

Home is Where Your FinTech Loan Is

Tamanna Singh Dubey
Indian School of Business

Discussion by Reena Aggarwal
ABFER 2026

Main Question

Examines whether small, cash-flow based unsecured loans alleviate frictions and facilitate larger, secured loans (mortgages).

Main Results

LendingClub/BancAlliance partnership results in

- More unsecured loans
- More mortgages
- Mortgages especially focused on new homes (versus refinancings)
- Benefit for borrowers who face larger information frictions
- Mortgage default rate does not increase

Overall

Very interesting paper

Addressing an important issue

Housing affordability is a major issue

Takes advantage of a new partnership

- FinTech has seen huge growth.
- Uses LendingClub's 2015 partnership with BancAlliance (community banks).

LendingClub

- Average LendingClub loan - \$14,047, and interest rate - 12.7%
- 80% of the loans are used for debt consolidation. This should help with repayment history and eventually credit scores

Main Results

A 1% increase in LendingClub loan leads to 30 bps increase in mortgage activity in year 1, 37 bps in year 2, and 30 bps in year 3.

Given the average of 335 LC loans and 10,570 mortgage loans per zip3, this implies 3 additional LC loans results in 32 additional mortgage loans.

No change in defaults

1.62% decline in mortgage rates

This is pretty huge economically. Is there more than a LendingClub story?

Comments

- Is it a FinTech story or is it about improvement in credit scores?
- Does this happen with larger banks when loans are specifically for debt consolidation purposes?
- Do people try to consolidate debt just before buying a house?

30-year Mortgage Rates

Interest rates/mortgage rates
dropped by more than 12% from 2014 to 2016

You have a DID setup and are using fixed effects but might
your treatment group be more sensitive to change in rates?

2013	3.98%
2014	4.17%
2015	3.85%
2016	3.65%
2017	3.99%

Source for 30-year Mortgage Rates: AI (Gemini)

Comments

- Why the drop in 2014; increase seems to start in 2014 (not 2015)?
- Why do treated versus control show differences in other years? Big drop in rates from 4.17% in 2014 to 3.65% in 2016; 4.54% in 2018 to 3.94% in 2019

Fig 3: LendingClub Loan Activity.

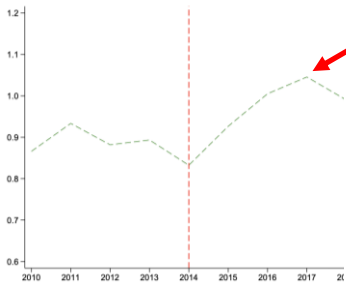


Fig 9: Mortgage Activity



- Is this a borrower-level spillover effect, a regional credit market spillover, or broader credit conditions?
- What if you used 2014 as a placebo test?
- Do treated-area borrowers have lower credit scores before the treatment?
- Can you provide any evidence on changes in credit scores?
- Show mortgage approval/denial rates in the treated versus control group before and after.
- Add descriptives for treatment versus control group

Why should we care about this paper?

Financial Inclusion – Serving traditionally underserved communities

Fair Lending – Using alternative data

Consumer Protection – Lack of default

Other Side Comments

- LendingClub got into trouble with regulators for their practices 2016-2021 and had to pay a fine, any impact?
- The CEO resigned in 2016 (for different reasons).

 **LendingClub** *is becoming* **Happen**[™]
BANK
