

Lender Panel: Big Lenders

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JaneyBooboo



Who am I?

JaneyBooboo

My own \$:

- 738 loans since Feb 2006
- 19.7% average interest rate
- “C” grade
- Loan status:
 - 564 current
 - 57 paid
 - 64 are 1 month late or more (8.7% of all loans)
 - 28 defaults (3.8% of all loans)

RGLad

My Mother-in-Law’s \$:

- 317 loans since April 2006
- 17.2% average interest rate
- “B-” grade
- Loan status:
 - 254 current
 - 26 paid
 - 20 are 1 month late or more (6.3% of all loans)
 - 4 defaults (1.3% of all loans)

Things I've learned

- **Know thyself**
 - I don't make large loans
 - Analyze your mistakes...Is there a pattern to your lates/defaults?
Adjusted approach accordingly
- **Engage the borrowers**
 - Like fundamentals of a borrower but listing isn't competitive,
let them know
 - Need additional information from a borrower, **ask for it**
 - Forthcoming and friendly
 - **doesn't necessarily improve the odds that the loan will work out.**
An HR is still an HR. An E is still an E.

...People are far more honest than they may intend to be

More things I've learned

- **Laddering bids is worth the effort**
- **“Saved searches” are your friend** (I have many)
 - “Squeaky clean”, “Homeowners”, “InstaFunds”, “Low Delinquencies”, “Good CDEs”...
- **Get to know other lenders, then trade ideas and listings**
- **Don't be afraid to**
 - Tie up money in listings that meet your criteria
 - Be among the first bidders. If you don't bid, the listing may get overlooked by others

Turn-ons

- **Good risk adjusted interest rate**
- **Specificity**
 - *“I am using this loan to pay for a used car...a new generator...to consolidate my credit card debt...”*
- **Unsexy needs**
 - Small business needs equipment/software, kitchen needs new counters, MBA/law student in final year of school needs bridge loan...

More turn-ons

- **Verifiability**

- I have researched many listings

Tools include: *Google, Whois, Archive.org*, reputation scores on other platforms (i.e., *eBay* feedback rating)

- **“By-the-numbers” lending**

- **LOVE** and **USE** the expanded credit data!

- **Stable employment and homeownership rocks!!!**

Turn-offs

- **Listings that emphasizes personal tragedies**
 - *“First, I lost my home in Katrina, then I needed extensive dental work, then my dog needed a hip replacement, and then my husband left me but only after he ran up the credit card debt...”*
- **Borrower whose story has evolved as they relist**
 - When *“I quit my job to sell stuff on eBay”* becomes *“Credit card debt consolidation.”*
- **Certain real estate transactions**
 - *“I want to buy a house and flip it....”*

More turn-offs

- **Desperation / cluelessness**
 - *“The payday loans I took to cover my kid’s 2nd birthday are starting to sink me.....Help!”*
- **Credit grade**
 - HR/NC -- I no longer bid on them
 - E -- I only bid if expanded credit data is very strong
- **Unexplained blemishes to a borrower’s credit record**

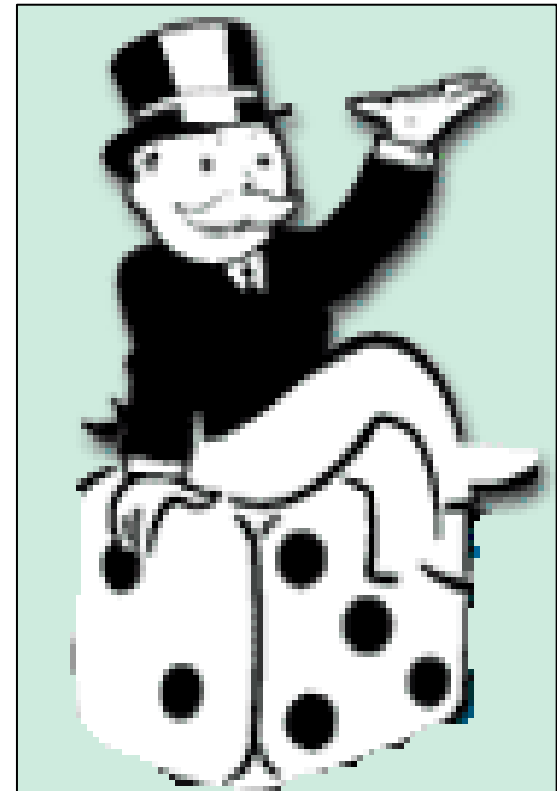
Pensioner



Pensioner

- **Who Am I?**

- Pensioner (what I aspire to be)
- Local guy
- Harley rider
- Average guy - with a larger than average savings account
- Largest lender
- L5 protégé



