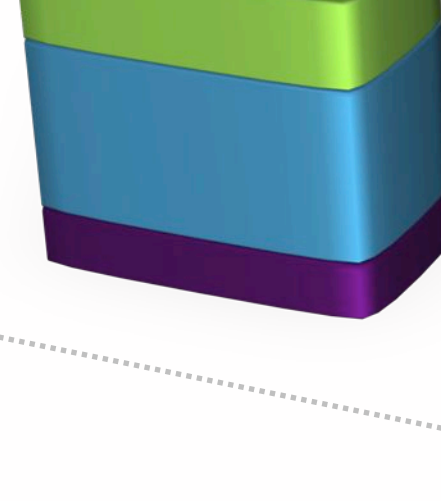


7 surprising facts about Peer Lending

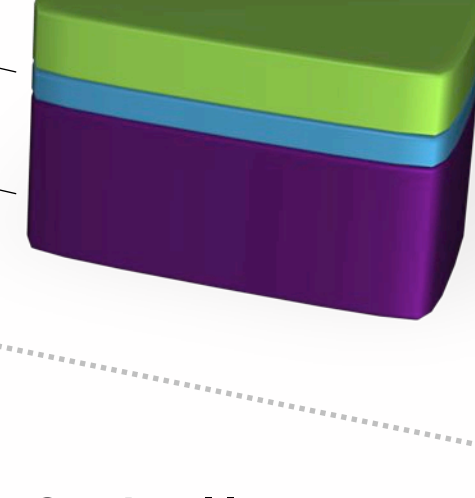
or why lending money to strangers can be a surprisingly wise investment

Peer-to-peer lending removes banks as intermediaries, offering lower rates for borrowers and higher returns for lenders. Loans are divided in small chunks, so lenders can reduce their risks by investing in many small loans.

