

Assignment #4 - Lending Club

In this assignment you will learn about marketplace lending through the lenses of the evolution of Lending Club, the largest online lender in the US. This is a group assignment. Please form groups of max 3 people. You cannot form groups with people you already teamed up in HW #1 or #3. As deliverable, you will have to write a short report to answer the questions in the assignment.

First, read the documents posted on canvas about the recent trend in the marketplace lending industry:

- Lending Club 10Q - Q32017. pp 40-44, 63-67.
- US Department of Treasury: Opportunities and Challenges in Online Marketplace Lending. pp 1-18
- PeerIQ Lending Earnings Insights, Q3 2017.

Second, read the cases below in order:

- HBS Case: “Lending Club: Time to Join?”
- Stanford Case: “Lending Club (A)”
- Stanford Case: “Lending Club (B)”

Finally, answer the following questions:

- (a.) Characterize Lending Club’s business, characterize the two sides of the market it is facilitating, and explain its value proposition for both borrowers and lenders.
- (b.) Explain Lending Club’s lending mechanism.
- (c.) Should investors value Lending Club as a marketplace technology company, or a specialty finance company? Why?
- (d.) How concerned should Lending Club be about the growing number of competitors? Which competitors should they be most concerned about?
- (e.) If you were Lending Club’s Chief Risk Officer, what would be some of the strategic considerations that would go into the development of the borrowers’ credit model?