Results are good (I think)

- \$750,000 invested
- \$56,000 interest accrued
- \$806,000 account value

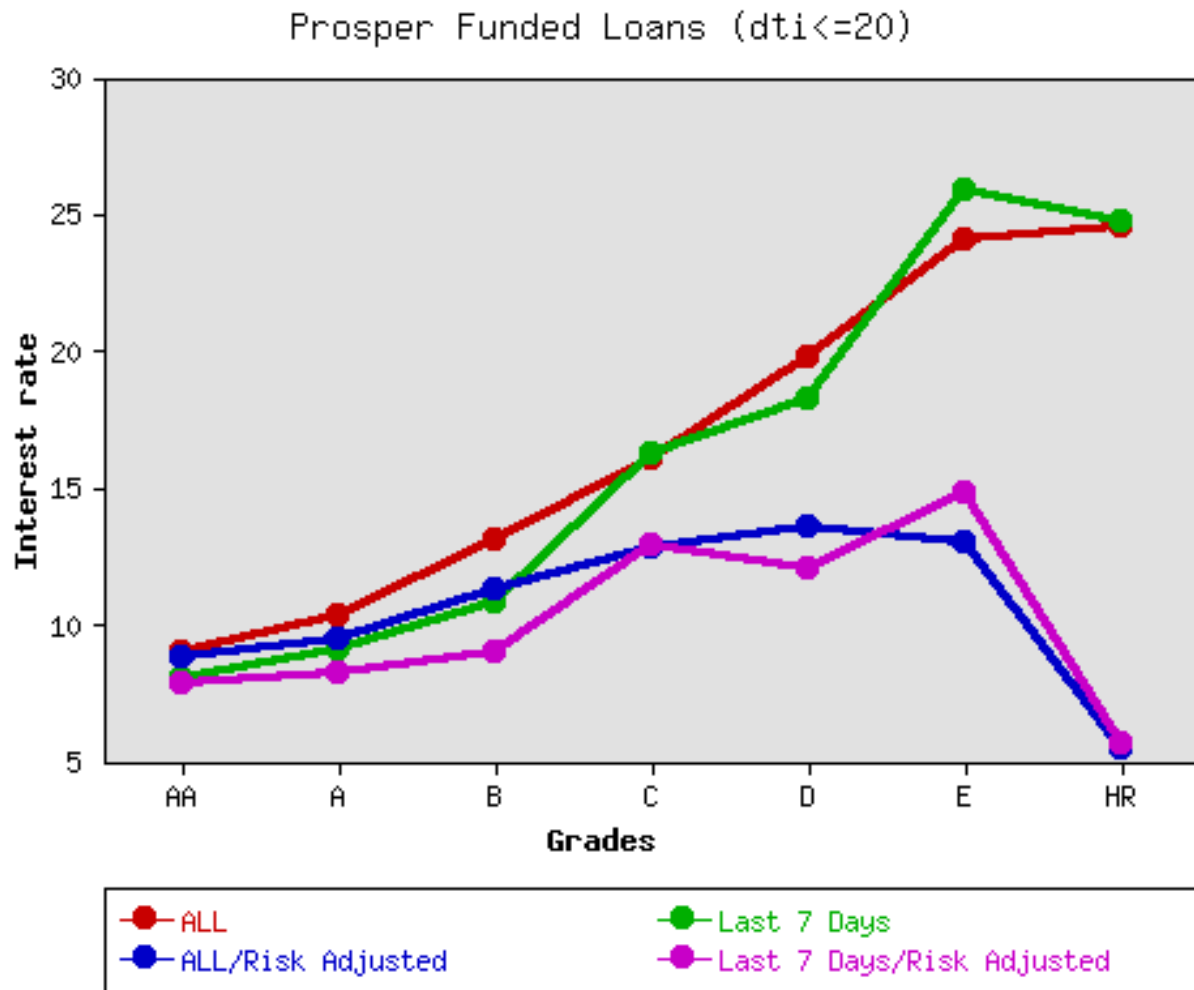
- 26.4% average interest rate
- \$575 gross daily interest income
- \$200,000 projected gross income for 2007, before defaults

- 150 loans
- 136 current
- 14 late (10%)
- 8 of 14 late more than 1 month (5.3% of total)
- 24 of 434 scheduled payments have not been made (5.5%)
- 0 defaults so far

What I look for in a listing?