Banks



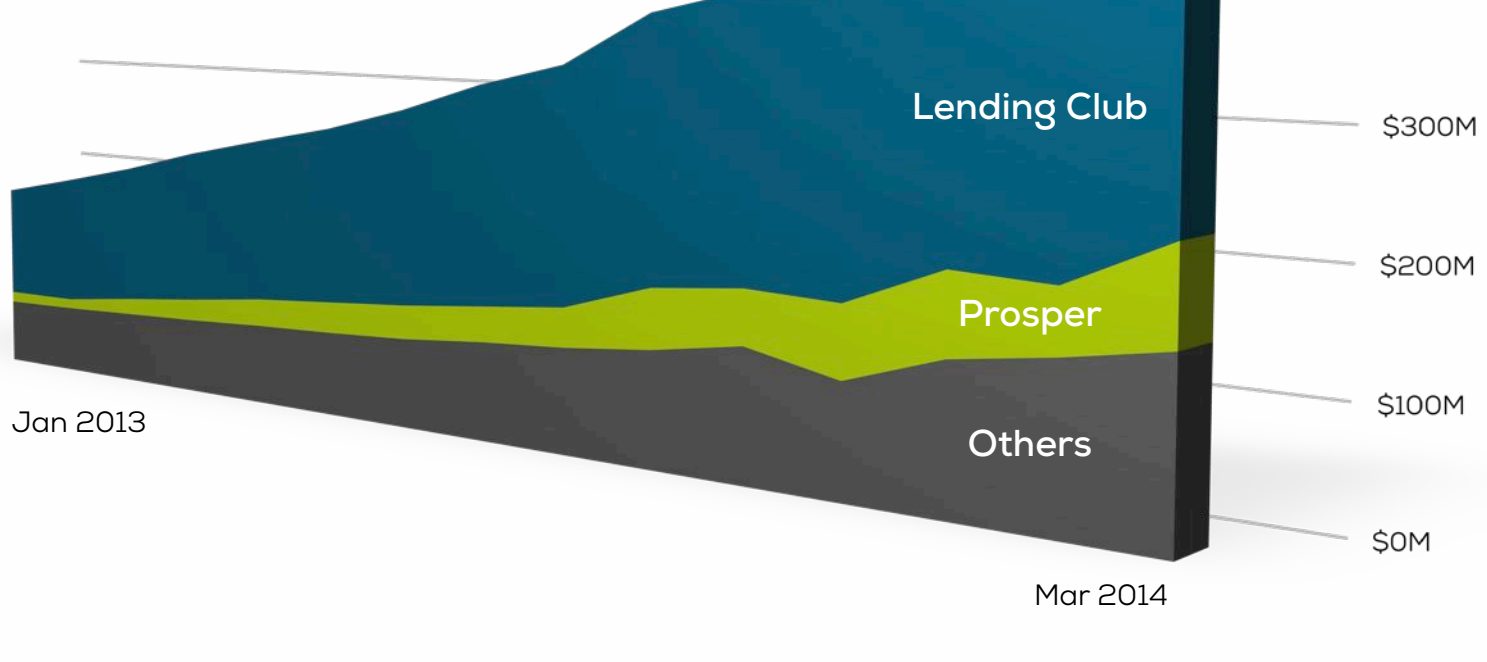
Peer Lending



Fact #1

Hundreds of millions of dollars of peer loans are issued monthly

If you think peer lending is a novelty, think again... About \$500M of loans are now issued every month.

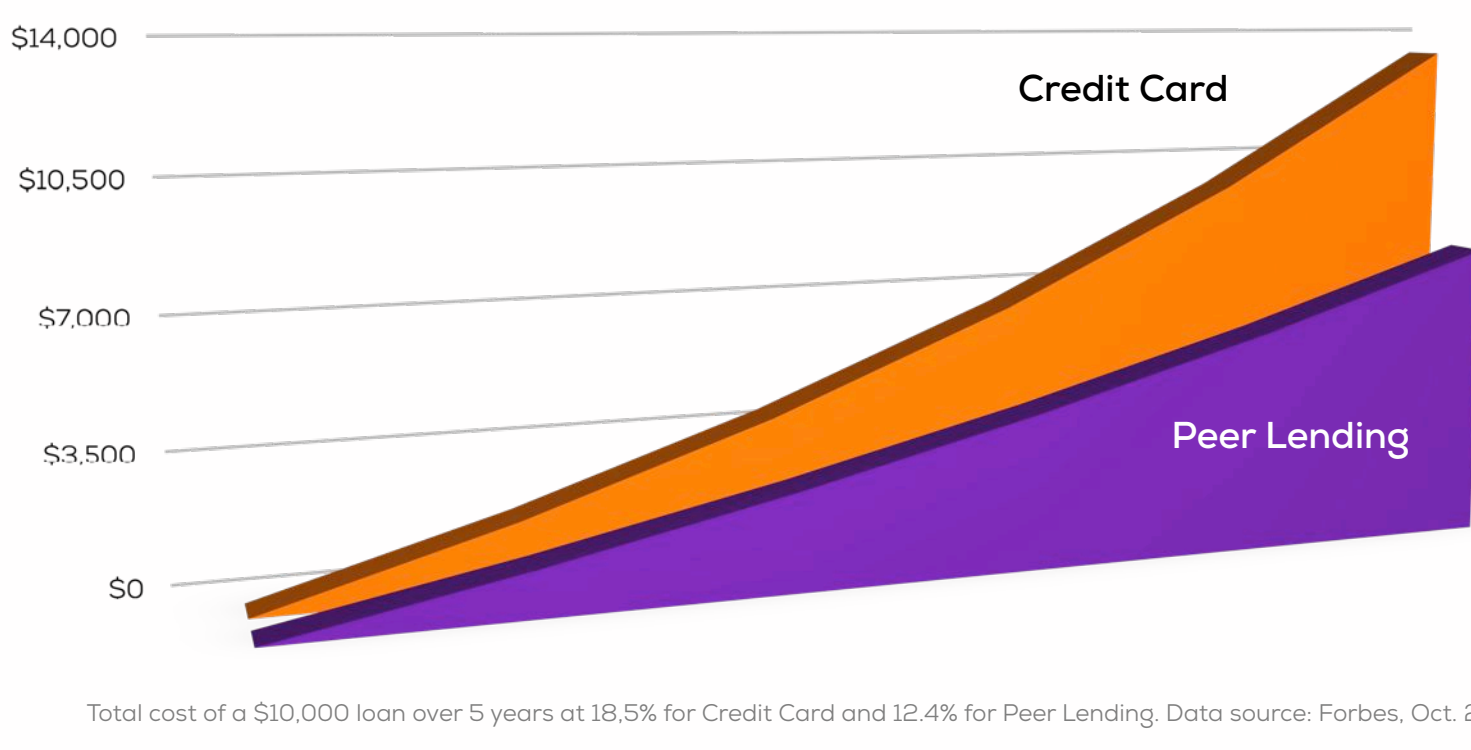


Monthly Loan issuance. Source: respective marketplaces

Fact #2

Borrowing from peer loans is 70% cheaper than credit cards

Over time, a small percentage difference in interest rate can have a big impact. No wonder most of the borrowing is for paying back bank or credit card debt.

