

Getting started with LendingClub

www.peersociallending.com

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Congratulations! You've made the decision to investigate the new world of peer-to-peer lending. This guide will serve as a basic course on understanding and investing with LendingClub. To preface this guide, we will not be providing any information regarding a FolioFN account. This guide is meant to be a beginner's guide to investing with LendingClub and to maximize your returns from the very first time you click "submit" to invest in a loan.

About Us

We (Brian and Ryan) have both been investing in Lending Club since early 2013 and have been consistently looking for ways to maximize our returns. At first we both invested in all grade (A-G) loans, but quickly learned this was not the best strategy to maximize profits. We are here to prevent you from making the same mistake so you can start off on the right foot with a basic understanding of investing with Lending Club. You can view our portfolio performance here: <http://peersociallending.com/portfolios/>

Step 1: Understanding

Peer-to-peer lending is a fairly simple concept to understand. A borrower applies for a loan through the LendingClub website. They provide all relevant information and are given a rate at which they can borrow. The borrower pays an origination fee (between 1.11% to 5% of the loan amount depending on loan grade) and the loan is submitted for funding.

This is where you come in. As an investor, you have access to lend to individuals in \$25 increments. The idea is that you diversify your investment over many different loans to reduce your risk. Once a note gets funded, it gets reviewed and if it meets LendingClub's criteria it will get issued. The borrower is responsible for principal and interest payments for the course of the loan (36 or 60 months) and you as an investor are charged 1% of each payment received from the borrowers. Another way to look at this is that the group of people who fund a loan are simply acting as a bank would. However, instead of the profits going to huge corporations, they are split up among all of the investors. This is what makes peer and social lending so special.

Step 2: Risk & Liquidity

There is no doubt that there is risk involved and only you can decide your risk tolerance. To start off, you need to know that these are all unsecured loans. There are no assets backing these up should a borrower fail to pay. However, we have found that the returns from LendingClub are simply too good to ignore. As with all investments, it is important to diversify and P2P lending is no different. LendingClub even advises against having more than 10% of your portfolio invested

with them. On top of this, LendingClub also has their own underwriting and review process that will weed out any loans that don't make their criteria. The P2P industry is here to stay and new companies are popping up all over the world. Google recently put up their own money to the tune of \$125 million. I have personally thought a lot about how much to invest and really view my LendingClub account as a 'fun' investment account. I simply do not have enough funds in my account that will make or break me.

This brings me to my next point of liquidity. You should not count on being able to withdraw the total amount invested in your account as you would be able to for instance when selling a stock. However, there is a trading platform FolioFN where you can liquidate your notes if necessary and if you wait or discount your notes enough, they will sell. If you would like to withdraw your principal and interest payments you are able to do that very easily as they are deposited into your account. Personally, I reinvest the proceeds for the sake of compounding.. To keep things simple, I have an ample emergency fund set up so I will never need access to the money in my account.

LendingClub also has statistics that they post to comfort you about your investment. Here is a blurb from their site:

"As of May 24, 2013, over 99% of investors with 100 or more Notes and with no single Note accounting for more than 2.5% of their total investment, have positive returns. To meet this criteria you would need to invest a minimum of \$2,500 and none of the Notes could be greater than 2.5% of your total investment. The foregoing is not directed to the specific investment objectives, financial situation or investment needs of any particular person and should not be considered investment advice. You should consider reviewing the prospectus with a financial advisor prior to investing. Past performance is no guarantee of future results."

Step 3: Eligibility to invest

In order to sign up for a LendingClub account you MUST reside in one of the following states: CA, CO, CT, DE, FL, GA, HI, ID, IL, KY, LA, ME, MN, MO, MS, MT, NH, NV, NY, RI, SD, UT, VA, WA, WI, WV, or WY.

Additionally, LendingClub list these exclusions:

"I have an annual gross income of at least \$70,000 (\$85,000 if residing in CA) and a net worth (exclusive of home, home furnishings and automobile) of at least \$70,000 (\$85,000 if residing in CA); or a net worth of at least \$250,000(determined with the same exclusions) (\$200,000 if residing in CA), OR, if I live in Kentucky, that I am an "Accredited Investor" as determined pursuant to Rule 501(a) of Regulation D under the Securities Act of 1933, AND,

I will not purchase notes in an amount in excess of 10% of my net worth, determined exclusive of my home, home furnishings and automobile and if I live in California and do not satisfy any of

the above tests, I will not invest more than \$2,500 in Notes”

Step 4: Creating an account and investing

Before you actually create your account you should also consider this:

Getting your capital fully invested with Lending Club can take time, especially if you are hand picking notes or are investing a significant amount of money. If you have the patience and time to log into your account at least once a week you should continue reading.

Creating an account is extremely straight forward. Simply follow the steps here:

<https://www.lendingclub.com/lenderc/registerNow.action>

The first thing you will want to do is add your bank account because this process can take several days since they have to verify your bank account with 2 small transactions. Once verified, I use a ACH bank transfer instead of a wire transfer, but I'm sure there are many high net worth individuals who are able to justify the cost (or lack thereof) for a 1 day wire transfer. Once your account is setup, you can begin transferring money into the account. One of my biggest pain points is the amount of time it takes for an ACH transfer. This can take up to 5 business days. I hope Lending Club addresses this issue at some point as companies like Vanguard can transfer much faster.

