

Understanding online marketplace lending

Marketplace lending (sometimes referred to as “peer-to-peer” or “platform” lending) is a relatively new kind of online lending.

Marketplace lending uses online “platforms” to connect consumers or businesses who seek to borrow money with investors willing to buy or invest in the loan. In most cases, once a loan is made the platform collects principal and interest payments from borrowers and sends the payments, less certain fees that the platform keeps, to investors. Marketplace lending platforms generally market both new loans and loans that can be used to refinance existing debt.

What to consider before taking out a loan

If you are considering applying for a new loan from any kind of lender, including a marketplace lender, you should take the following steps first:

- **Look at your income and spending.** Create a budget to see exactly how much money you have coming in and what other payments you have to make each month. For a sample budget worksheet, check out the CFPB’s [My New Money Goal worksheet](#).
- **Decide how much you can afford and really need to borrow.** With a clear picture of your monthly budget, decide how much you can afford to pay on a new loan. Look beyond the

monthly payment to the total cost of the loan, including interest and fees. Only borrow the amount you need and can afford, even if a lender allows you to borrow more.

Be careful about refinancing certain types of debt

While a lower interest rate can seem tempting, in some cases, you could lose important protections.

- **Federal student loans:** if you’re considering paying off your federal student loan with a private loan, look closely if you’re switching from a fixed to a variable rate loan, and know that you’ll probably sign away certain benefits like loan forgiveness and income-driven repayment programs. You can learn more [here](#).
- **Pre-service debt:** Active duty servicemembers have important protections that apply to debt incurred prior to entering active duty. [You could lose those benefits if you refinance](#).

In addition, whether you are applying for a new loan or a loan to pay off an existing debt, you should:

- **Check your credit reports.** Mistakes in your credit report could lower your credit scores. You can request free copies of your credit reports every 12 months from each of the three largest credit reporting companies. To learn how, you

can use the CFPB's [consumer advisory on how to check your credit report](#).

- **Shop around.** Next, learn about your options. Find out what types of loans are available to you and how much they cost. Use online calculators to compare the terms and rates you've found. This will help you pick the best deal for you. When comparing different loans, you should think about:
 - How much you want to finance and whether they finance that amount.
 - The number of months you would have to repay the loan. This is called the loan's term.
 - The current interest rate being charged, and whether that interest rate will stay the same or change over time. If it will change, consider how often and by how much it can change.
 - Fees you'll have to pay and how much they would be. You can use the annual percentage rate (APR) to compare average yearly fee and interest-rate expenses over the term of the loan.
 - Penalties, such as late-payment fees or extra fees for paying off the loan early.
 - If you're quoted a monthly payment, remember to look beyond the monthly payment. Think about how long you will pay, and what fees and costs have been added.
 - The total cost of the loan - how much you will pay overall, once you've finished paying off the loan.

You should take these steps before applying for any loan. If you consider a marketplace lender as one of your options when shopping for a loan, keep in mind that marketplace lending is a young industry and does not have the same history of government supervision and oversight as banks or credit unions. However, marketplace lenders are required to follow the same state and federal laws as other lenders.

The CFPB is here to listen

If you take out a loan from any lender and have an issue, you can [submit a complaint](#) to the CFPB. We'll forward your complaint to the company and work to get a response from them. If we find that another government agency would be better able to assist, we'll forward your complaint to them and let you know. You can also [share your story](#) about positive or negative experiences you've had with financial products and services. Hearing from consumers is critical to our work.

Submit a complaint



Online

consumerfinance.gov/complaint



By phone

Toll free: (855) 411-CFPB (2372)

TTY/TDD : (855) 729-CFPB (2372)



By fax

(855) 237-2392



By mail

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