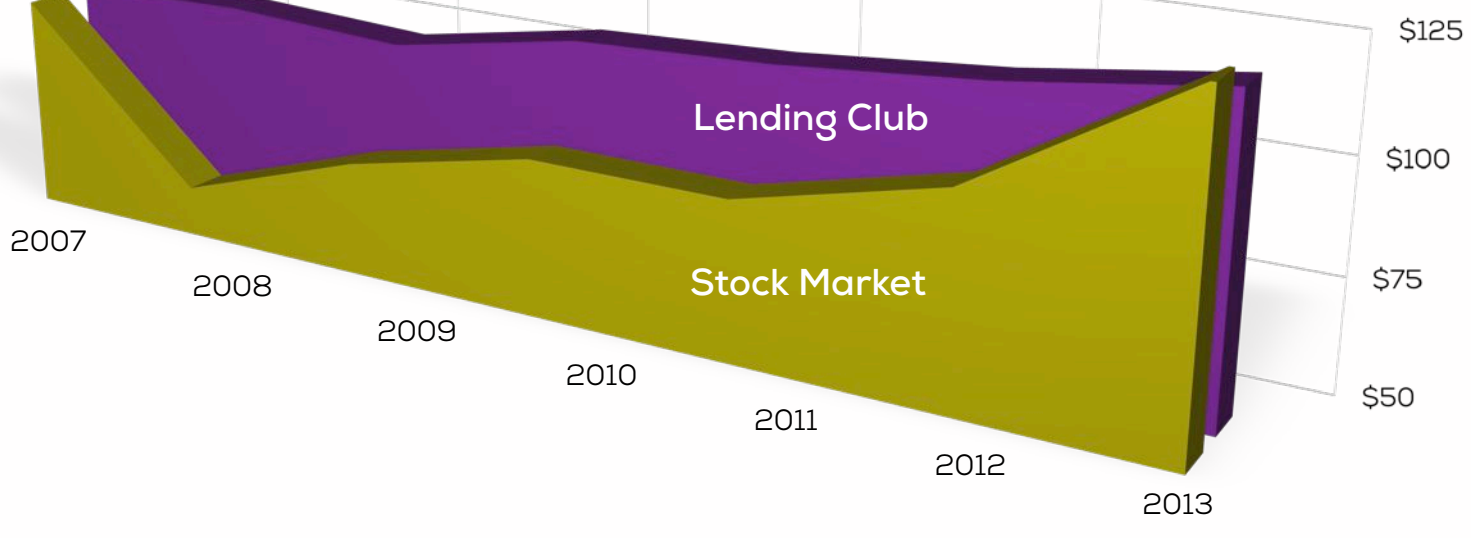


Total cost of a \$10,000 loan over 5 years at 18.5% for Credit Card and 12.4% for Peer Lending. Data source: Forbes, Oct. 2013

Fact #3

Investing in peer lending can be less risky than the stock market

The US stock market went down by 53% during the financial crisis of 2008, Peer lending investors lost 3% over the same period.

