**Figure 1**: **Identifying additional covariates besides FICO range**

**Top Left Panel** Scatterplots for 3 FICO range subgroups ('670-674', '675-679', '680-684') showing the relationship between interest rate and amount requested. In each subgroup the same linear relationship can be observed between the two variables (Only the three subgroups with the highest amount of observations are presented here). As a result of this exploratory analysis the 'amount requested variable is added as a second covariate in addition to FICO range to the regression model.  
  
**Lower Left Panel** Residuals from a linear model relating interest rate to FICO range and amount funded by investors colored by loan length. The blue and red points form nearly to separate clusters. Therefore loan length is added to the regression model.

**Lower Right Panel** Residuals from a linear model relating interest rate to FICO range, amount requested and the 2-level factor variable loan length. The residuals are colored by loan length. The pattern observed before could be strongly reduced.

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