- Rate above 20%
- Expected yield close to 20%
- Few to no defaults
- Reliable income
- Appreciation of good credit

The yield curve favors Cs, Ds, Es



Source: Savagenumber.com 1/6/07

Over-diversification is expensive

	Lender A	Lender B
Funds to lend	Borrows \$10K @ 10%	same
Listings available to bid on	Ds @ 5% to 25%	same
Loans made	200 \$50 good to great loans @ 15% to 25%	20 great loans at 23% to 25%
Average rate	20%	24%
Less defaults, fees, float	8%	same
Yield	2%	6%
Result	\$200 net income	\$600 net income triple that of lender A

- Both lenders have equity in their homes and other assets totaling \$100K
- Neither lender has more than .5% of their net worth in one loan

Listings I would never bid on

- “I’ll pay you back if the payments are not too high”
- “I want to quit my job and start a home business”
- “I’m desperate and don’t know how to get out of this mess”

L5

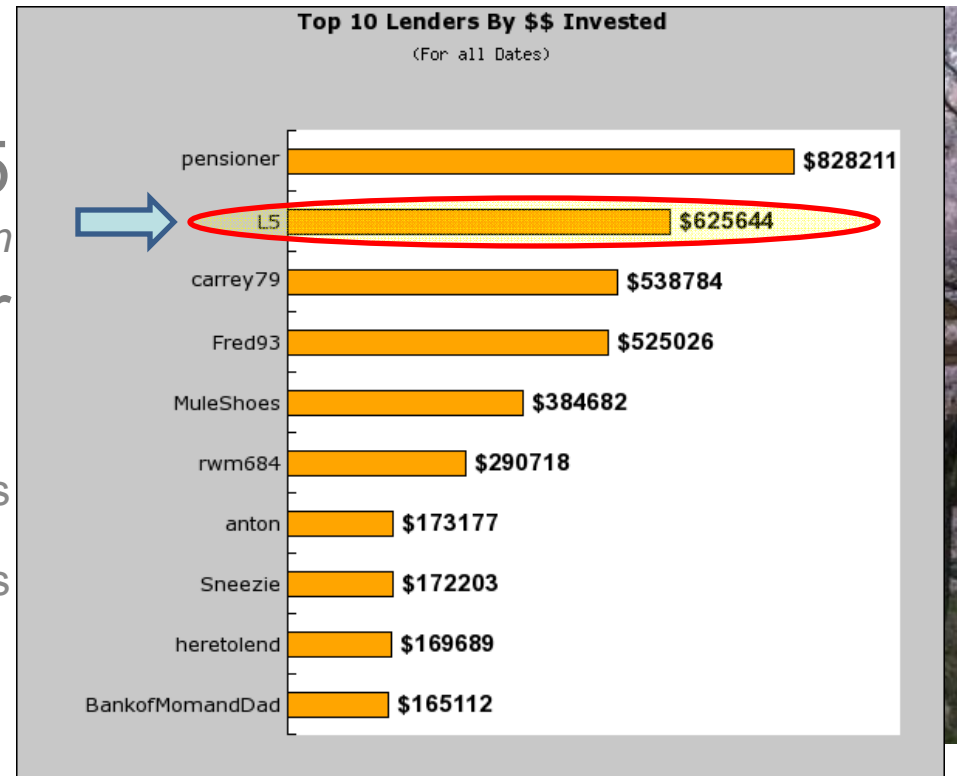


About "L5"

- Investing since April 2006
- # 2 lender on Prosper by dollars invested*
- Over 750 loans made
- Estimated expected ROI 14.26%*
- Lover of Haiku