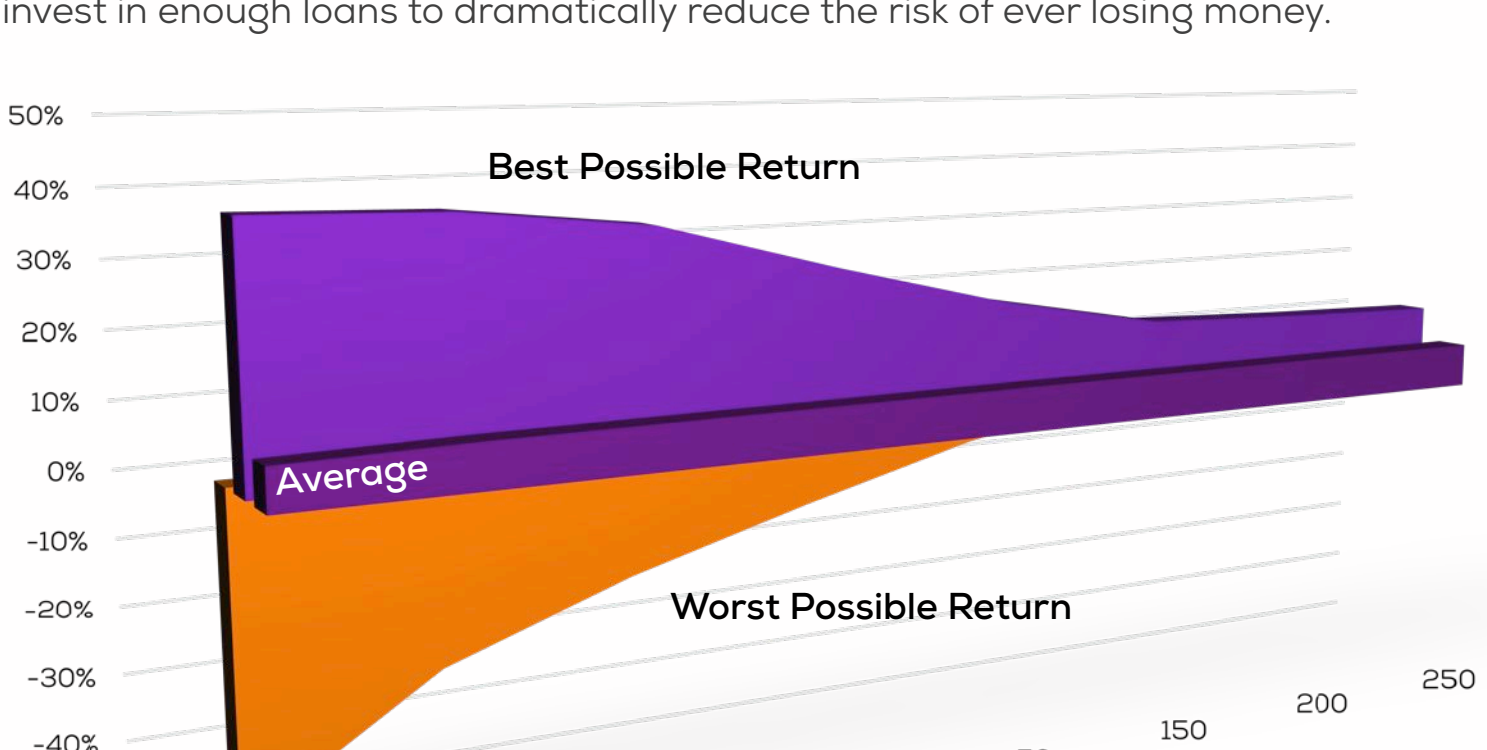


Value of \$100 invested on the S&P 500 vs LendingClub, assuming full re-investment. Sources: Lending Club, Standards & Pools

Fact #4

It's ok when loans are defaulting because of diversification

Returns converge rapidly towards the average when investors add loans. Since as little as \$25 can be invested in each loan, with a few thousand dollars it's possible to invest in enough loans to dramatically reduce the risk of ever losing money.

