



September 26, 2022

Representative Stephen F. Lynch  
2109 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Lynch,

On behalf of Credova Financial, I am writing in response to your August 29, 2022 letter requesting information regarding our buy now, pay later financing options for the purchase of firearms.

Credova's mission is to support the outdoor lifestyle for American consumers. We have a passion for the outdoors and a commitment to helping people enjoy the remarkable natural resources our country has to offer. From hiking, camping, fishing, hunting, to biking, skiing and snowboarding, Credova helps create opportunities for Americans to get outside and experience a variety of adventures. In so doing, we not only encourage a healthy lifestyle, but also contribute to the conservation of our natural resources. Unfortunately, your letter ignores most of the outdoor activities for which we offer financing options and focuses solely on the purchase of firearms.

Our top growth categories for 2022 are farm/ranch, sportfishing, and adventure travel. Credova is not the only BNPL provider that finances firearms. In fact, it is common practice among BNPL providers to provide firearm financing. Given that firearm financing is common practice among BNPL providers, it is unclear why Credova has become the subject of such focused scrutiny. Representing less than one-tenth of one percent of financed firearm purchases, Credova plays a relatively small role in the firearms market. Furthermore, we were dismayed to see your letter was sent to a reporter at the *New York Times* before it was sent to us. That said, we will address your questions regarding how Credova provides financing for firearms through our platform.

Credova's position regarding our buy now, pay later programs is to offer financing opportunities to consumers that protect their privacy, as well as their freedom to purchase lawful goods of their choice. We believe taking a corporate position that restricts the commerce of lawful goods creates a dangerous precedent that is harmful to American consumers. As VISA recognized and reaffirmed days ago, it would be "an invasion of consumers' privacy for banks and payment networks to know each of our most personal purchasing habits," and that "asking private companies to decide what legal products or services can or cannot be bought and from what store sets a dangerous precedent."<sup>1</sup> JPMorgan Chase CEO, Jamie Dimon, echoed this same sentiment

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<sup>1</sup> Protecting Legal Commerce, (Sept. 13, 2022) (available at <https://usa.visa.com/visa-everywhere/blog/bdp/2022/09/13/protecting-legal-commerce-1663103155809.html>).



to the Senate Banking Committee on September 22, 2022, stating “we cannot be involved in telling American citizens how their money will be used. That’s not our job...” Credova agrees with these statements and will never waiver from its commitment to the protection of consumer sovereignty.

Regarding transactions involving firearms, it may be helpful to provide a brief explanation of our process. Credova takes great care to ensure that any and all merchants who market and sell Title I firearms and seek to offer Credova financing are valid, legal businesses that follow all federal, state, and local regulations and licensing requirements. Before onboarding a firearms merchant, Credova conducts extensive due diligence to ensure it is a legally approved firearms dealer that holds a current, valid Federal Firearms License (“FFL”).

Our buy now, pay later platform is offered only through verified FFL merchants with licensed businesses. Credova does not finance any private party sales or other person-to-person transfers. To that end, we not only verify the authenticity and validity of each merchant that applies to offer our financing products, but we also confirm that the merchant holds a valid FFL.

After a FFL merchant submits an application, it is screened to ensure it meets certain basic criteria, including sales volume requirements, length of time in business, and that the merchant is based in the United States. If the merchant meets these basic requirements, it then undergoes Credova’s multi-point due diligence process and submits additional documentation. Among these additional documents are a copy of the FFL, a valid driver’s license for the business principal, and pertinent business details including three trade references, bank account information, Office of Foreign Assets Control (“OFAC”) clearance, and a valid business license.

Once Credova has received the required documentation and has performed an initial check to ensure their validity, the FFL merchant is run through an additional verification process. This includes the Bureau of Alcohol, Tobacco, Firearms and Explosives’ (“ATF”) FFL EZ Check database to ensure that the business’ DBA, address, and name listed on the FFL matches the information provided to Credova on the merchant application.