L5
on
Prosper

Five Haikus
Five Lessons



*Source: www.eric SCC.com, data as of January 5, 2007

L5: Five haikus, five lessons

1. Maximize risk-adjusted rates
2. To assess risk, use
LEND >> PERFORMANCE
3. Extended credit stats are key
4. Lead with your bids, don't follow
5. Communicate



1. Maximize risk-adjusted return

Tallest tree gets sun

Highest rate should get
your bid

First adjust for risk



Maximize risk-adjusted rate

Credit Grade	Av. Rate*	Delinq %**	Risk Adj. Rate
AA	9.16%	1.85%	7.31%
A	10.44%	3.73%	6.71%
B	13.23%	6.3%	6.93%
C	15.5%	5.06%	10.44%
D	19.19%	5.81%	13.38%
E	24.43%	12.14%	12.29%
HR	25.24%	17.09%	8.15%
NC	23%	22.3%	0.7%

HR's do not yield much Better than AA

C, D, & E: Today's Best Deals!

Ouch!

*Rate for medium (\$5K to \$10K) loan, group member as of January 8, 2007.
 **Delinquency percentage from Prosper Lend Performance tab as of January 8, 2007 for 1 year prior (starting Jan 8, 2006), taken by taking 1 minus the percentage of loans that are current (within 15 days due).
 DISCLAIMER: Data & market will change constantly – check current numbers before you invest!!

2. To assess risk, use LEND >> PERFORMANCE

That bridge that you cross

Looks different in the springtime

As do default rates



Marketplace Performance

Loan Criteria [View matching listings](#) | [Convert into standing order](#)

Loan origination date: Nov 1 2005 to Jan 8 2007

Observation date: Jan 8 2007 The observation date can not be less than the loan origination end date. Changing this date could change the origination end date.

Additional criteria: (No additional criteria specified)
[Edit criteria](#)

[Reset](#)

Performance Data [Help](#)

Performance metric	All credit grades	AA	A	B	C	D	E	HR	NC
Loans originated	\$29,024,251 100.00% 6104 100.00%	\$3,514,533 100.00% 533 100.00%	\$3,696,646 100.00% 483 100.00%	\$4,406,477 100.00% 620 100.00%	\$5,227,937 100.00% 903 100.00%	\$4,630,490 100.00% 984 100.00%	\$4,228,117 100.00% 1196 100.00%	\$3,064,537 100.00% 1275 100.00%	\$255,514 100.00% 110 100.00%
Loans Active and Billed	\$23,490,459 80.93% 4888 80.08%	\$2,592,322 73.76% 376 70.54%	\$2,936,692 79.44% 372 77.02%	\$3,764,533 85.43% 514 82.90%	\$4,314,116 82.52% 751 83.17%	\$3,848,029 83.10% 831 84.45%	\$3,430,237 81.13% 957 80.02%	\$2,399,767 78.31% 1001 78.51%	\$204,763 80.14% 86 78.18%
Loans Active, not Billed	\$4,084,800 14.07% 866 14.19%	\$507,566 14.44% 80 15.01%	\$518,908 14.04% 64 13.25%	\$446,115 10.12% 56 9.03%	\$692,321 13.24% 102 11.30%	\$670,355 14.48% 118 11.99%	\$670,496 15.86% 198 16.56%	\$542,388 17.70% 229 17.96%	\$36,651 14.34% 19 17.27%
Loans Paid Off	\$1,270,437 4.38% 302 4.95%	\$414,645 11.80% 77 14.45%	\$241,046 6.52% 47 9.73%	\$165,828 3.76% 47 7.58%	\$195,399 3.74% 45 4.98%	\$103,106 2.23% 33 3.35%	\$91,884 2.17% 33 2.76%	\$52,729 1.72% 18 1.41%	\$5,800 2.27% 2 1.82%
Loans in Default	\$178,555 0.62% 48 0.79%	- -	- -	\$30,001 0.68% 3 0.48%	\$26,101 0.50% 5 0.55%	\$9,000 0.19% 2 0.20%	\$35,500 0.84% 8 0.67%	\$69,653 2.27% 27 2.12%	\$8,300 3.25% 3 2.73%
Net Defaults	\$152,871 0.53%	- -	- -	\$22,420 0.51%	\$19,028 0.36%	\$7,218 0.16%	\$33,555 0.79%	\$63,997 2.09%	\$6,654 2.60%