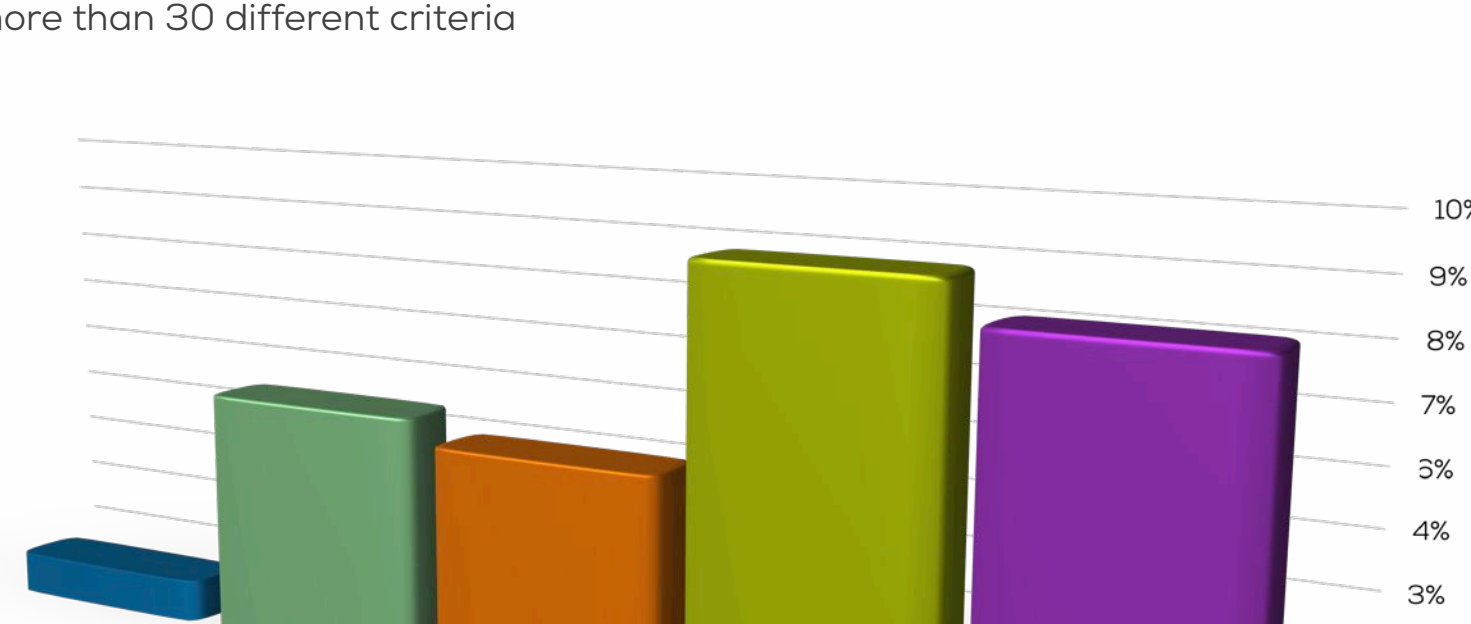


Monte Carlo simulation with expected normal distribution. Maximum and minimum values within 99.7% certainty and bounded by historical data. Source: Lending Club

Fact #5

It's better to lend money for vacations than for education

Maximizing returns requires investors to carefully select the loans to finance based on more than 30 different criteria

