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Crypto Lending Markets Overview

2017 seems to be the year when a significant amount of funds from private investors, VC funds and institutional players came into the crypto market. Driven by the hype and rapid growth in 2017, the market then shifted to the inevitable downtrend in 2018. At that point, many market players either sold/shortened their crypto holdings or decided to hold their investments for the future. Whatever the reason was, both holders and sellers experienced a need for instant cash liquidity, which resulted in the growth of popularity of services now referred to as **crypto loans or crypto lending**.

Despite having a lot in common, crypto lending may be judgmentally divided into two big groups – **p2p loans (or microfinance)** focused on retail customers and **lending services** focused on traders and large players.

Although there are differences in loan/collateral terms and customer needs between the two, the majority of services targets both types of customers only setting different loan conditions depending on the customer type. Regardless of customers' type, such financing solution has the following advantages from the customer's point of view:

- Instant liquidity
- Cash for collateral while still owning actual digital assets
- Ability to earn interest on holdings with little to no involvement
- Hedging against bearish market while waiting for the market to recover
- Usually, there are little to no credit checks
- Usually transparent blockchain contracts
- Potential tax savings for institutional players and traders

Key customers for lending platforms:

- VC funds and hedge funds
- Traders
- Miners
- Retail customers

While major lending platforms are well-known to the public, all of them have additional features and different terms when it comes to lending/borrowing. We have summarized the key platforms' characteristics in the table below:

NAME	LENDING ASSETS	COLLATERAL ASSET	COLLATERAL REQUIREMENT	MIN/MAX AMOUNT	APR	CUSTOMER METRICS	LOAN TERM	ADDITIONAL FEATURES
SALT	USD	BTC, ETH, LTC, DOGE	30%-50% loan-to-value	5,000 USD / not defined	From 5.99%	More than 60,000 customers claimed	1-36 months	Can stake SALTtokens to reduce APR
Nexo	USD, EUR, USDT, USDC	21 cryptocurrency	Up to 50% loan-to-value	1,000 USD / 2,000,000 USD	From 8%	Not disclosed	1-12 months	Can repay or back the loan with Nexo tokens to reduce APR

ETHlend	LEND, DAI, ETH-pegged stablecoins	BTC, ETH and ERC-20 tokens	Up to 55% loan-to-value	Not defined / not defined	From 3%	Not disclosed	1-12 months	LEND can be used for collateral, increasing LTV
Unchained Capital	USD	BTC, ETH	50% LTV	10,000 USD for domestic and 100,000 USD for international loans / not defined	From 7.25%	Not disclosed	3-60 months	Focused on US individuals and businesses
YouToken	USD, EUR	BTC, XRP, ETH, LTC, BCH, BSV	55%-80% LTV	Not defined / 30,000 USD	5%-16%	Not disclosed	8-day 50-day 120-day	Own fiat fund = no p2p model
BlockFi	USD	BTC, LTC, ETH	50% LTV	10,000 USD / not defined	From 8%	Not disclosed	1-12 months	Loans may be refinanced

SALT
According to the official website and public information, SALT allows cash to be credited directly onto the customer bank account. SALT lending is available for a majority of US states, Brazil, United Kingdom, United Arab Emirates, Switzerland, New Zealand and Vietnam. According to public sources, the platform has over 60,000 customers worldwide and more than USD 50,000,000 of loans provided.

Nexo
Nexo claims to have more than USD 1 billion of loan requests; however, it is unknown how many of them were approved. One of the features which Nexo offers is that the loan is converted into a preferred fiat currency if the customer wishes so. In addition to that, the loan may be repaid with fiat, BTC, ETH, XRP, Nexo tokens or USDT.

ETHlend
ETHlend uses Ethereum blockchain for transactions and collateral purposes. This allows transparency, zero fees and auditability of the transactions, however, we note that collateral/borrowing pairs are relatively limited and there is no option to borrow fiat directly.

Unchained Capital
Unchained capital offers the most extended loans – up to 5 years, however, APR and additional fees/limitations are applied depending on each borrower.

YouToken
YouToken provides the shortest loans among all peers – up to 4 months only. On an individual basis, a borrower may be allowed to borrow amounts larger than 30,000 USD. In addition to that, YouToken seems to have the best loan-to-value ratio among all platforms.

BlockFi

BlockFi is focused on US-based individuals (currently 43 states are compliant) and international business customers.

Conclusion

Based on the analysis, we believe that **crypto lending market may continue to grow** driven by either the development of the cryptocurrency market or increasing demand from potential customers.

We note that **certain benefits exist for both lenders and borrowers** – lenders have fixed income, collateral rights if the repayment is not possible, and relatively stable cash inflows from interest, however, bear the risk of collateral being impaired due to the market decline. On the other hand, borrowers have access to almost instant liquidity and/or cash, little to no credit checks, and, more importantly, potential tax savings from using lending to counter potential short-term capital gains and respective taxes for investment funds and large traders. All these benefits come at a price of relatively high APRs, potential capital calls in case of collateral price decline and potential capital losses due to such decrease.

Apart from the above, we note that **there is a room for growth of crypto lending market** – not all jurisdictions are covered yet, loan terms are not that flexible as they could have been and the amount of customers is still limited by the small relative size of cryptomarket.