



Affirm Compliance Guide

Understanding your obligations

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Introduction

At Affirm, we believe in transparency and cooperation in building strong partnerships while providing the best possible experience for our customers. Because we operate in the highly regulated financial space, we and our partners must follow requirements related to Affirm services, as outlined in relevant Affirm terms and conditions or as prescribed by applicable laws and regulations. We've created this guide to help our merchants and partners navigate these requirements in the real world.

Multiple consumer protection laws apply to how Affirm interacts with our customers. Here are some that also impact you, the merchant, and your role in complying with these requirements and your agreement with Affirm.

Consumer Protection Laws and Regulations

- Truth-in-Lending Act protects consumers by providing the truth-in-lending (TIL) ■ Fair Credit Reporting Act (FCRA) ■ Gramm Leach Bliley Act ■ Global and National Commerce Act ■ Telephone Consumer Protection Act (TCPA) ■ Unfair, Deceptive, or Abusive Acts and Practices (“UDAAP”) ■

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This guide is designed to offer useful summaries and illustrations of the requirements contained in your Affirm agreement as well as applicable laws and regulations. It is intended for informational purposes only and may be subject to modification.. It is important to note that this resource is not intended to provide legal advice, nor does it establish a lawyer-client relationship. If you have any questions, it is recommended that you seek the guidance of an attorney or legal expert. None of the terms herein create an agreement between you and Affirm; for specific terms that apply to your use of Affirm, please see your Affirm agreement

1) Completing an application for a payment plan

It's important that the customer completes the application for a payment plan by themselves and on their own device.

Why? It's required by law.

- The Electronic Signature in Global and National Commerce Act, 'E-Sign', requires this to conduct certain business activity electronically and validate the electronic signature.
- It gives customers the opportunity to read and fully understand the disclosures and consent to the payment plan terms.
- To protect the customer's sensitive, nonpublic information, Affirm is required to collect sensitive information from customers to verify their identity and make an accurate credit decision. State and federal laws require that we take adequate measures to protect this information to prevent identity theft and fraud.

Here are some practices to avoid:

- Do not complete or assist in completing the application on behalf of the customer.
- Do not allow the customer to complete the application using a device that doesn't belong to them - for example, an in-store device such as a tablet, phone, or kiosk.
- Do not answer customer questions about Affirm until you have completed the [training for eCommerce, in-store & telesales](#) to understand what is permitted. Instead, direct the customer to [our help center](#) or to contact Affirm directly.

2) Preventing fraud

Fraud has wide-ranging impacts that extend beyond immediate financial losses, affecting trust, the regulatory environment, the overall economy, and operational efficiency. Preventing and detecting fraud are critical priorities for Affirm. Regulators also safeguard against fraud to protect the integrity of the financial system.

What are examples of fraud?

- Applying on behalf of the customer without their knowledge or consent.
- Attempting to prequalify on behalf of the customer without their knowledge or consent.
- Encouraging or influencing the customer to apply using information other than their own, e.g., a family member's or friend's personal information.

- Capturing Affirm payment plans with no intention to fulfill the order or service.

How can you prevent fraud?

- Have all employees who directly interact with customers complete the [Affirm required training](#) (if you are approved to offer Affirm via in-store and telesales)
- All employees should understand the risk associated with fraud and avoid practices that constitute fraud.
- Direct the customer to apply on their device using their personal information.

These examples constitute fraud, and are a violation of laws, such as the Fair Credit Reporting Act and the Identity Theft and Red Flags Rule, and your agreement with Affirm.

3) Merchant fees

Affirm is proud to offer customers transparent financing without any hidden fees. As a merchant who offers Affirm to your customers, you agree not to treat customers who use Affirm differently or unfairly compared to those using other payment methods.

What does this mean for customers paying with an Affirm payment plan?

- Do not impose surcharges, fees, or other costs.
- Do not exclude customers from receiving or participating in any discounts, rebates, savings, offers, incentives, loyalty program benefits, points, or rewards.

Why?

- The Truth in Lending Act, "TILA", requires disclosure of all charges and fees prior to accepting the payment plan.

4) Dealing in an ethical and fair manner

It's important to treat customers fairly, be clear and honest, and follow ethical practices. Unfair or deceptive actions can hurt customers financially and cause them to lose trust in your business and Affirm. So make sure to communicate to your customers clearly and highlight any important terms, limitations, or conditions in compliance with Affirm marketing compliance guides and training.

What are some practices that must be avoided?

- Treating anyone differently based on a prohibited basis or characteristics including: Age, race, color, religion, sex or sexual orientation, ancestry, national origin, disability, familial status, marital status or receipt of public assistance.

