

The web3 ecosystem does not have widely used uncollateralized lending, primarily because of reputation, credit worthiness and transferable and saleable tokens.

Traditionally credit worthiness is gauged through credit scores to identify creditworthiness of borrowers (who may be unwilling to share such info). These credit scores (for better or worse) can be flawed in association with centralized credit systems.

AAVE has built a leading overcollateralized money market which reduces risk in lending/borrowing. With the advent of Soul Bound Tokens (SBTs), meaningful reputation based lending/borrowing presents an opportunity based on the level (detail) of disclosure by the SBT holder. This disclosure may involve current positions, historic transactions, git profiles, credentials, conference attendance and so on.

SBT offers security through non-transferability (hiding outstanding loans) and (social and professional) reputation. For example if [@stani](#) were to use a SBT to take out a loan, the loan would be issued in a matter of minutes rather than hours.

This concept would require the birth of new lending algorithms to reduce the role of centralized and opaque credit score system. A huge advantage will be for lending/borrowing to occur between social connections which can be extended to support social connections for their liabilities (similar to stkAAVE model where stakers are extending support to AAVE ecosystem to secure the protocol). The concept provides equal social outcomes and discourages discriminations.

An associated SBT can have a proof of pending payment, fulfilled payment or non-payment attached which opens up the wider reputation of SBT.

This post is an ideation. I am happy to hear from the community and work with [@bgdlabs](#) [@AaveLabs](#) to get this across as a workable product.

Comments welcome.