



P2P Lending

William Fisher

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Finance model	Funding Source	Borrowers	Risk taking	Liquidity Transf.	Maturity Transf.	Description	
P2P Lending	P2P Consumer Lending	Individuals or institutional investors	Individuals	Investors	No	No	Individuals or institutional funders provide a loan to a consumer borrower.
	P2P Business Lending	Individuals or institutional investors	Business	Investors	No	No	Individuals or institutional funders provide a loan to a business borrower.
	P2P Property Lending	Individuals or institutional investors	Individuals or business (property owner)	Investors, property may serve as collateral	No	No	Individuals or institutional funders provide a loan secured against a property to a consumer or business borrower.
Crowdfunding	Equity-based Crowdfunding	Individuals or institutional investors	Business (equity issuer)	Investors	Yes	Yes	Individuals or institutional funders purchase equity issued by a company
	Real Estate Crowdfunding	Individuals or institutional investors	Business (real estate developer)	Investors	Yes	Yes	Individuals or institutional funders provide equity or subordinated-debt financing for real estate.
	Reward-based Crowdfunding	Backers	Individuals or business	Investors	Yes	Yes	Backers provide finance to individuals, projects or companies in exchange for non-monetary rewards or products
	Donation-based Crowdfunding	Donors	Individuals or business	Investors	No	No	Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return.
Balance Sheet Model	Balance Sheet Consumer Lending	Fintech platform	Individuals	Fintech platform	Yes	Yes	The platform entity provides a loan directly to a consumer borrower.
	Balance Sheet Business Lending	Fintech platform	Individuals	Fintech platform	Yes	Yes	The platform entity provides a loan directly to a business borrower.
	Balance Sheet Property Lending	Fintech platform	Individuals or business (property owner)	Fintech platform, property may serve as collateral	Yes	Yes	The platform entity provides a loan secured against a property directly to a consumer or business borrower.
Other models	Invoice trading	Individuals or institutional investors	Business (invoice owner)	Investors or mixed	Yes	Yes	Individuals or institutional funders purchase invoices or receivable notes from a business at a discount.
	Debt-based Securities	Individuals or institutional investors	Business (issuer of debt-based securities)	Investors or mixed	Yes	Yes	Individuals or institutional funders purchase debt-based securities, typically a bond or debenture at a fixed interest rate.
	Mini-Bonds	Individuals or institutional investors	Business (unsecured retail bond issuer)	Investors or mixed	Yes	Yes	Individuals or institutions purchase securities from companies in the form of an unsecured retail bonds.
	Profit-Sharing	Individuals or institutional investors	Business	Investors or mixed	Yes	Yes	Individuals or institutions purchase securities from a company, such as shares or bonds, and share in the profits or royalties of the business.

Source: Baba et al., “Fintech in Europe: Promises and Threats,” IMF Working Paper (2020)

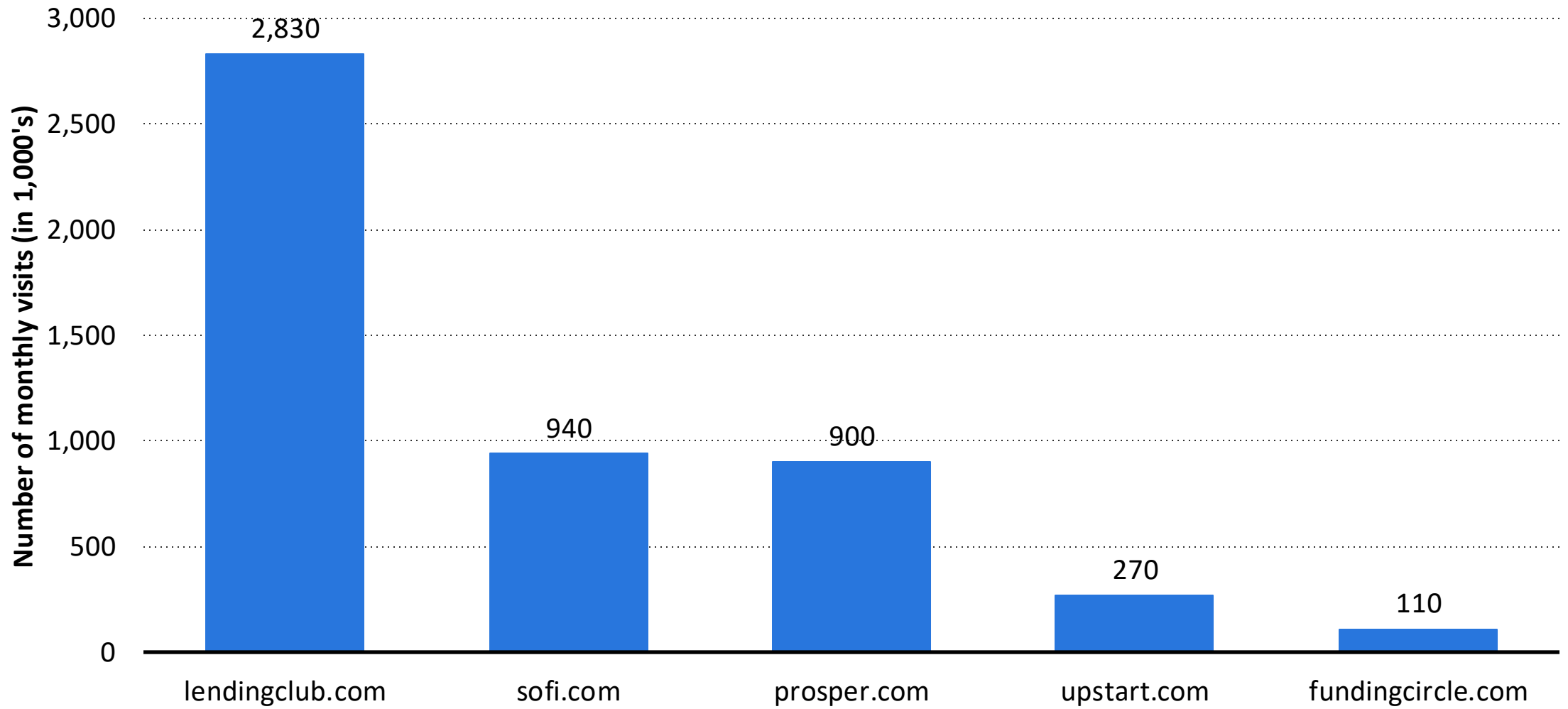
**Table 1: Overview of major electronic P2P lending platforms**

(In 2010)

Provider	Prosper Marketplace Inc.	Lending Club Corp.	Zopa Ltd.	Smava GmbH
URL	prosper.com	lendingclub.com	zopa.co.uk	smava.de
Market	USA	USA	UK, Italy, Japan	Germany
Members	760,000 ^a	n. a.	200,000 ^b	28,000 ^c
Cooperating Credit Reporting Agency	Experian plc	TransUnion LLC	Equifax Inc.	Schufa Holding AG
Loan Processing Bank	Wells Fargo Inc.	WebBank (Web-Financial Corp.)	The Royal Bank of Scotland plc	biw Bank für Investments und Wertpapiere AG
Maximum Amount	25,000 USD	25,000 USD	15,000 GBP	25,000 EUR
Pricing of Loans	Second Price Auction / Determined by BR	7.37% to 20.11% (by credit grade)	Second Price Auction	Determined by BR
Fees	BR initial 1–3% of LA; LN annual 1% of LA outstanding	BR initial 0.75–3.5% of LA; LN 1% of payments received	BR GBP 94.25 (fixed fee); LN annual 0.5% of LA outstanding	BR initial 2–2.5% of LA
Secondary Market	planned	available	available (Italy only)	none



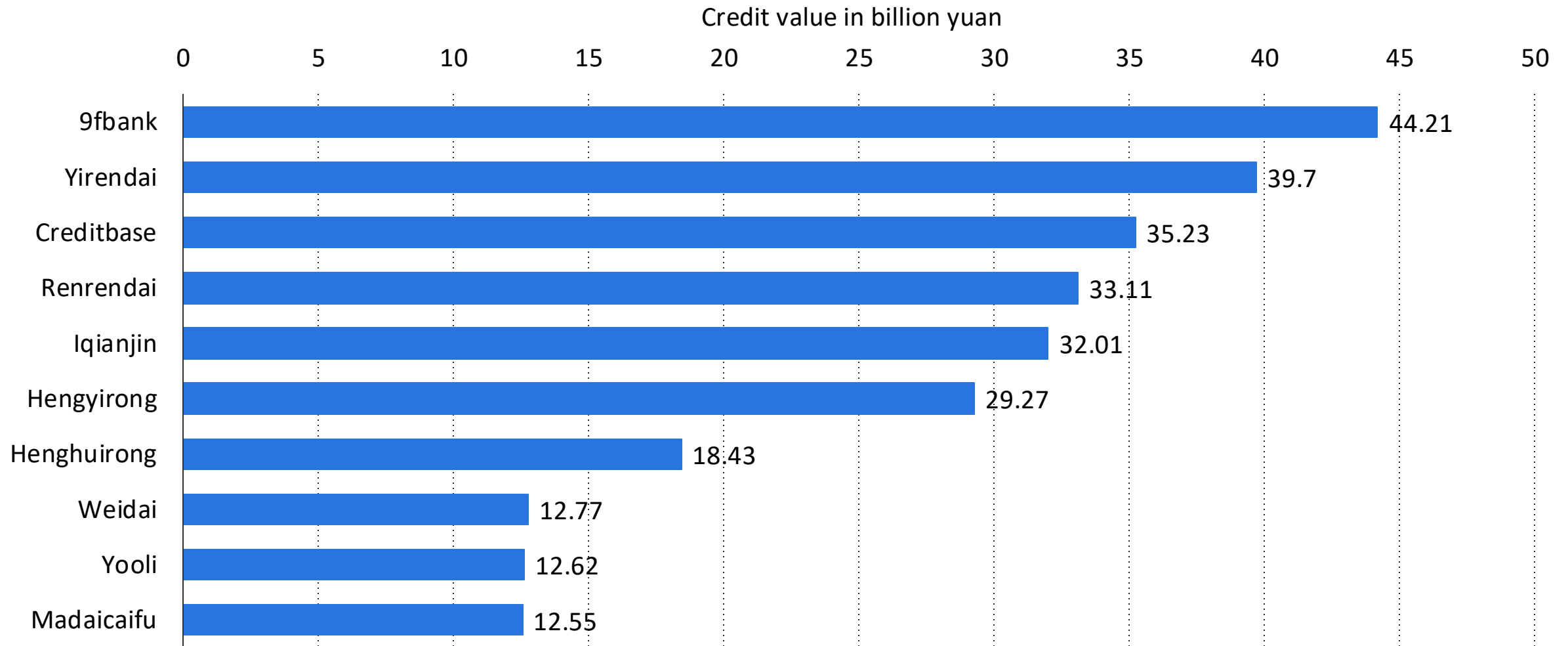
Leading peer-to-peer lending websites in the United States from August 2016 to July 2017, by number of monthly visits (in 1,000's)



Note(s): United States; August 2016 to July 2017
Further information regarding this statistic can be found on [page 8](#).
Source(s): SimilarWeb; [ID 763,623](#)



Leading peer-to-peer lending companies in China as of October 2019, based on credit value (in billion yuan)