In addition to verification of the FFL and authenticity of the business, Credova conducts background checks on each business and each business’ principal who applies to offer our financing to their customers. There are rigorous requirements the principal must meet, including clean criminal and financial records. If the merchant clears FFL verification, the full due diligence process, and Credova opts to onboard that merchant, Credova still requires each merchant to undergo an annual FFL review to ensure the merchant remains compliant and their FFL remains current. Once fully verified, FFL merchants can then offer Credova financing, but they are required to adhere to all federal, state, and local firearm regulations, and to notify Credova of any adverse interaction with the ATF.

Credova only finances firearm purchases for law-abiding consumers who have been approved through the FBI NICS background check verification process, along with any additional

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state or local requirements. Importantly, Credova does not work with businesses that permit individuals to purchase firearms online and have them shipped directly to the consumer. Rather, when a customer seeks to purchase a firearm online from a merchant using the Credova platform, he or she must first select a local, verified FFL dealer for delivery. The firearm is then shipped to that local dealer who completes the transfer process in accordance with federal, state, and local law. To take delivery of the firearm, the customer must physically visit the local dealer, submit a copy of his or her valid driver's license and successfully pass the federal NICS background check (as well as any required state or local background check requirements). Credova's financing platform does *not* permit an individual to purchase a firearm online and bypass its physical delivery to an FFL dealer.

To summarize, Credova maintains a strict policy to work only with licensed FFL dealers that have been fully vetted and verified—and that follow all federal, state, and local firearm laws and regulations governing the sale of firearms. As noted above, we only finance transactions for customers approved by the federal NICS background check system. Any firearm financed through Credova must be accepted by a customer for delivery at a licensed FFL dealer.

Beyond firearm-specific regulations, Credova has implemented a comprehensive compliance program and diligently adheres to all state and federal consumer financing regulations. One aspect of our compliance program is monitoring and addressing consumer complaints and concerns. Credova has received many positive reviews regarding the BNPL platform we provide to merchants, across multiple sales categories. We are proud of our low complaint volume and positive review history and have deliberately and consistently focused on building a transparent, easy to use and easy to understand consumer lending platform.

We strive to provide our merchant partners and shoppers the best service, and this is reflected not only in our low complaint volume, but also in our industry leading consumer reviews. Out of the top BNPL providers in the US, Credova boasts the highest BBB rating (as of September 8, 2022) and the lowest cumulative three-year complaint volume. Credova's BBB rating is 3.7-stars at the time of this report, while many of our competitors maintain a 1-star BBB rating.

One aspect that contributes to our customers' positive experiences is that we take care to ensure our end-users are not financially overextended by entering into a debt obligation through our platform. Credova is unique in our efforts to moderate overspending as compared to others in the BNPL industry. Unlike much of our competition, who allow users to take out multiple loans at one time, Credova's platform is designed to allow only one active financing contract at a time per customer. As part of our confidential and proprietary underwriting standards, Credova also reviews certain information concerning an applicant's credit history and finances to ensure financing is extended only to qualified consumers with the ability to meet the financial obligations assumed as part of their transaction. As a result, and as a testament to Credova's efforts to promote financial responsibility, the average age of a customer who uses Credova financing is 40 years old and has markedly different shopping preferences than those of typical BNPL providers. BNPL providers have become well known for serving a younger audience who tend to utilize BNPL for apparel/fashion and electronics. This is not the case with Credova.



We appreciate the opportunity to highlight our financing process, as well as our dedicated commitment to the outdoor lifestyle, support for the commerce of lawful goods and adherence to all federal, state and local regulations governing the purchase of firearms.

Sincerely,

A handwritten signature in black ink, appearing to read "James Giudice", written in a cursive style.

James Giudice  
Chief Legal Officer/General Counsel

cc: Representative James Comer  
Representative Patrick McHenry  
Representative Matt Rosendale