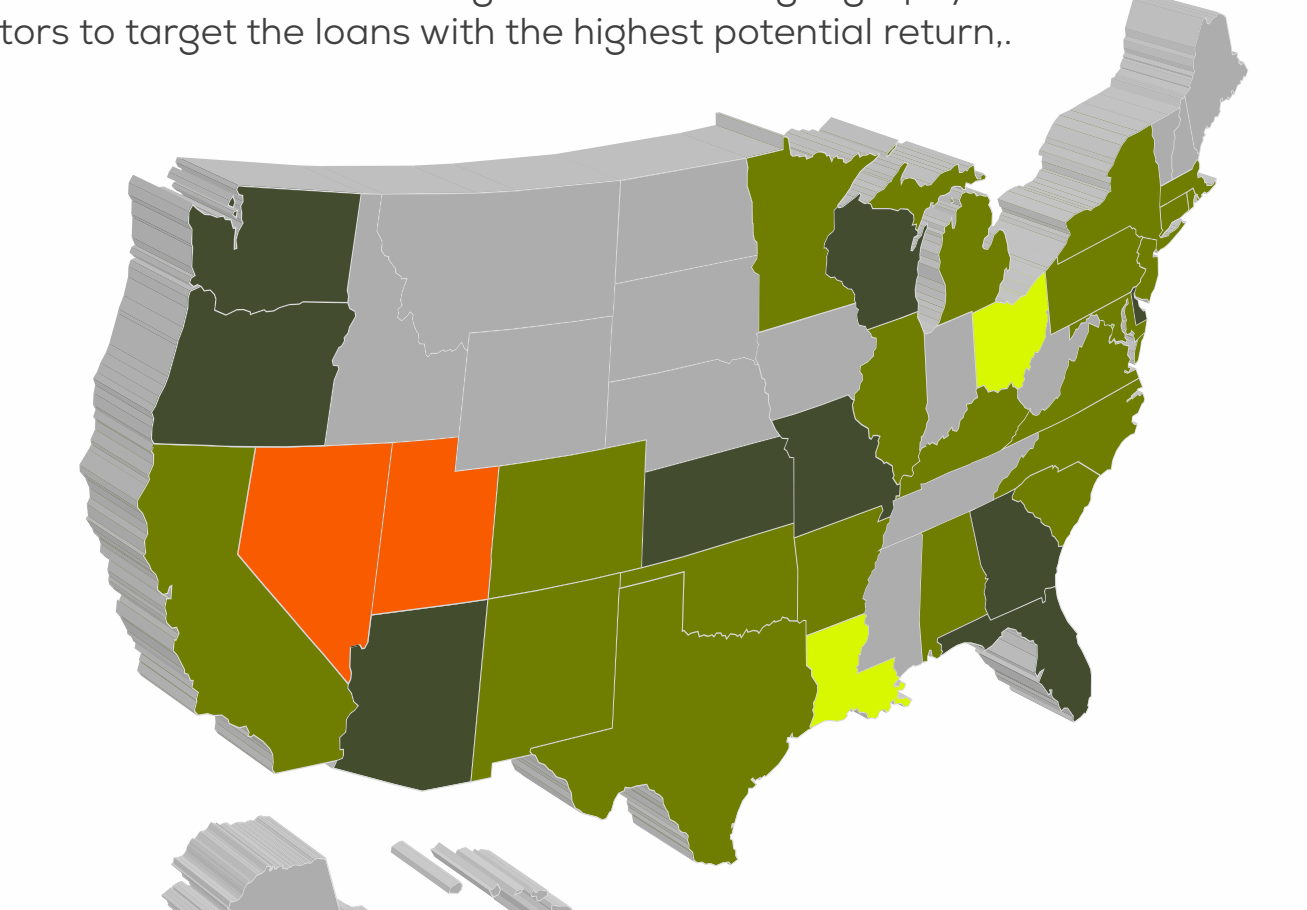


Average net return by declared loan purpose. Source: Lending Club, internal

Fact #6

Avoid Nevada, invest in Ohio

Sophisticated selection rules, including ones based on geography, allow investors to target the loans with the highest potential return.

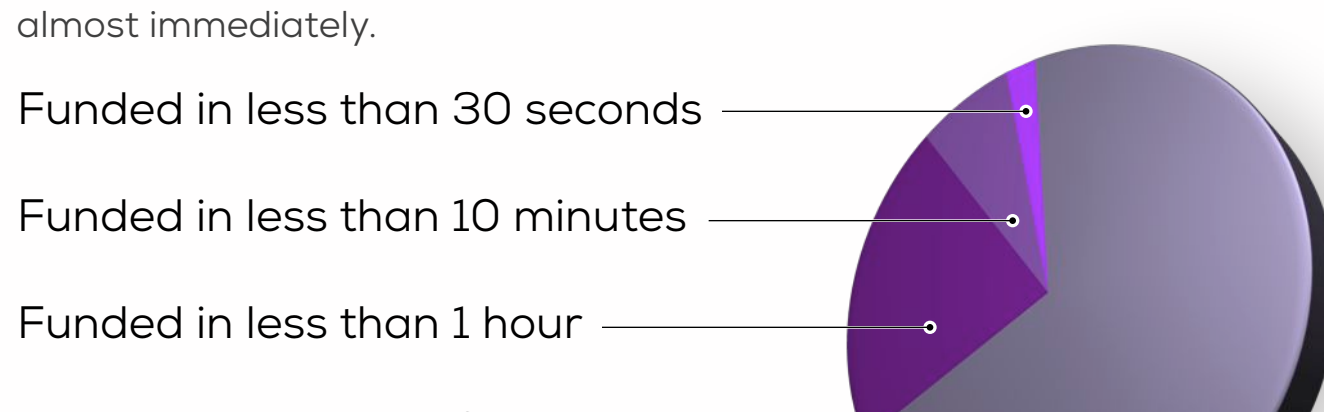


Average net return by state. Source: Lending Club, LendingRobot.

Fact #7

Popular loans are fully funded within 30 seconds

New loans are made available to investors several times per day, but there's so much competition for the loans with the best return to risk ratio that they disappear almost immediately.



Average time after publication for loans to be fully funded. Source: internal

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