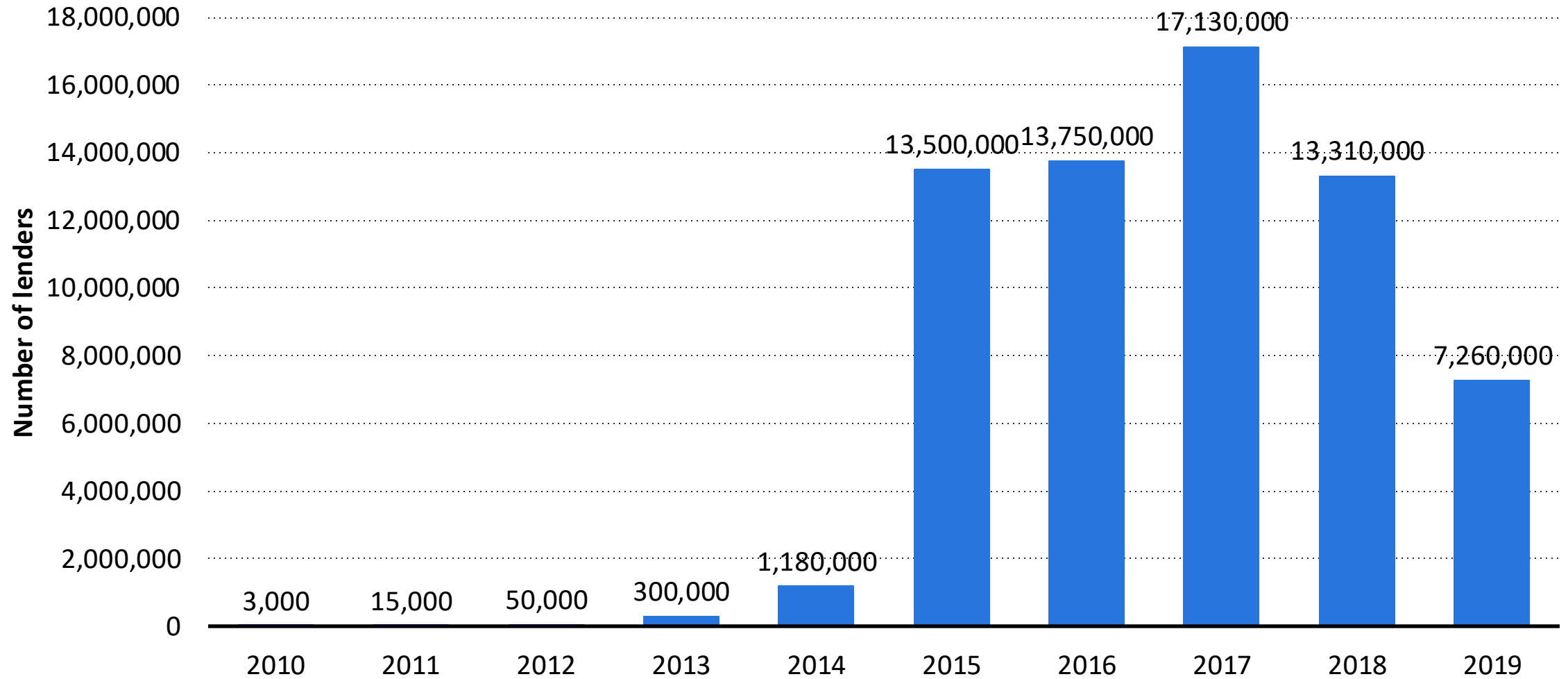
Note(s): China; as of October 2019

Further information regarding this statistic can be found on [page 8](#).

Source(s): Forward Intelligence (Qianzhan); [ID_1154565](#)



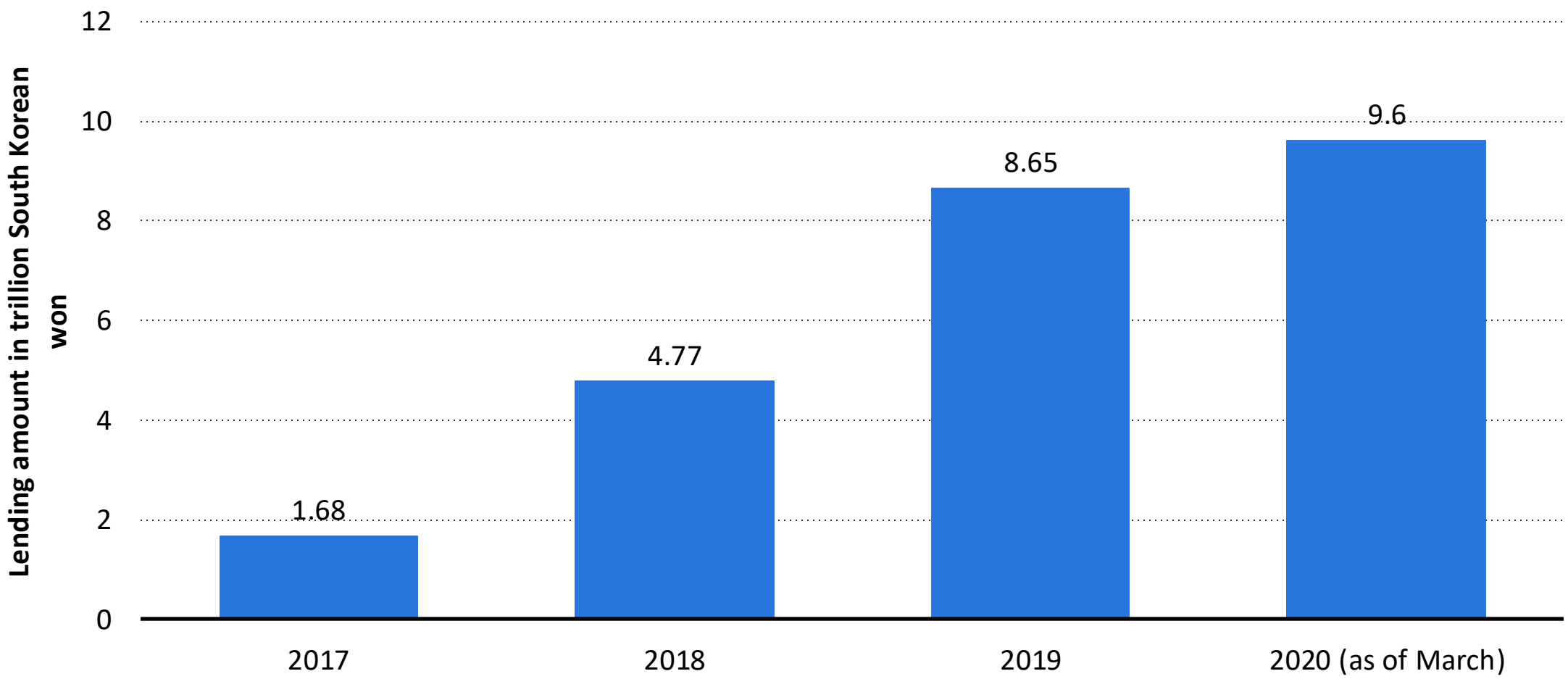
Number of lenders on online peer-to-peer (P2P) lending platforms in China from 2010 to 2019



Note(s): China; 2010 to 2019
 Further information regarding this statistic can be found on [page 8](#).
 Source(s): Website (wdzj.com); ID 652763



Cumulative amount of peer-to-peer (P2P) lending in South Korea from 2017 to 2020 (in trillion South Korean won)

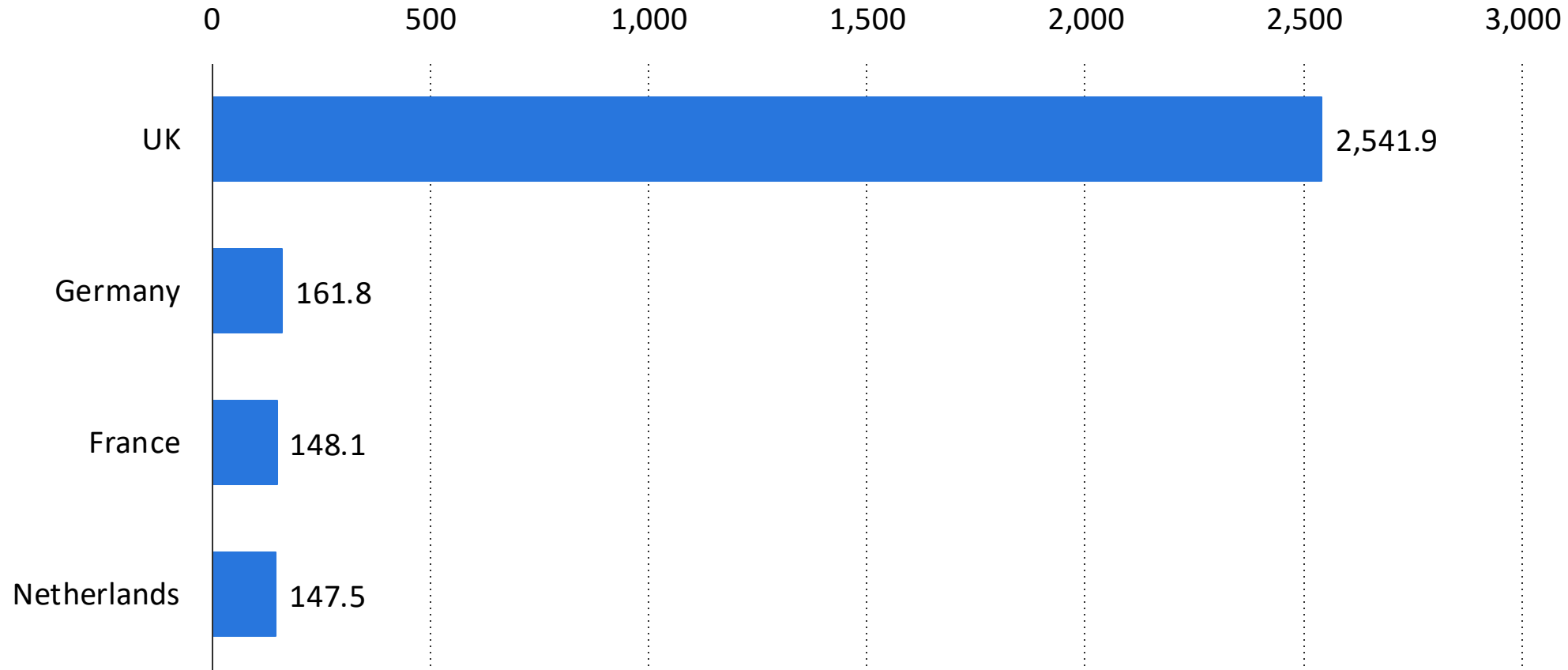


Note(s): South Korea; as of March 2020
Further information regarding this statistic can be found on [page 8](#).
Source(s): Financial Services Commission (South Korea); [ID 1127789](#)



Leading European countries based on market volume in P2P business lending in 2018 (in million U.S. dollars)

