

What is lending?

Cryptolending is similar to the lending business you know from your bank. Except that in the crypto space it is borrowing and lending without a middleman like a bank.

It means:

You lend your cryptocurrencies to others (= lending) or you can borrow money (borrowing)

Functionality

Instead of proving their creditworthiness like with a bank, borrowers with crypto lending have to deposit cryptocurrencies as collateral in order to get a loan there.

Borrowers therefore make a conscious decision not to sell their cryptocurrencies, but to lend on them.

You can compare it to a classic securities loan. There, an investor deposits a share with an intermediary, for example a bank, as security and receives a loan in return.

With crypto lending, the borrower also deposits an asset as security - these are cryptocurrencies and is paid a loan in the form of euros, for example.

But why not just sell your cryptocurrencies - that's how you would easily make money?

It is the same here as in the securities sector. If you expect crypto prices to go up and it is not the best time to sell right now because prices are low, one way is to hold and mortgage the cryptocurrencies and get a loan against your cryptocurrencies as collateral.

In addition, the often extensive credit check is not required for cryptocurrencies. It relies on cryptocurrency as collateral and payouts happen in seconds.

This can also be an alternative form of financing for start-ups and companies that often have to wait a long time for loans from banks if they need money quickly.

Crypto lending exists on centralized and decentralized exchanges.

It offers the following features:

- Available 24/7
- High returns possible as an investor
- Fast lending for borrowers
- Alternative financing option for companies
- It's worth comparing. The conditions vary from stock exchange to stock exchange