Delinquency Data [Help](#)

Performance metric	All credit grades	AA	A	B	C	D	E	HR	NC
Loans Active and Billed	\$21,584,580 100.00% 4888 100.00%	\$2,267,155 100.00% 376 100.00%	\$2,632,659 100.00% 372 100.00%	\$3,434,811 100.00% 514 100.00%	\$3,947,169 100.00% 751 100.00%	\$3,563,155 100.00% 831 100.00%	\$3,246,795 100.00% 957 100.00%	\$2,296,103 100.00% 1001 100.00%	\$196,733 100.00% 86 100.00%
Current	\$19,991,385 92.62% 4517 92.41%	\$2,225,261 98.15% 371 98.67%	\$2,534,571 96.27% 362 97.31%	\$3,218,558 93.70% 494 96.11%	\$3,747,561 94.94% 723 96.27%	\$3,356,281 94.19% 786 94.58%	\$2,852,663 87.86% 858 89.66%	\$1,903,630 82.91% 853 85.21%	\$152,860 77.70% 70 81.40%
Late (16-30 dpd)	\$327,662 1.52% 81 1.66%	\$37,899 1.67% 3 0.80%	\$22,892 0.87% 1 0.27%	\$20,996 0.61% 3 0.58%	\$36,103 0.91% 6 0.80%	\$58,848 1.65% 13 1.56%	\$69,729 2.15% 19 1.99%	\$79,150 3.45% 35 3.50%	\$2,044 1.04% 1 1.16%
1+ months late	\$1,265,533 5.86% 290 5.93%	\$3,995 0.18% 2 0.53%	\$75,195 2.86% 9 2.42%	\$195,256 5.68% 17 3.31%	\$163,504 4.14% 22 2.93%	\$148,027 4.15% 32 3.85%	\$324,402 9.99% 80 8.36%	\$313,322 13.65% 113 11.29%	\$41,830 21.26% 15 17.44%
1 month late	\$447,052 2.07% 100 2.05%	\$2,121 0.09% 1 0.27%	\$17,436 0.66% 1 0.27%	\$52,164 1.52% 5 0.97%	\$59,094 1.50% 9 1.20%	\$61,793 1.73% 12 1.44%	\$127,689 3.93% 28 2.93%	\$123,543 5.38% 42 4.20%	\$3,211 1.63% 2 2.33%
2 months late	\$500,285 2.32% 111 2.27%	\$1,874 0.08% 1 0.27%	\$10,000 0.38% 1 0.27%	\$142,992 4.13% 5 0.97%	\$104,410 2.64% 9 1.20%	\$96,234 2.72% 12 1.44%	\$196,710 5.73% 28 2.93%	\$196,710 8.56% 42 4.20%	\$3,211 1.63% 2 2.33%



3. Extended credit stats are key

Each Bonsai twist
shows a new
perspective to life

Embrace each detail



Example: Huge difference in delinquency rates across the board when filtering based on extended credit data