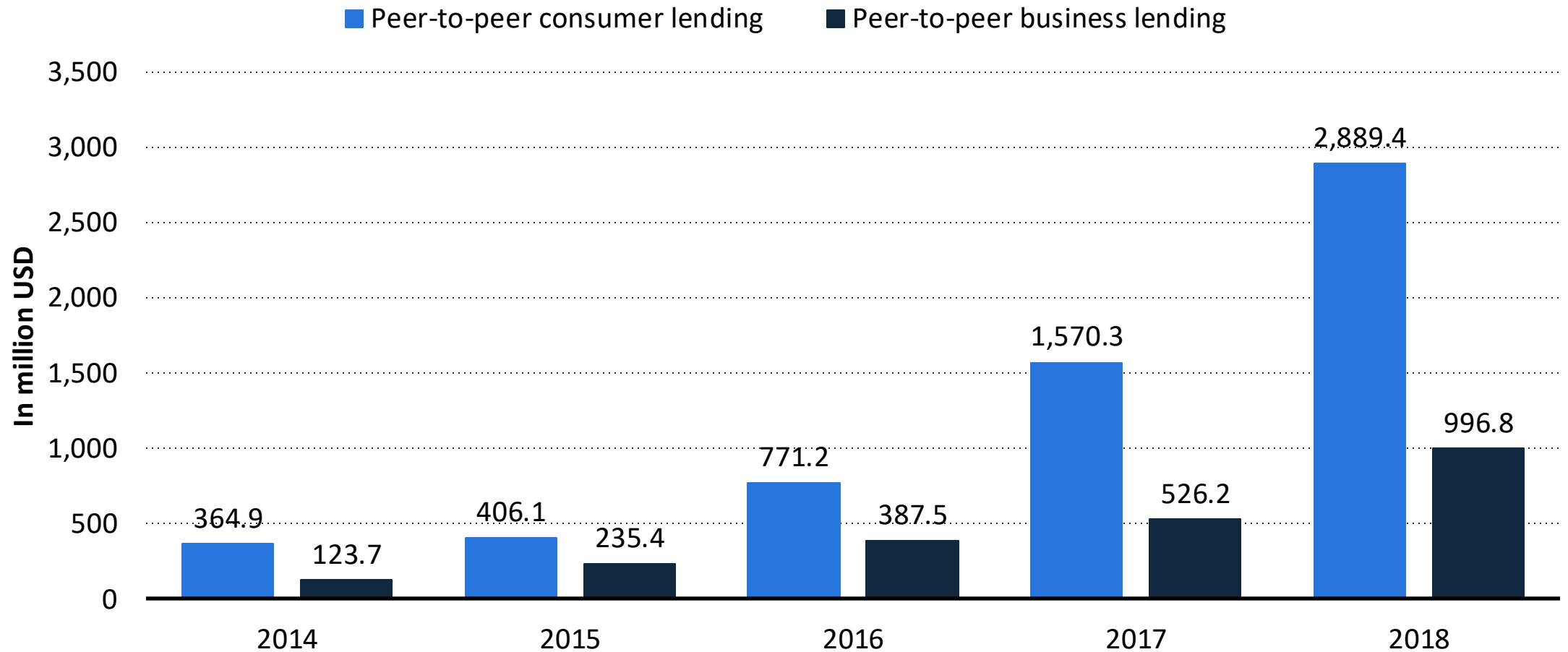
Market volume in million U.S. dollars



Note(s): France, Germany, Netherlands, United Kingdom; 2018
Further information regarding this statistic can be found on [page 8](#).
Source(s): Cambridge Judge Business School; [ID 625606](#)



Peer-to-peer consumer and business lending transaction value in Europe (excluding the UK) from 2013 to 2018 (in million USD)



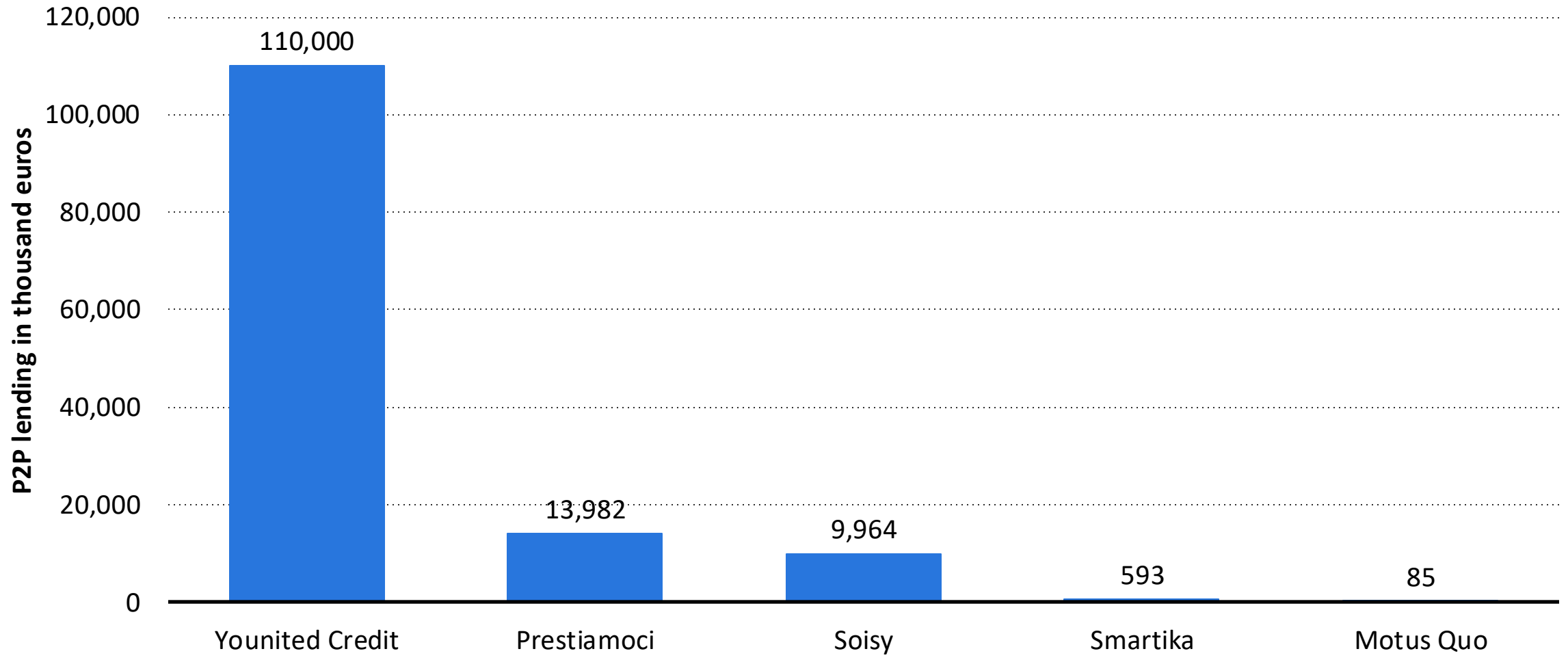
Note(s): Europe; 2013 to 2018; 1,227*; Financial technology firms operating Crowdfunding, P2P/Marketplace Lending and related online capital raising activities.

Further information regarding this statistic can be found on [page 8](#).

Source(s): Cambridge Judge Business School; CME Group Foundation; ID.412400



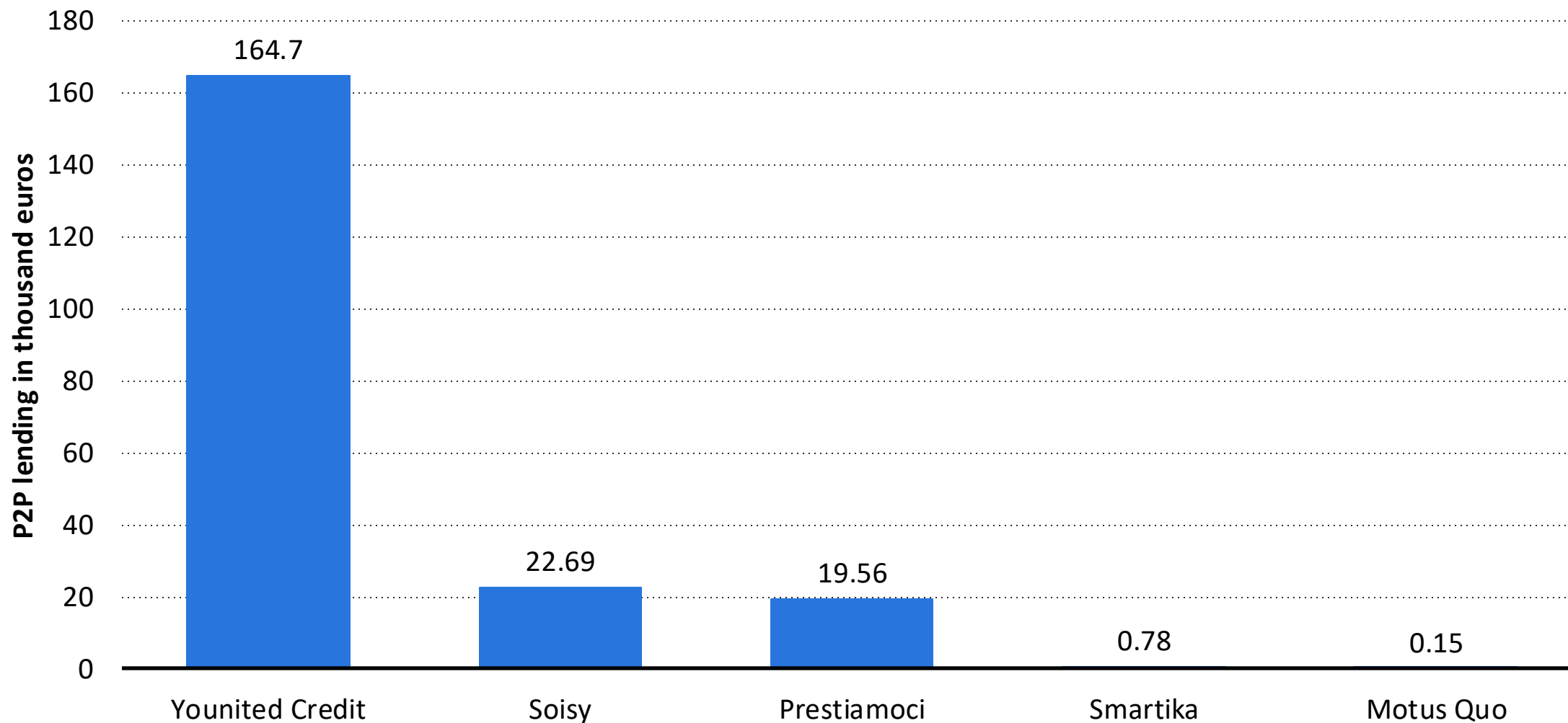
Value of peer-to-peer (P2P) consumer lending in Italy in last twelve months as of June 2020, by platform (in 1,000 euros)



Note(s): Italy; As of June 30, 2020
Further information regarding this statistic can be found on [page 8](#).
Source(s): Politecnico di Milano; [ID 1183460](#)



Value of peer-to-peer (P2P) consumer lending in Italy in last twelve months as of June 2021, by platform (in million euros)



Note(s): Italy; As of June 30, 2021

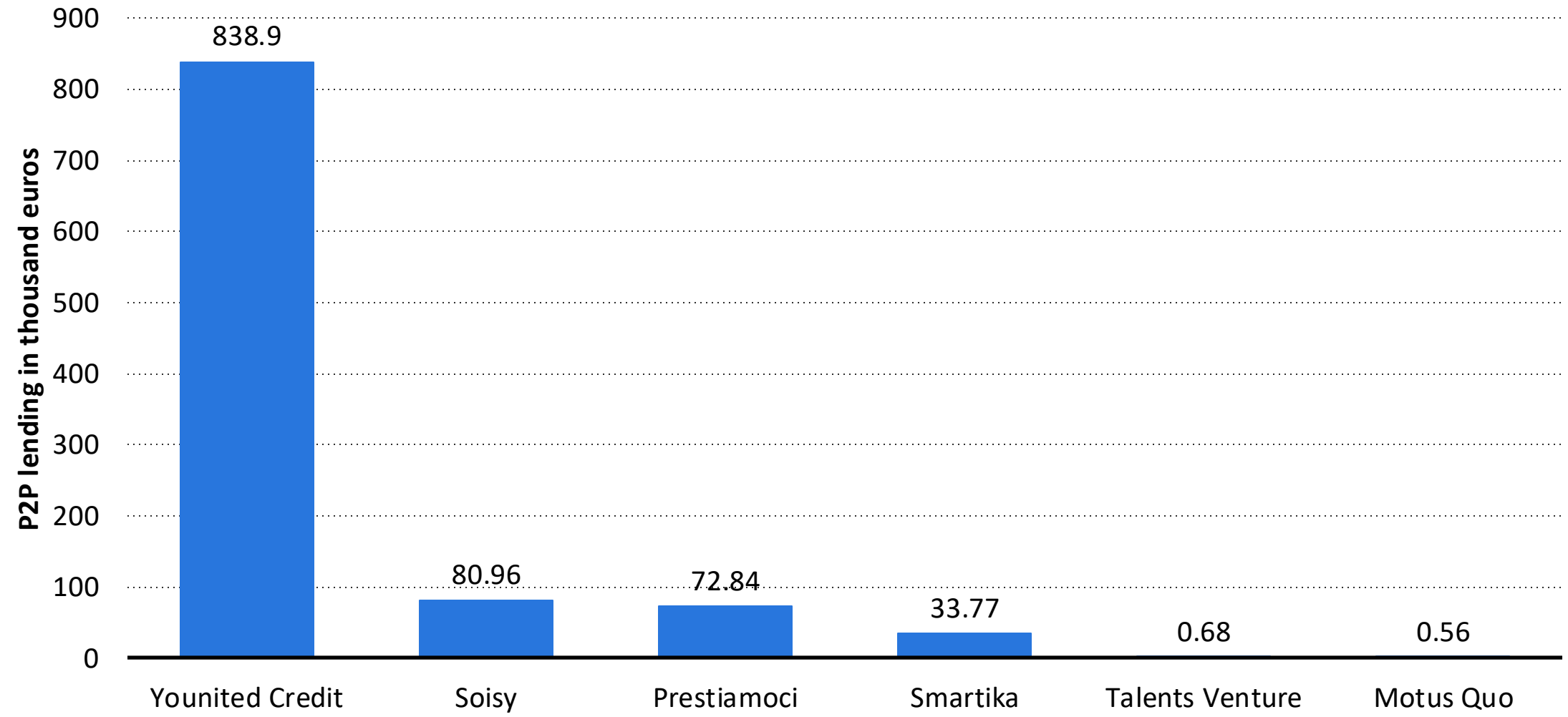
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Source(s): Politecnico di Milano; [ID 1183460](#)





