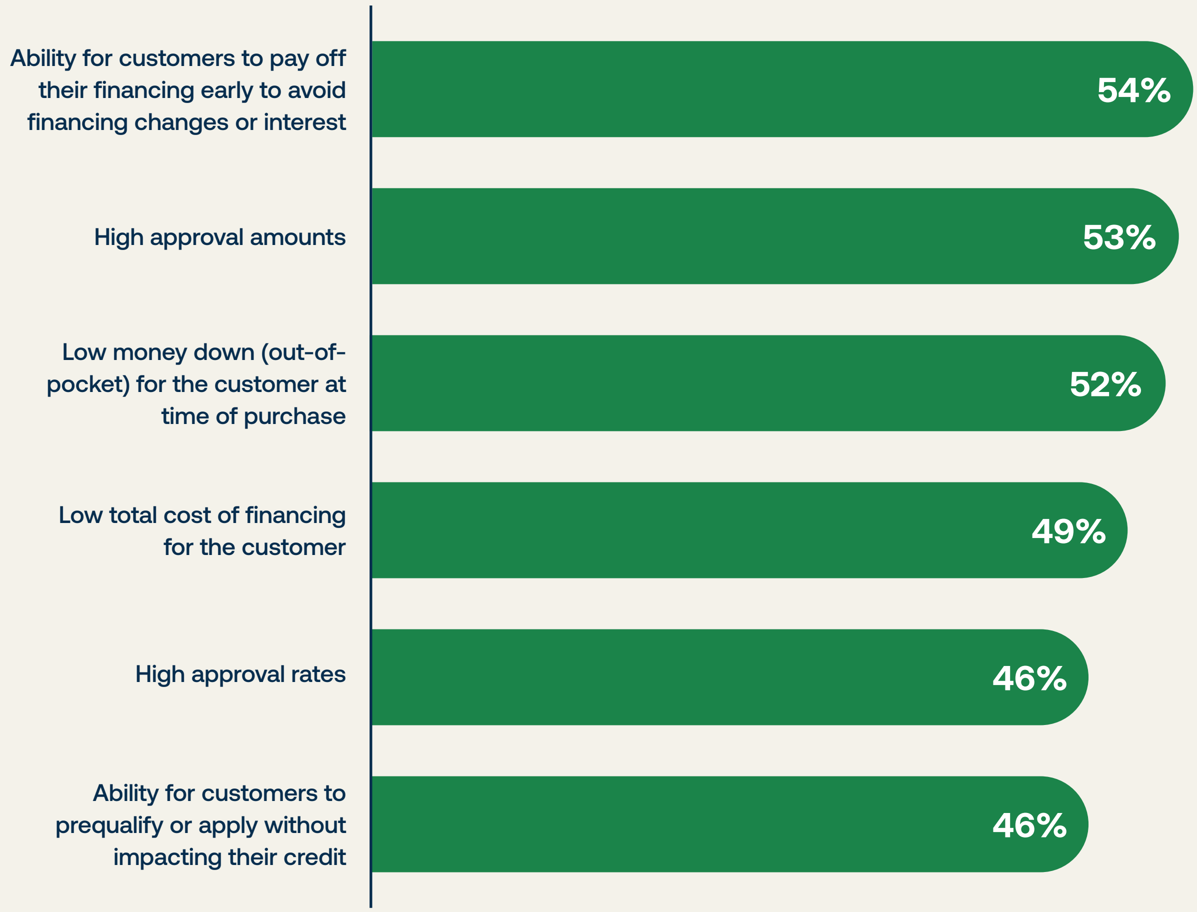
When choosing which financing options to use in their small business, many factors rise to the top. Small businesses value **early payoffs** to reduce financing charges or interest for their customers, **high approval amounts,** and **low money down** to remove potential barriers while driving higher conversion rates.

High approval rates mean more customers qualify for financing. It's not surprising then that small businesses see high approval rates as an important factor in choosing which financing to make available to their customers.

Because alternative financing providers, including Snap Finance, consider factors other than scores from major credit bureaus, more applicants may be approved. More approvals mean more opportunities to close sales and increase customer loyalty.

Top factors in choosing financing solutions for customers

(By percentage ranked in the top three)



Expand your reach with subprime financing

Subprime financing isn't just another payment option. It can be an important way to help more of your customers get what they need – and a powerful tool for your business.

From enhancing average order values to expanding your customer base, the benefits of inclusive subprime financing can be transformative. Embracing subprime financing, including lease-to-own financing and installment loans, can set your business apart and create strong customer relationships that drive sustainable success.

About the survey

Snap Finance's proprietary research on the use and benefits of subprime financing for small businesses was conducted in May 2025. We surveyed 421 U.S. small business decision makers for financing and payment options, representing businesses with fewer than 1,000 employees and that currently present subprime or tertiary financing options for their customers.

About Snap Finance

Snap Finance harnesses the power of data to empower consumers of all credit types to get what they need. Launched in 2012, Snap's technology utilizes more than a decade of data, machine learning, and nontraditional risk variables to create a proprietary platform that looks at each customer through a more holistic lens. Snap's flexible solutions are changing the face and pace of consumer retail finance.

For more information, visit snapfinance.com/partner

Sources

[1] Proprietary research, "2025 Subprime Financing Study. " Snap Finance, March 2025.

[2] Proprietary research, "Understanding and Meeting the Needs of Consumers Facing Credit Challenges." Conducted through Accelerant Research's Agora panel with 1,300 U.S. consumers. Snap Finance, October 2024.

[3] Louis DeNicola, "What Does Subprime Mean?" Experian, July 9, 2022.

[4] Hardy, Andy. "Credit Score Trouble: 1.2 Million More Americans Just Became Subprime Borrowers." Money, April 4, 2024.

[5] "670 Credit Score: Is it Good or Bad?" Experian.

[6] Horymski, Chris. "What Is the Average Credit Score in the US?" Experian, January 28, 2025.