Most individuals will fund their account initially with a lump sum and then proceeded to set up a recurring transfer which can be done under Account > Transfer. Once your account is funded you have several options to get invested. This is where most of your time is going to be spent. However, you can significantly reduce your time spent getting notes depending on your strategy which we will get to in a moment. In general, you should be investing the minimum \$25 per note. If your account has a significant amount of money in it (\$20,000+ in my opinion), it may make sense to increase this to \$50 or more which will help you get invested much faster. Dont forget though that the more notes you own, the more diversified you are. Keep in mind with all of these strategies that notes are released at 6 a.m., 10 a.m., 2 p.m. and 6 p.m. Pacific Time.

1) Use Lending Clubs tool to build your portfolio

LendingClub has a snazzy portfolio builder that will give you 3 options. If you aren't interested in the time commitment of trying to get the very best loans that are least likely to default - choose

an option and add loans to your account. This option can be found under the **Invest** tab when you are logged in. I highly recommend choosing the 3rd option to maximize your returns. You may have to login a few times in order to get your money invested depending on note availability. Some people will argue that this isn't the best idea, but if you are happy with the stated returns after default - having LendingClub build your portfolio is completely acceptable in my opinion. Here is an example of someone doing just that and documenting their experience:

<http://www.mrmoneymustache.com/the-lending-club-experiment/>

Your account will look a little different than this since you will actually have funds to invest. I have highlighted option 3 which will have the highest average rate as well as the highest expected return.

Build a Portfolio

Available: \$4.21
Amount to Invest: \$0
Max Per Note: \$25
Refresh

Build a Portfolio

Option 1 Option 2 **Option 3** More Options »

Information on this website is impersonal and not individualized for any specific investor's financial situation and is not investment advice. You should always consult with your advisers prior to investing in any security.
Lending Club Notes are offered by prospectus filed with the SEC. Please consider the risks of investing.

Filter Notes Save | Open

Recent Listings ▾
 Show only recently listed loans

Interest Rate ▾

<input checked="" type="checkbox"/> All	<input type="checkbox"/> D 19.05%
<input type="checkbox"/> A 7.41%	<input type="checkbox"/> E 22.32%
<input type="checkbox"/> B 11.86%	<input type="checkbox"/> F 24.57%
<input type="checkbox"/> C 15.66%	<input type="checkbox"/> G 25.91%

Term (36 - 60 month)
▾

More Filters »

Update Results
Minimize All Reset All

2) Hand pick notes during release time

Hand picking notes is an acceptable strategy for those that can be logged on during the release times. The idea is that the very best loans get picked up soon after they are listed on the Lending Club website. If you are online during the release, you can setup a custom filter to only show recent listings. First click on the **Browse Notes** tab. On the left side you will see a filter notes section where you should create and save your filter. Simply add additional filters by clicking

More Filters >>.

Below you will see that I have selected the **Recent Listings** filter, **Term** (36 month) and **Interest Rate** (C,D,E,F,G). You can modify the filters if you'd like to be more restrictive. I simply click the **Update Results** button for a few minutes after the release time until notes start showing up. I then sort by **% Funded** as the notes that are close to being funded are likely to be high quality notes. I then add all of the notes I can buy to my order and then review them - deleting those that I don't like. Repeat this process at release times until you are invested.

The screenshot shows a web interface for browsing investment notes. At the top, there are navigation tabs: Summary, Invest, Browse Notes, Alert, Transfer, and Trading Account. On the left, there is a 'Build a Portfolio' section with 'Available: \$4.21' and 'Per Note: \$25'. Below that is a 'Filter Notes' section with 'Awesome' and 'Save | Open' options. The filters are set to 'Recent Listings' (checked), 'Term (36 - 60 month)' (36-month checked), and 'Interest Rate' (All, D, E, F, G checked). There is an 'Update Results' button and 'Minimize All' / 'Reset All' links. The main content area shows a message: 'There are currently no Notes matching your criteria. Please consider adjusting your filter settings or returning to the site later. New Notes are listed seven days a week at 6 AM, 10 AM, 2 PM, and 6 PM PT.' There are 'Add to Order' buttons and a 'Download All' link. The interface also includes a table header with columns: Investment, Rate, Term, FICO®, Amount, Title / Purpose, % Funded, and Amount / Time Left.

3) Use a third party tool to automate investments or use their data analysis to pick your loans manually (for advanced investors)

I'm not going to go into detail here since this is a beginners guide, but if you are interested in automation or note picking you can visit these sites to learn more:

www.interestradar.com

www.p2p-picks.com

Keep in mind that even if you have invested in a note, it may or not be approved during LendingClub's review process since LendingClub puts a note through funding before final approval. This money will be put back into your available cash which will allow you to invest in a different note. You need to login to your account periodically to reinvest principal/interest payments and money from loans that were not approved.

The End

There you have it, a nice overview of what Lending Club is all about and certainly enough to get you started and earning around 10%. We hope you enjoyed our ebook and do hope you visit us at www.peersociallending.com if you would like more information. As always, please contact us if you have any questions.

Note: The information in this document is not financial advice and is for informational purposes only. We are not financial advisors nor have any formal education in this field. Please consider your own situation before investing in Lending Club. We make no representations to the accuracy, completeness, suitability or validity of any information in this document.