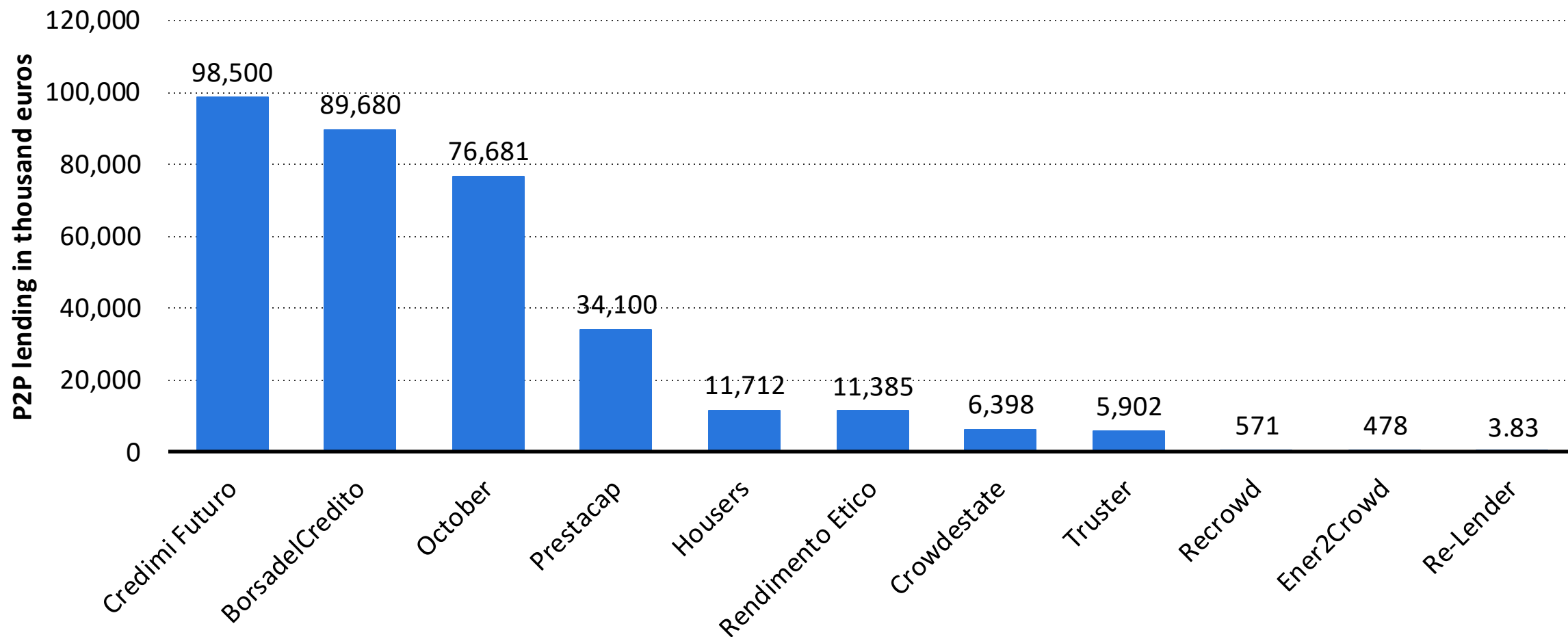
Value of peer-to-peer (P2P) consumer lending in Italy as of June 2022, by platform (in million euros)



Note(s): Italy; As of June 30, 2022
Further information regarding this statistic can be found on [page 8](#).
Source(s): Politecnico di Milano; [ID 787282](#)



Value of peer-to-peer (P2P) business lending in Italy as of June 2020, by platform (in 1,000 euros)



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Further information regarding this statistic can be found on [page 8](#).

Source(s): Politecnico di Milano; [ID 787297](#)





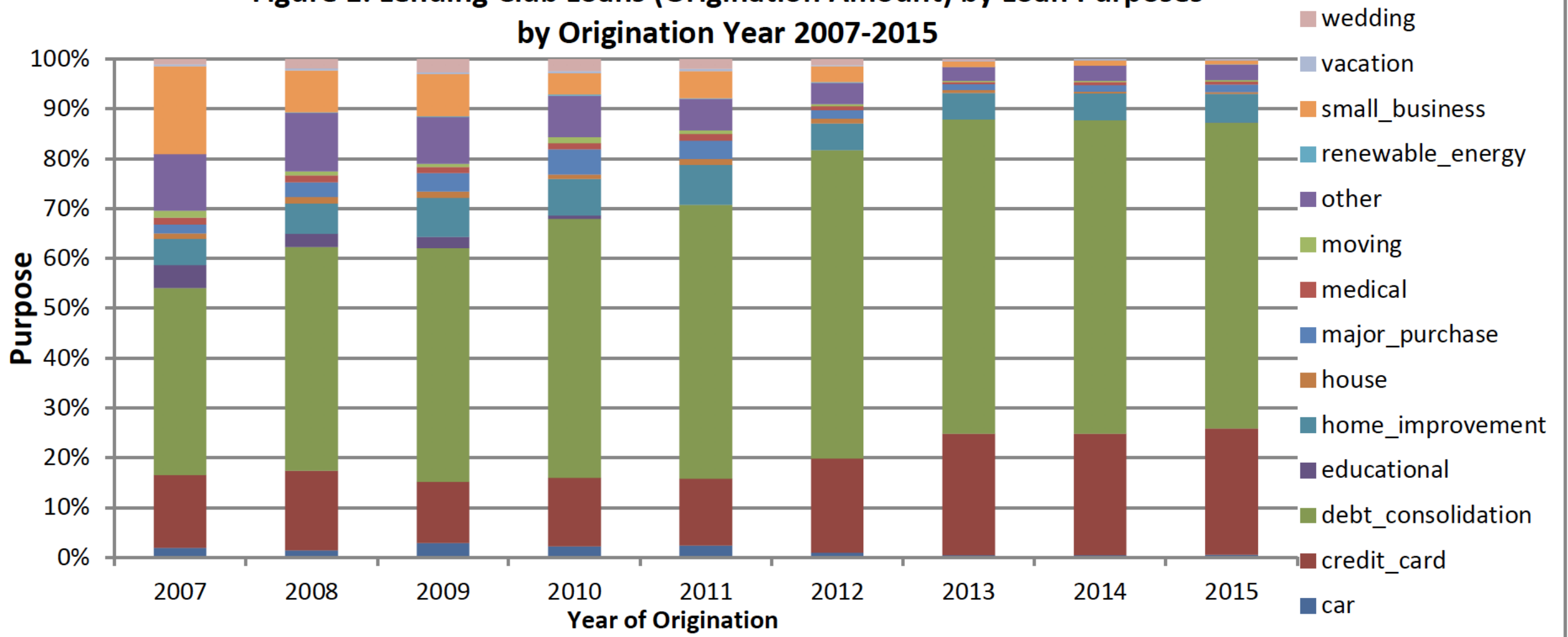
Evaluation



Lending Club was the largest P2P platform in the world. Scandals, beginning in 2016, eventually led to restructuring and an end to its P2P lending. But lessons concerning P2P lending can be derived from its performance when it was robust.



**Figure 1: Lending Club Loans (Origination Amount) by Loan Purposes
by Origination Year 2007-2015**



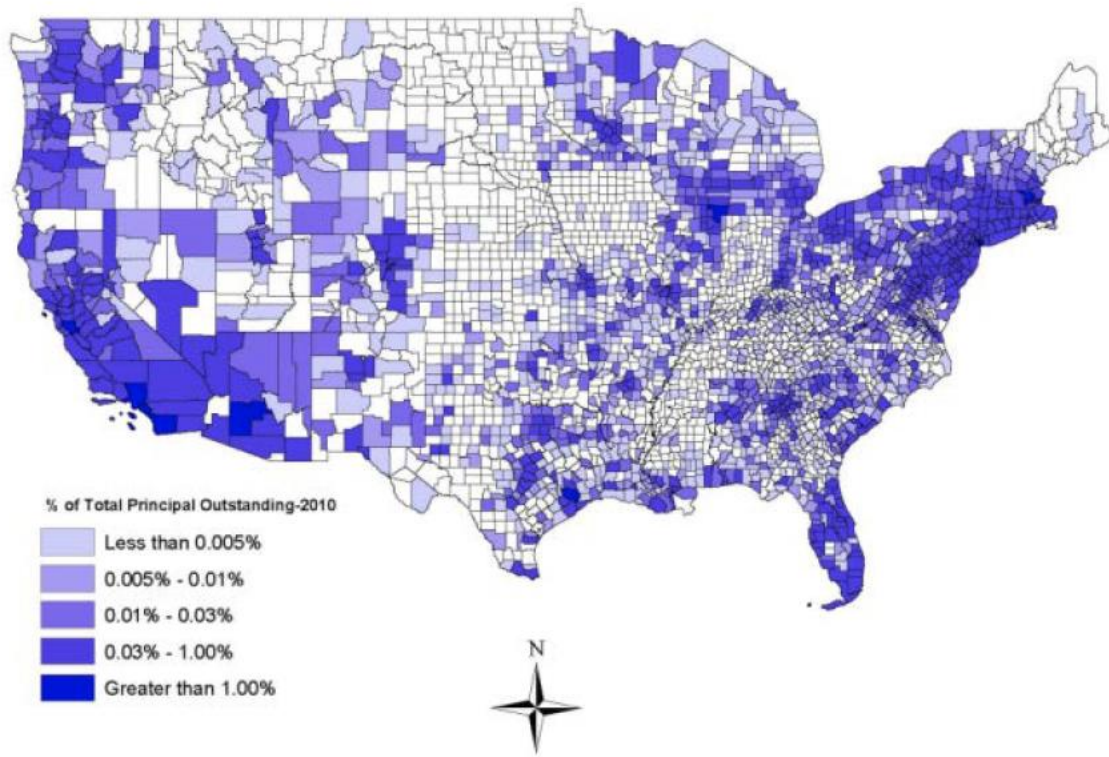
Source: Lending Club (loan-level data from the website)

Source: Jagtiani & Lemieux, "Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information" (2017)