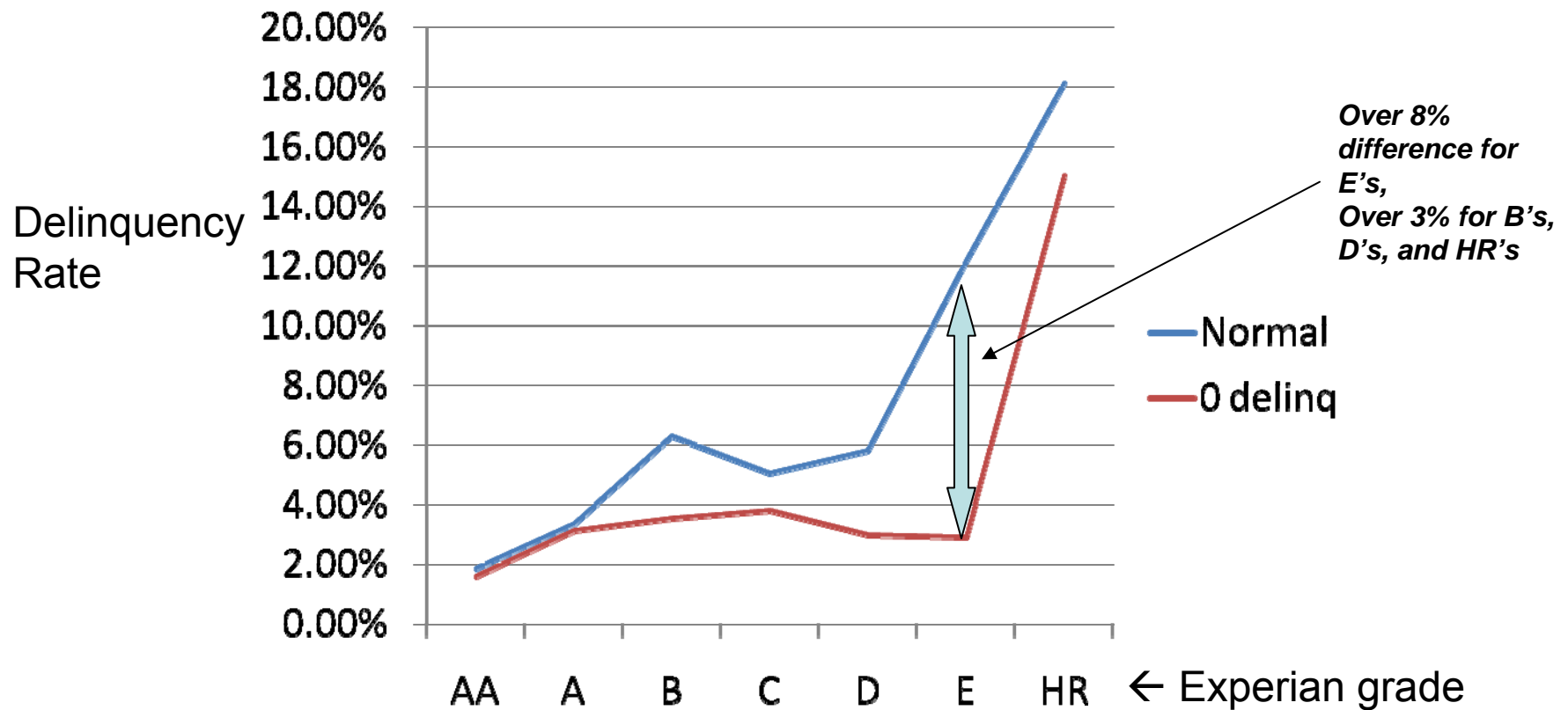


Chart Jan 8, 2006 – Jan 8, 2007; as observed January 8, 2007. Shows percent of loans delinquent > 15 days as of observation date. Filter (red line) shows only those loans with 0 current delinquencies when funded.

4. Lead with your bids, don't follow

Cherry blossoms fall like rates
with too many bids

Beware the green bar



Bidding suggestions

- Find good loans
- Use bid ladder on unfunded loans
- A week's tie up of funds is worth it!
- Get a lender group and discuss good loans
- Don't just go for those fully funded loans
 - NOT a good screen
 - Bidding often lowers rates too much



5. Communicate

From where come answers

Best to do due diligence

Know the borrower



Engaging real people

- Ask for more information
- Make sure the story checks out
- You are giving them your money... don't be satisfied with excuses or non-responses!
- One of my best loans is an HR with delinquencies -- turns out we went to the same school and I was able to validate the story...(Pays a nice 27%!)



Personal dimension to Prosper

- Engaging can also keep a nice personal dimension to Prosper

From: AnointedOnes

Received: Jan-07-2007 9:51 AM PST

To: L5

Subject: hello

Hi L5, you may not remember me right off hand, but you showed faith in me and loaned me a substantial amount of money a few months ago. I am writing you today to tell you that I appreciate you and all of my other lenders. You and the others have helped me so much with consolidating my debt and helping me fund my school. Because of people like you I now have a stable school that is running successfully. I am also looking into opening a second school. Thanks again for all that you do.

Lesson review

Five haikus, five lessons

1. Maximize risk-adjusted rates
2. To assess risk, use
LEND >> PERFORMANCE
3. Extended credit stats are key
4. Lead with your bids, don't follow
5. Communicate



どうもありがとう
Dōmo arigatō!



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Thank you for attending!