- Pressuring or persuading vulnerable individuals, such as the elderly, financially unsophisticated, or non-English speaking consumers into accepting unfavorable terms.
- Adding supplemental criteria to access the Affirm credit application.
- Advertising a product or service with a certain set of features or benefits but then providing something that falls short of those claims.
- Failing to provide clear pricing terms are not clear, there is no checkout functionality available on your site for your customers, and you only communicate the price when the customer makes a phone call.

5) Compliance with your refund and return policy

Applying the same refund and return policy to all customers, regardless of the payment method selected to complete their purchase, helps you and Affirm to comply with consumer protection laws and ensures that your business operates ethically and fairly. By treating all customers equally, you eliminate the possibility of any discriminatory practices that may be deemed as unfair, deceptive, or abusive towards certain customers based on their preferred payment method.

What do you need to ensure in your refund and return policy?

- Make sure you treat all customers the same no matter which payment method is used.
- Make sure to process the refund quickly and send the money back to Affirm in accordance with your Affirm agreement, so the customer's balance gets updated.
- Make sure to provide a clear and prominently displayed refund and return policy on your website with refund window availability that is based on the industry standard.

6) Avoiding high-pressure sales tactics

Giving customers enough time to decide whether or not they want to prequalify for a loan is crucial. It gives customers the chance to read the disclosures and fully understand the terms before committing to purchase. This approach promotes informed decision-making, shows respect for customer autonomy, avoids any pressure tactics, builds trust, and ensures that customers are happy with their decision while complying with regulations.

Do not use high-pressure sales tactics to encourage the customer to apply (e.g., excessive and frequent contact, suggesting unrelated upsells, intimidating the customer)

What are some best practices?

- Build good relationships with the customer by being transparent and honest in presenting financing options.
- Provide customers with time to make decisions at their own pace.

7) Using Affirm approved marketing materials

Affirm is committed to following all state and federal laws while marketing their products and services, including UDAAP, CAN-SPAM, ECOA, and TILA. We avoid all marketing strategies that could be construed as unfair or deceptive under “UDAAP”. We develop marketing materials to be easy to understand for anyone who applies for a payment plan with Affirm. All disclosures or terms and conditions are shared prominently where potential customers can see or hear them and are placed in close proximity to the claim being qualified.

Here's how Affirm marketing requirements affect you:

- You and Affirm must follow all the rules of the CAN-SPAM law. That means make your subject lines accurate, disclose that the email is an ad, and give your customers an easy way to opt out of future emails. You must honor customers' opt-out requests within 10 business days.
- You and Affirm must comply with the Equal Credit Opportunity Act. That means you can't treat anyone unfairly because of their race, color, religion, national origin, sex, marital status, or age. You can't make any oral or written statement that would discourage a reasonable person from making or pursuing a loan application.
- You and Affirm must follow the Truth-in-Lending Act and Regulation Z. This means making sure that credit terms are disclosed in a meaningful way so that consumers can compare credit terms more readily and knowledgeably. All loan product advertisements must provide accurate and balanced information about rates, monthly payments, and other applicable loan features in a clear and conspicuous manner.

Make sure to avoid these marketing practices:

- Don't suggest that the approval of the loan is guaranteed.
- Don't disseminate marketing or promotional materials representing Affirm programs without prior approval and consent.

Go through the [marketing compliance training](#) to find out why these steps are important, how to comply with the various regulations, and get resources to guide you on your marketing journey.

8) Prohibited businesses

Per your Affirm agreement, certain types of businesses and business practices (and certain products) are prohibited from using Affirm Services. Take the time to review the [Affirm Prohibited Business Policy \(PBP\)](#) and block the items or services that violate our PBP from using Affirm as a payment method.

If you are unsure as to whether a given product is on the PBP, reach out to our dedicated Merchant Care team. You can contact us via the help widget situated in the bottom right corner of the [Business Resource Hub](#) and the [Merchant Portal](#).

Addressing compliance concerns

We have created this guide with the aim of helping you better understand your obligations as provided in your Affirm agreement as well as applicable laws and regulations. We are here to assist you every step of the way as you navigate this regulatory landscape. Our Merchant Ops team is always available to help you address any issues related to compliance, and our [Business Resource Hub](#) is a great resource for any additional questions you may have.

In the event that you are contacted by an Affirm representative regarding a compliance concern, we kindly request your cooperation in responding to such contact and working together to resolve the concern so that we may keep your Affirm account active.

Please note that any frequent compliance issues can have negative consequences for you and your company. In accordance with your Affirm agreement, we may be required to take additional actions against you and/or your company, which could include termination of your Affirm account.