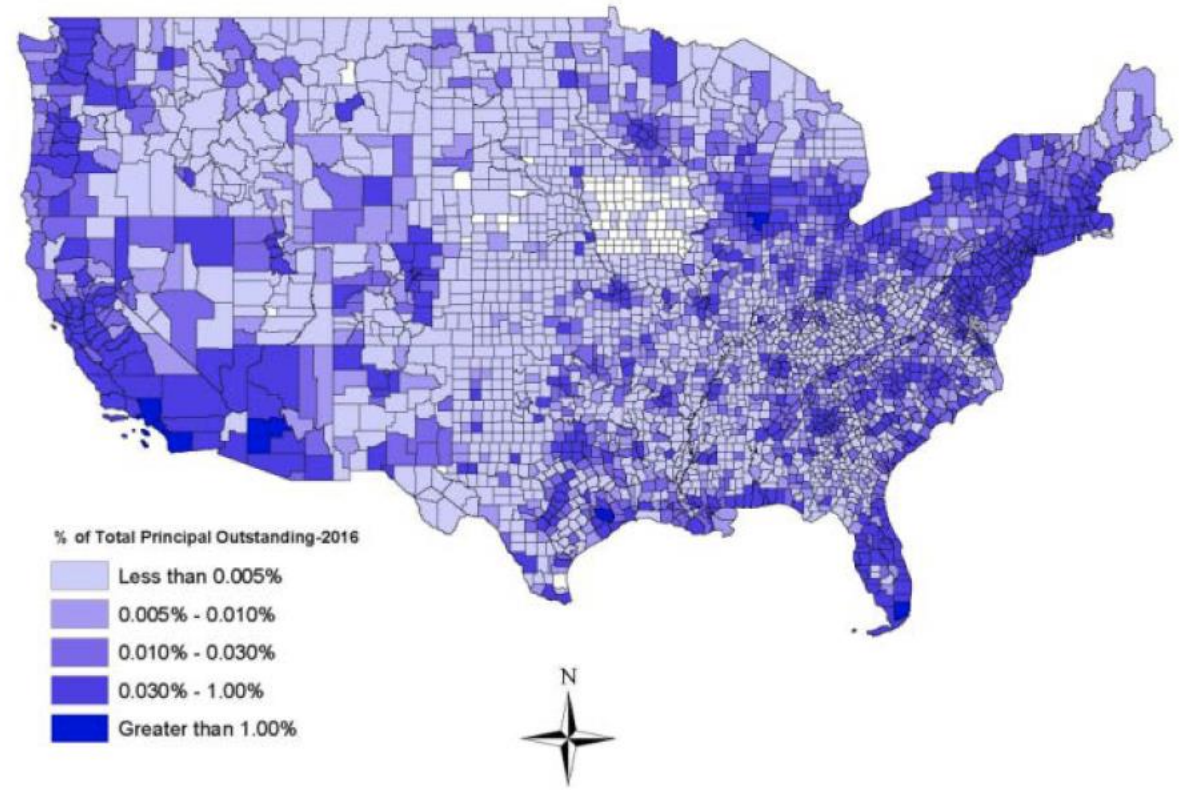
Figure 4: Geographic Distribution of Lending Club Portfolio (Percent of Total Principal Outstanding by 5-Digit Zip)

As of December 31, 2010



Source: Lending Club data

As of June 30, 2016



Source: Lending Club data



Figure 3A: Equifax Consumers' FICO Scores

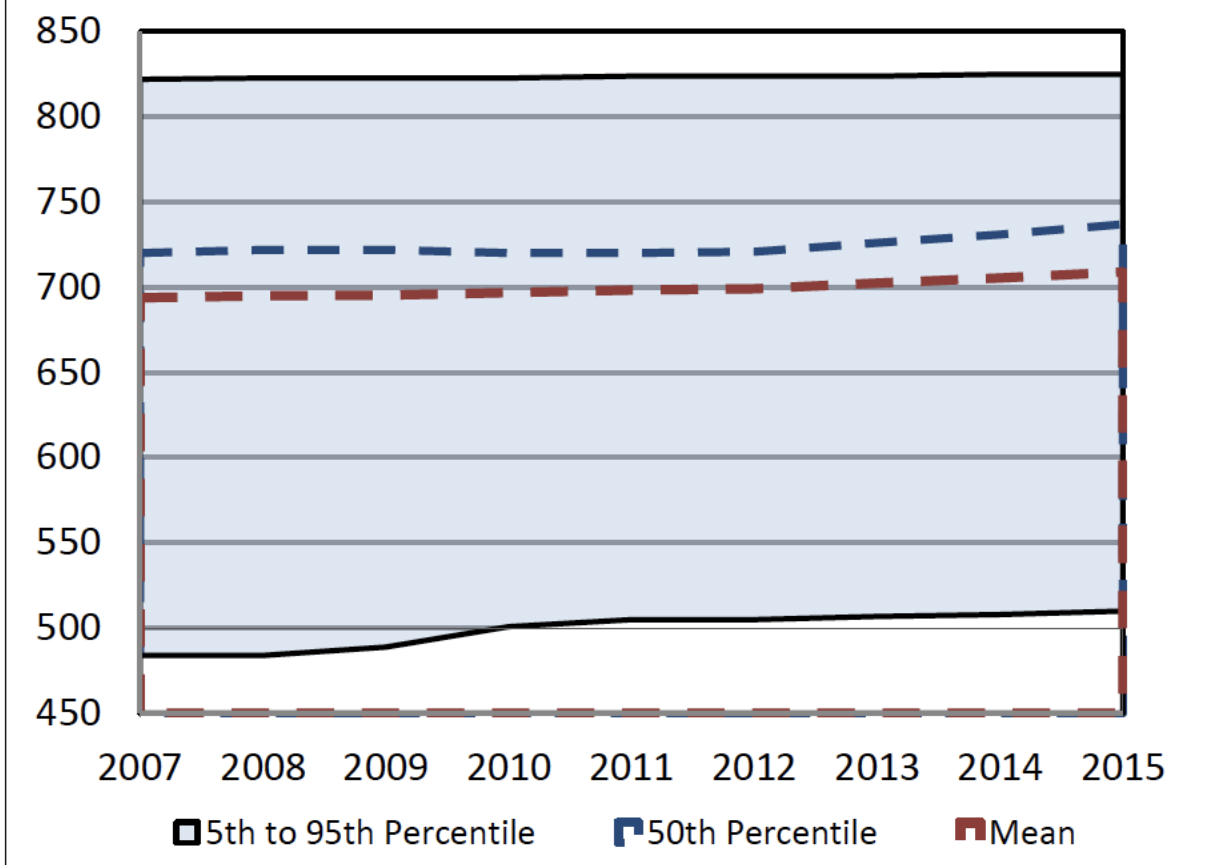
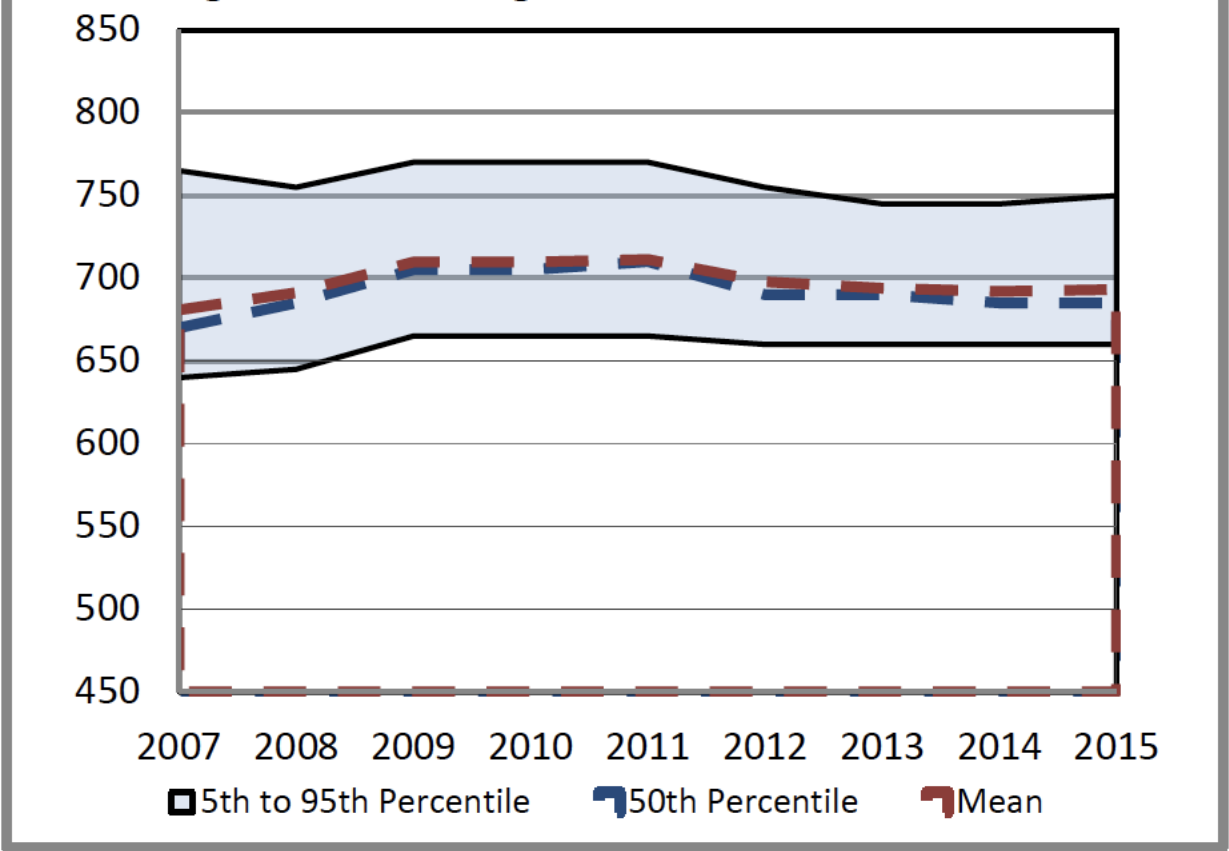
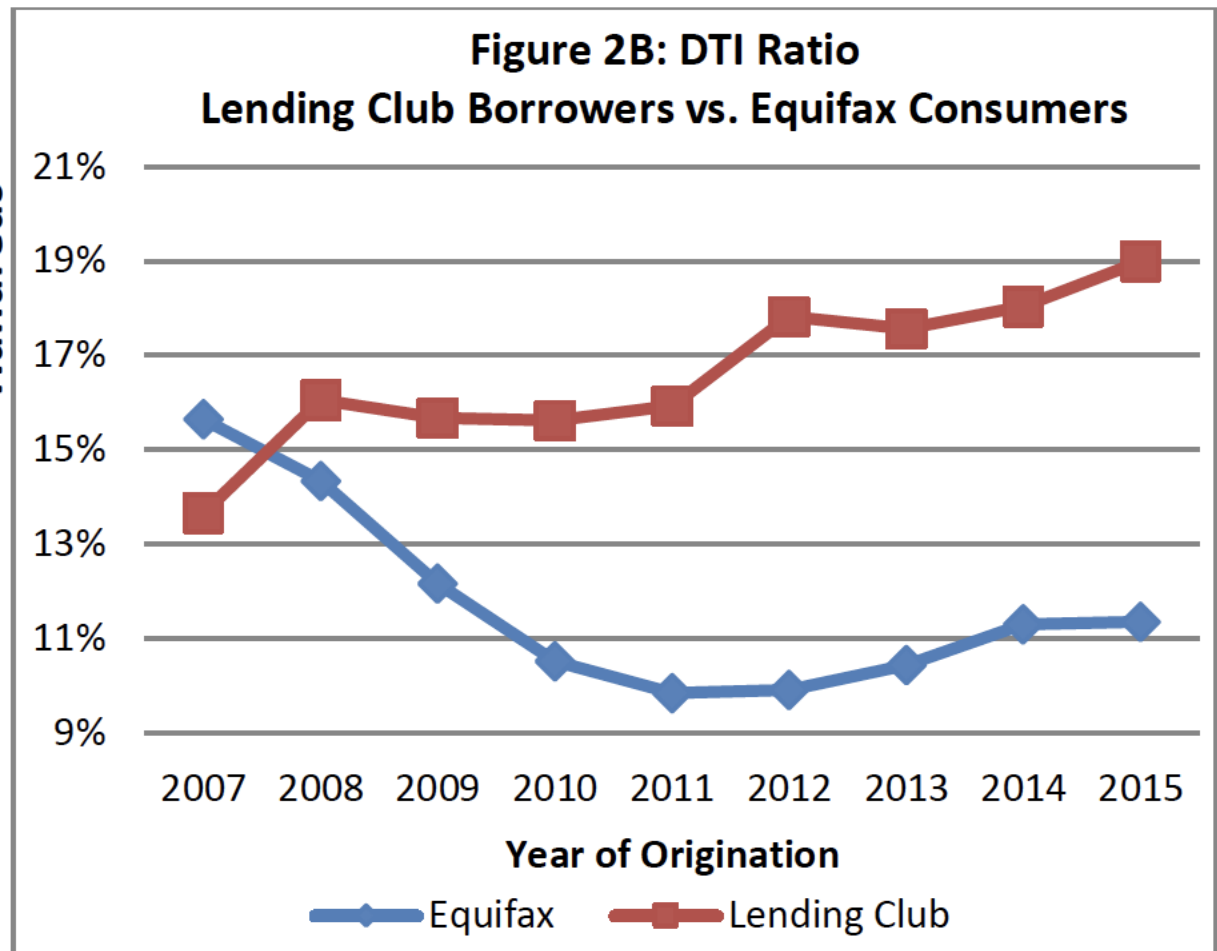
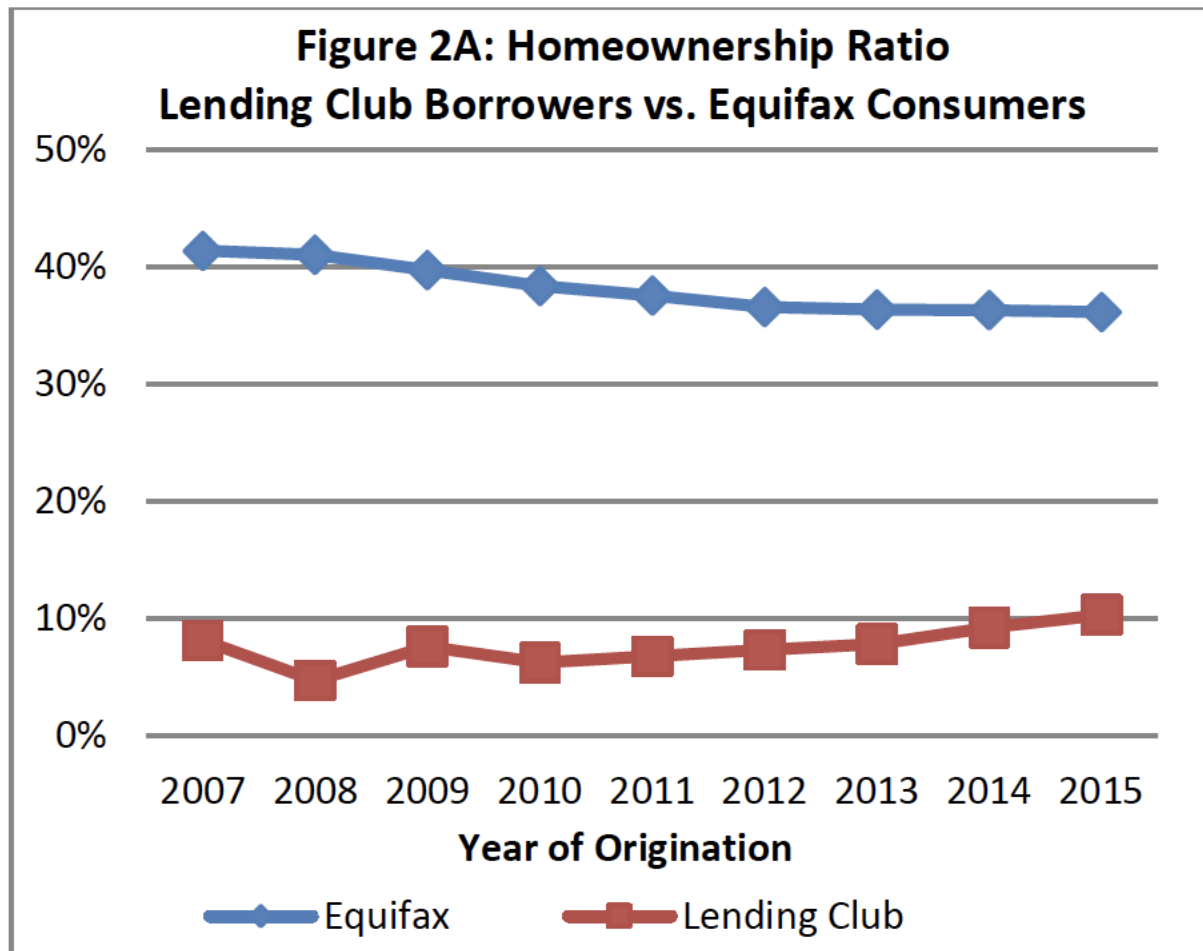


