



MIT SLOAN SCHOOL OF MANAGEMENT
15.483 CONSUMER FINANCE AND FINANCIAL
PRODUCTS

SPRING 2018

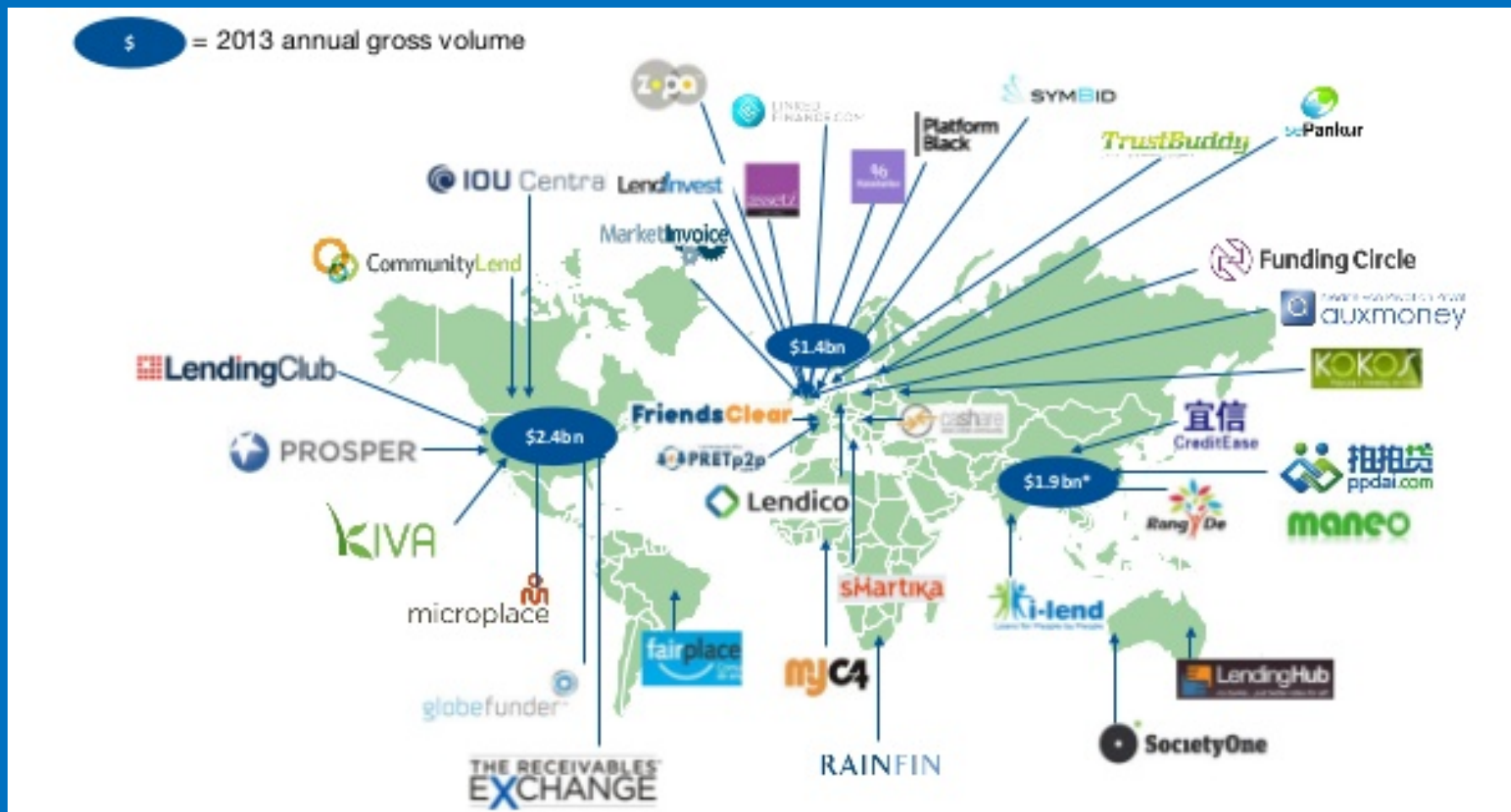
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Lending Club

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Lending club and Peer-to-Peer Lending



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Lending Club

- How did the idea for peer-to-peer lending arise?

Lending club model

How did Lending Club do underwriting?

- Screening of borrowers

- Screening of lenders

How did Lending Club set interest rates and amounts?

Key risks

What was the role of WebBank?

Basic Structure of Federal Securities Laws

Should Lending Club file with the SEC?

- Advantages:

- Disadvantages:

Noah Buhayar and Jody Shenn. “BlackRock Finds Few Peers With \$330 Million Book of Online Loans.” February 2, 2015. *Bloomberg*.

Peer-to-peer lending thriving today

2013: Top-5 originated \$3.5b in U.S. and rising

2015: Lending Club doubles lending to roughly \$4bn in 2014, Prosper \$1.6bn

- Roughly \$880b in credit card debt, \$28b new per year

Will P2P continue to grow in US? Continue to spread globally?

1. Is the amount of underwriting optimal? Is social info useful?
2. Who gets the rents from fewer lawyers, regulation, entities between lender and borrower?
 - How competitive? How regulated? How important is network?
3. Are the incentives correct? Do originators bear defaults?
 - Contrast to disintermediation of brokers originating mortgages
4. How robust/safe are the platforms?
 - If originators hold risk, and they going to fail in bad times?
5. How much danger of increasingly sophisticated lenders cream skimming?
6. How much danger of increasingly sophisticated borrowers gaming the system?
7. What happens in the next recession?

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15.483 Consumer Finance: Markets, Product Design and Fintech
Spring 2018

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