Figure 3B: Lending Club Borrowers' FICO Score



Sources: Lending Club (loan-level data from the Lending Club website) and the FRBNY Equifax CCP

Source: Jagtiani & Lemieux, "Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information" (2017)

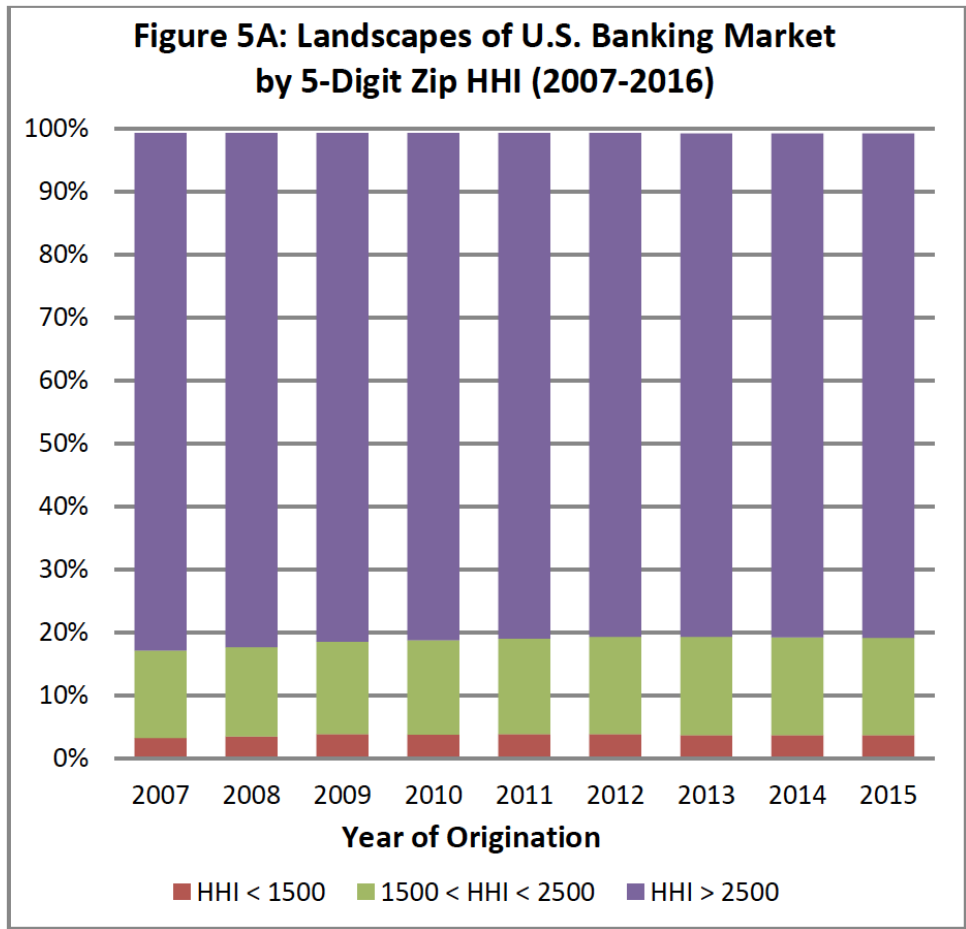


Sources: Lending Club (loan-level data from the Lending Club website) and the FRBNY Equifax CCP

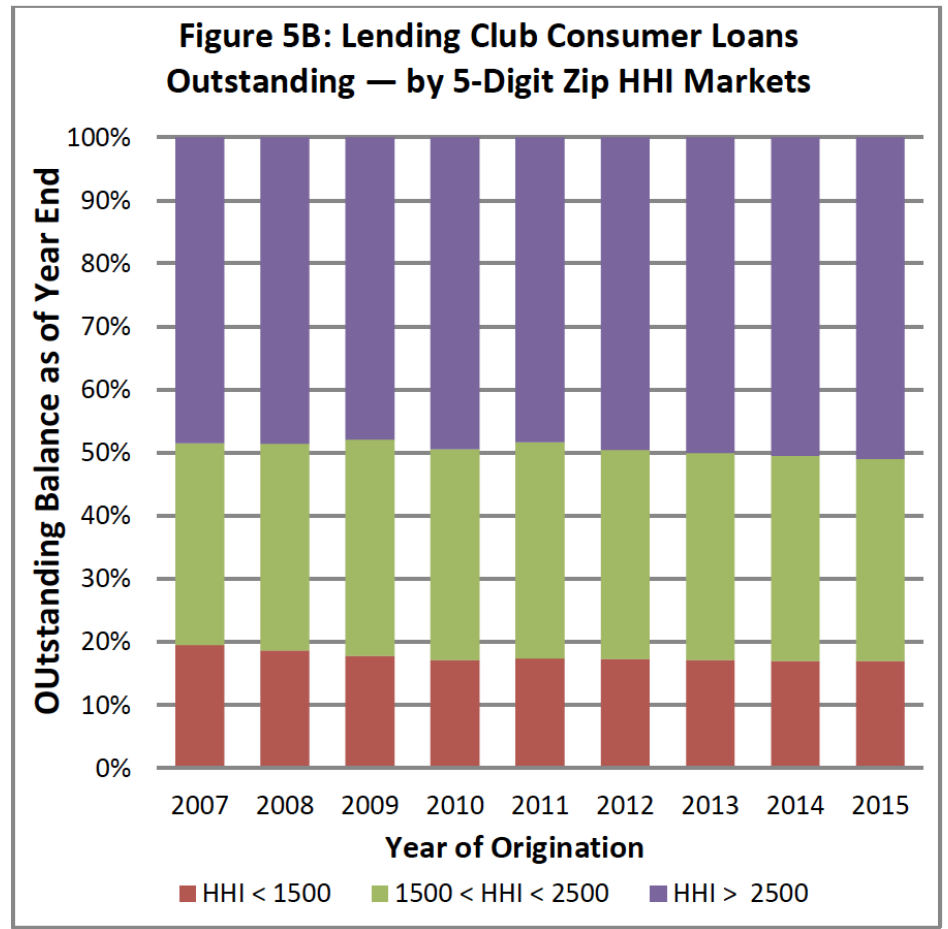


Market Concentration

- “The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness, often pre- and post-[merger and acquisition \(M&A\)](#) transactions.
- “The index measures the size of companies relative to the size of the industry they are in and the amount of competitiveness. The HHI is calculated by squaring the [market share](#) of each firm competing in a market and then summing the resulting numbers. It can range from close to 0 to 10,000, with lower values indicating a less concentrated market.”
- Source: <https://www.investopedia.com/terms/h/hhi.asp>



Source: FDIC Summary of Deposits Database

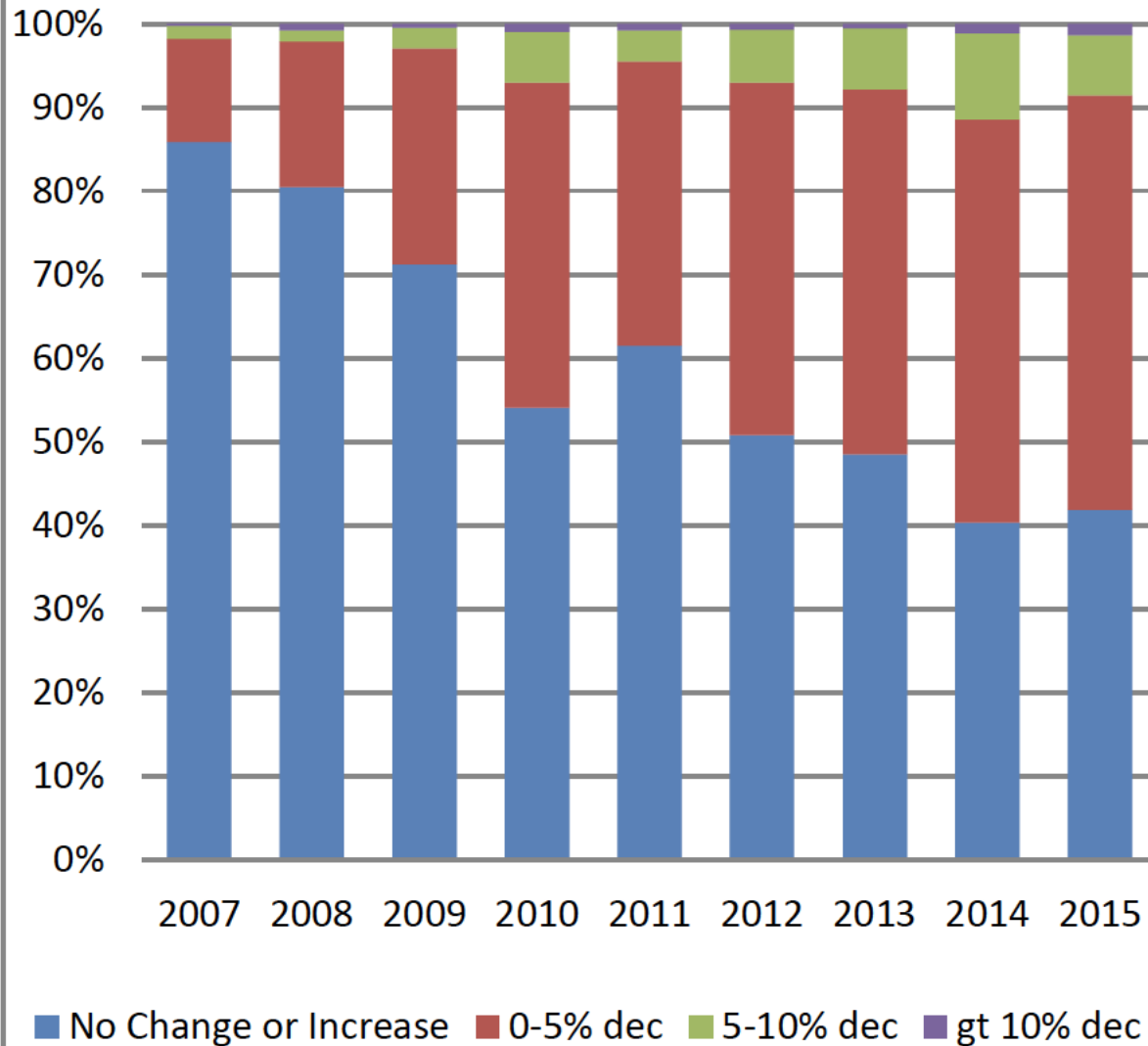


Source: Lending Club data

“The overall landscape of the U.S. banking market (5-digit zip code market) based on banking (deposit-taking) activities is presented in Figure 5A, where approximately 80 percent of the markets are considered highly concentrated (purple). Figure 5B shows that about 50 percent of all Lending Club consumer loans are made to consumers in the highly concentrated markets with the HHI>2,500 (purple). We find that consistently half of Lending Club’s new consumer loans are in areas where a few banks dominate the market; there is less banking competition.”

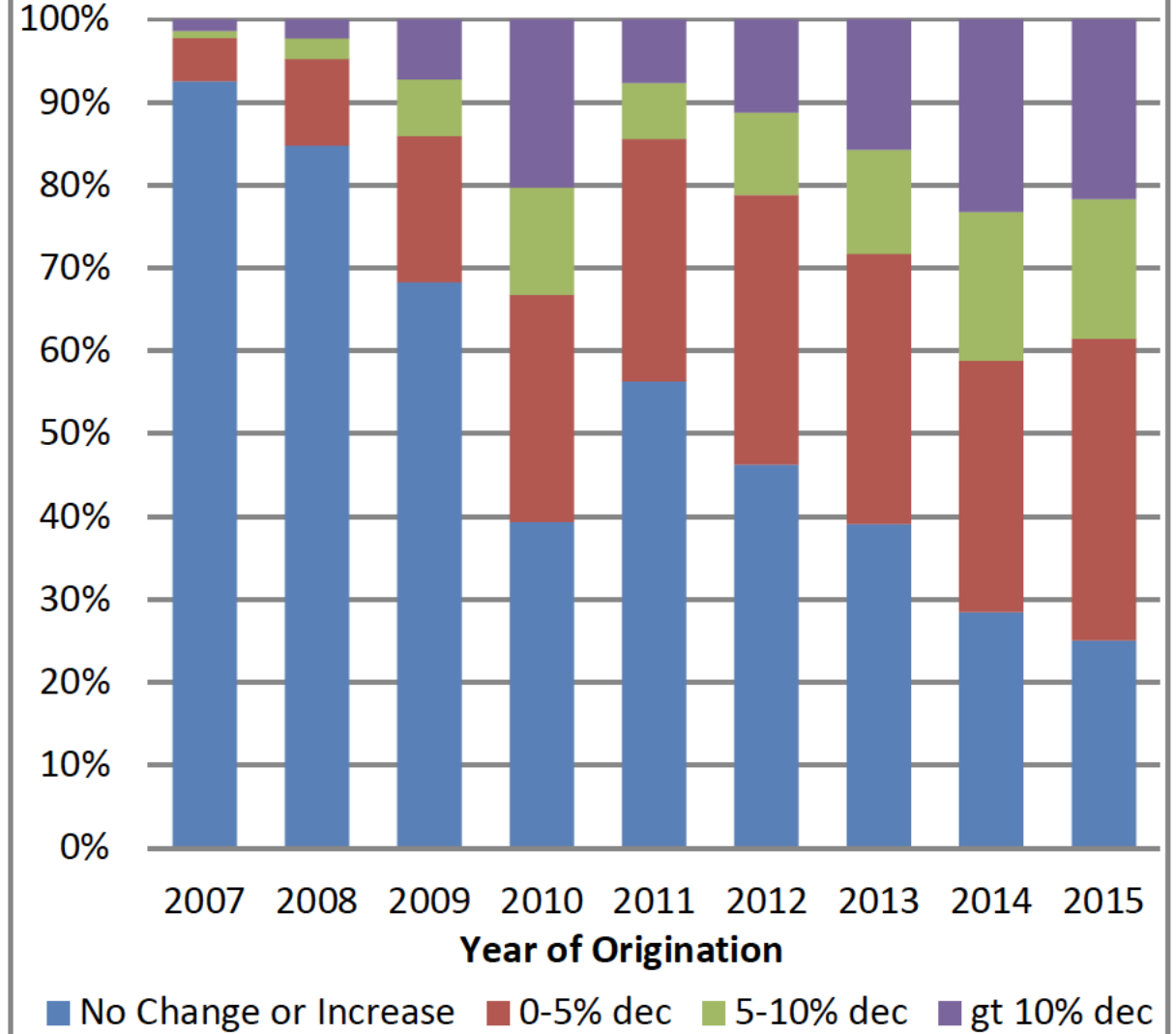
Source: Jagtiani & Lemieux, “Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information” (2017)

Figure 6A: Bank Branch Landscapes
Share of 3-Digit Zip Codes with Changes in Bank Branches

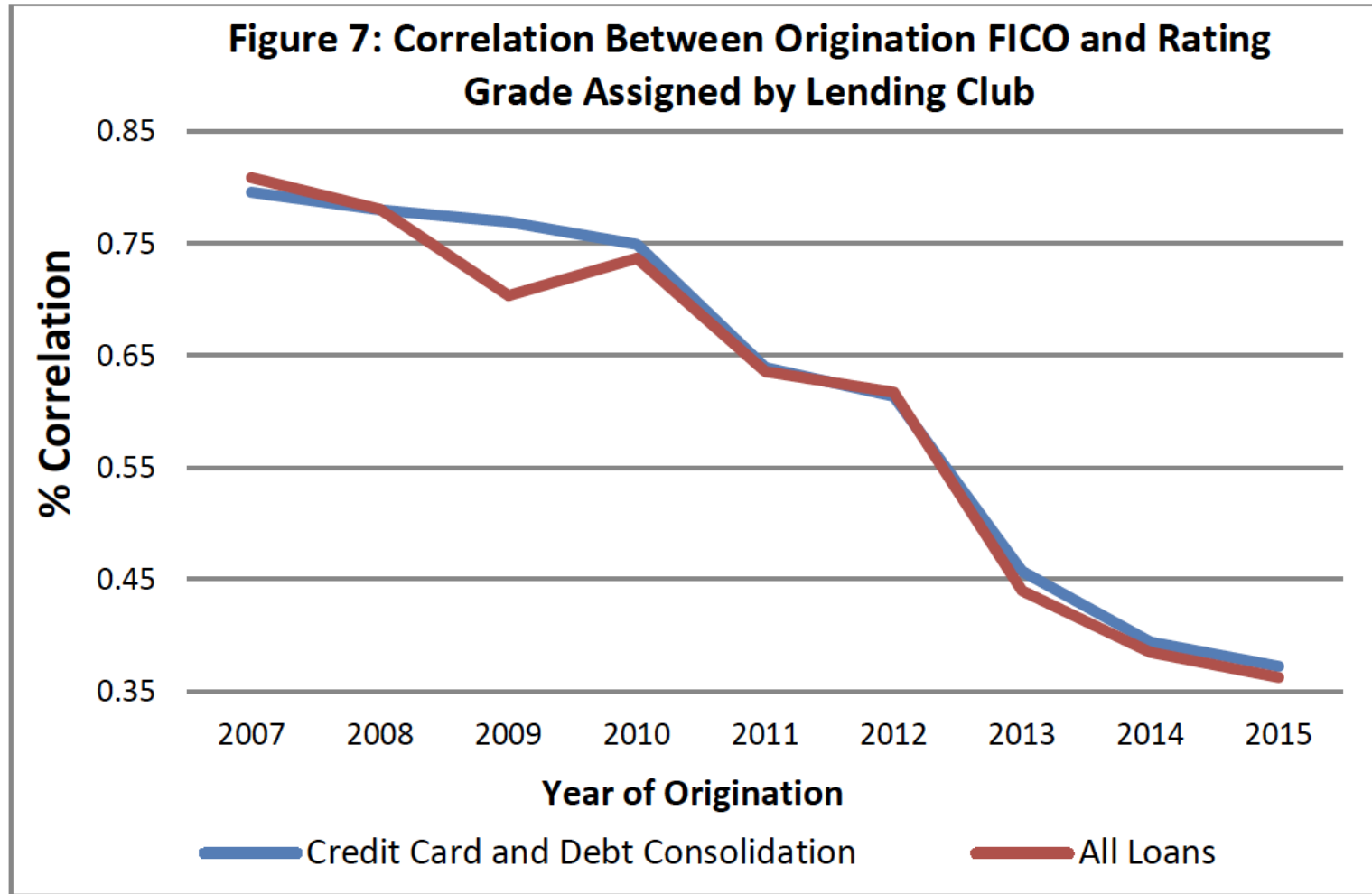


Source: FDIC Summary of Deposits (for branch data)

Figure 6B: Distribution of Lending Club Loans
(in Dollar) in 3-Digit Zip Codes with Declining Bank Branches



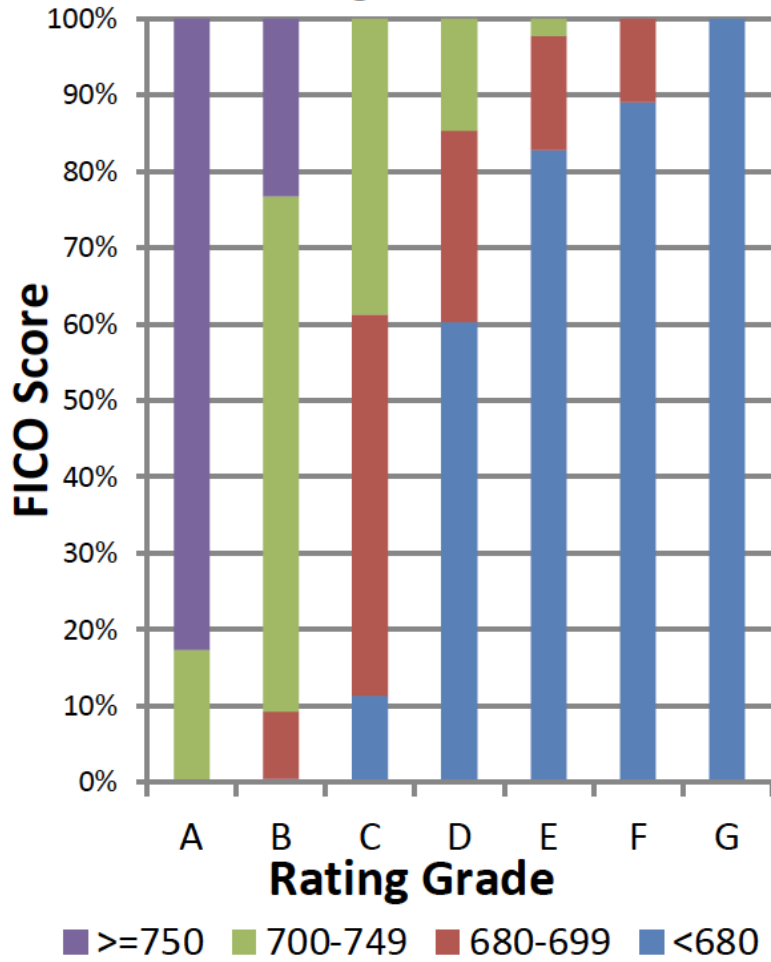
Sources: Lending Club Data



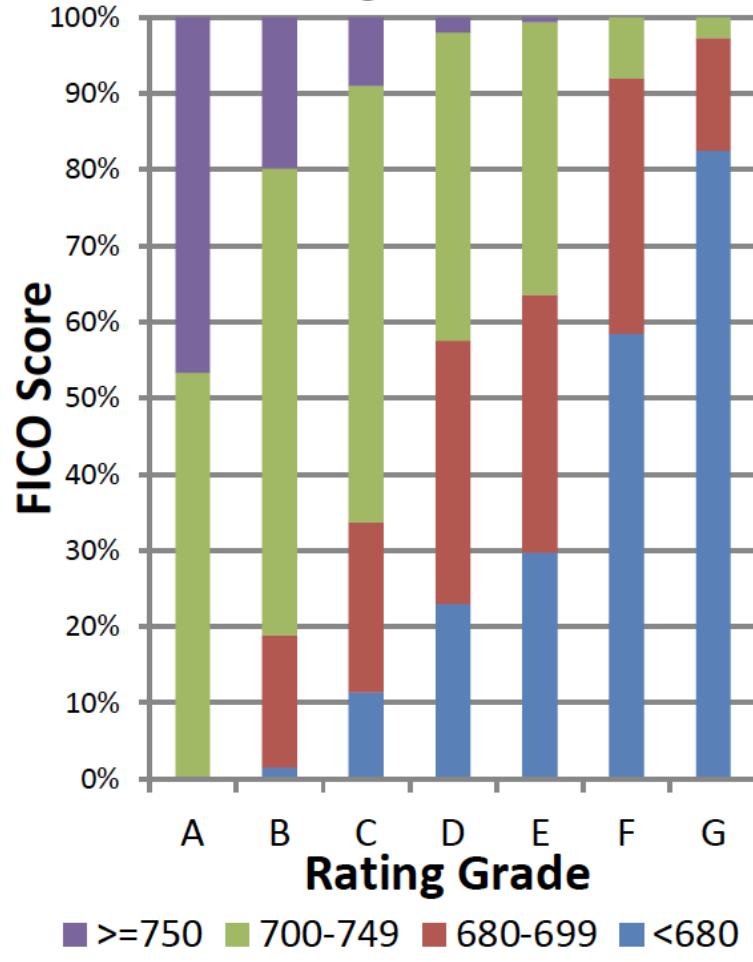
Source: Lending Club data



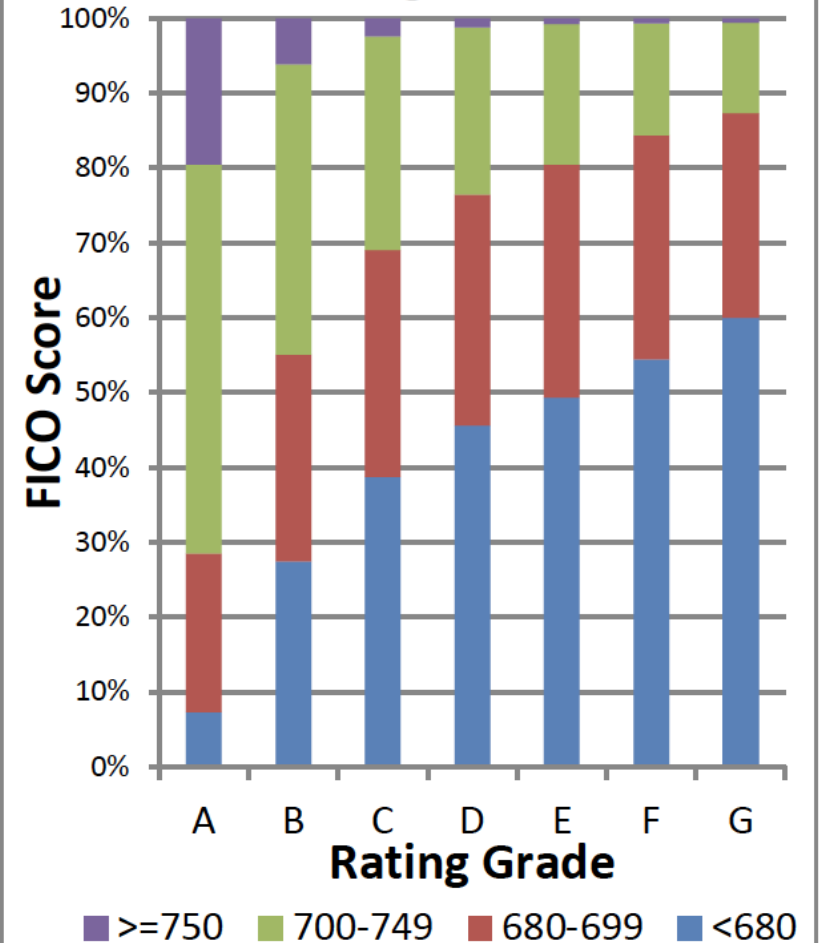
**Figure 8A: FICO Distribution
by Lending Club Rating
2007 Origination**



**Figure 8B: ICO Distribution
by Lending Club Rating
2011 Origination**



**Figure 8C: FICO Distribution
by Lending Club Rating
2015 Origination**

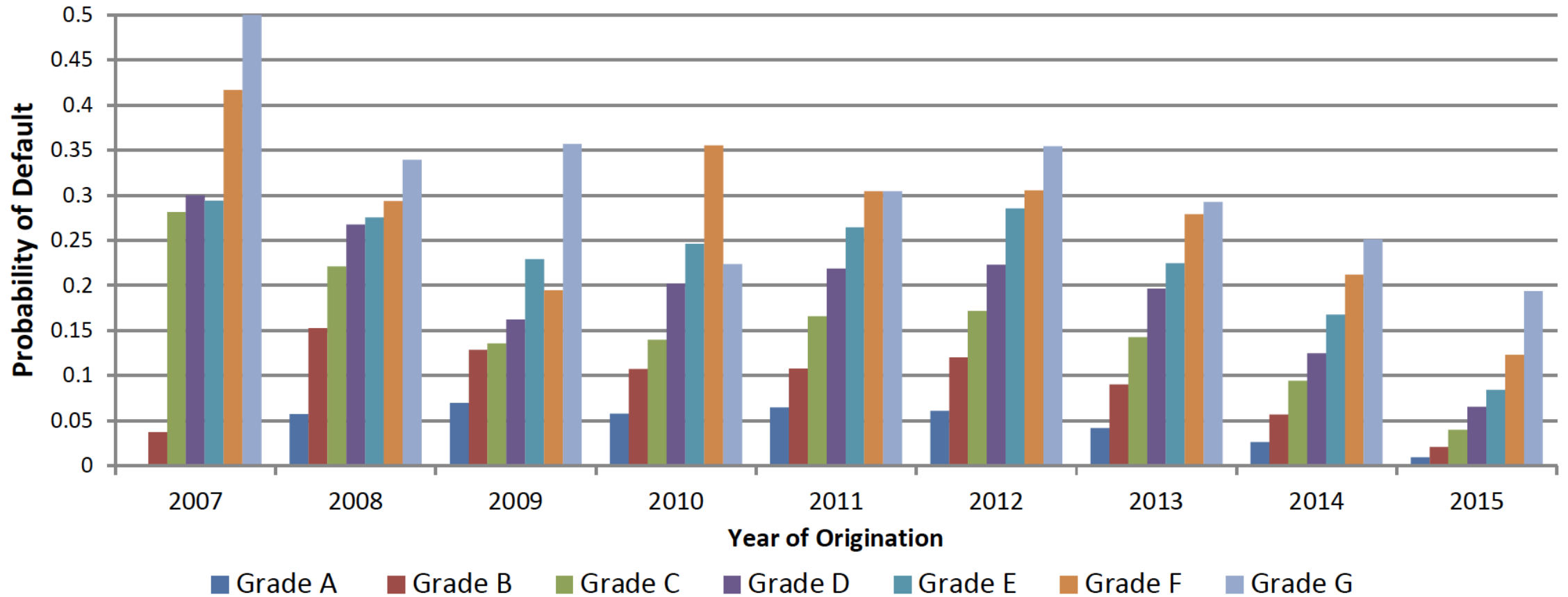


Source: Lending Club data

Source: Jagtiani & Lemieux, "Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information" (2017)



Figure 11: Lending Club Loans
60+DPD Within 12 Months After Origination — by Loan Grade and Years



Source: Lending Club loans (cards and debt consolidation purposes only)

“Overall, we find that Lending Club’s rating grades have served as a good predictor for the borrowers’ probability of becoming at least 60 days past due within the 12-months period following loan origination date.³² This is true despite the fact that the rating grades have a low correlation with the FICO scores especially for loans originated after 2013.”

Source: Jagtiani & Lemieux, “Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information” (2017)



To investigate the impact on the price of credit, we explored credit spreads of similar loans (consumer loans made for the same purposes) made by the Lending Club versus traditional bank lenders. Given that credit spreads are priced accurately based on the expected delinquency of the loans, we found that for the same risk of default, consumers pay smaller spreads on loans from the Lending Club than from traditional lending channels, implying that fintech lending has provided credit access to consumers at a lower cost.