Everything You Need to Know About Blockchain Lending
Blockchain applications are thought to be the future of business and banking worldwide. The technology has built-in protection that is considered to be hack-proof.

When considering a blockchain personal loan, it is best to gather as much information as possible before making a decision. This guide will explain *what* blockchain technology is, *who* uses it, *why* people are using it, *how* blockchain lending works and popular blockchain *solutions* for lending.

Let's start with the basics.

What Is Blockchain Technology?

Blockchain technology is a record-keeping system that is rocking the financial and business world. The "blockchain" refers to a chain of digital blocks that record information and transactions in real time.

The information in a "block" includes number figures, including the date, time and dollar amounts of a transaction. However, it also includes information about who is involved in the transaction. The actual "who" is not public knowledge. Rather, each person using blockchain technology has a unique user code called a "digital signature." The signature allows business transactions to occur anonymously.

Also, each "block" has a unique identification code that keeps every block of data separate from all other blocks. Surprisingly, one block can store up to 1 MB of data.

The block becomes a "chain" when two or more blocks are tied together. This tying together happens after a transaction has been approved by a decentralized computer network that verifies that all the digital signatures and details are correct. Then the block is "hashed." Hashing is the process of giving the block a unique identification code called a "hash." The newly added block is also given the hash of the most recent block in the system to which it is "chained."

The above explanation is the basics of how the technology works, but sometimes a succinct definition can wrap the idea of blockchain into a snapshot.

Defining Blockchain Technology

Wikipedia defines blockchain technology as "a growing list of records, called blocks, which are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp, and transaction data...."

Blockchain technology can be a daunting topic to tackle, and one might even wonder why it is necessary. Blockchain has gained momentum because it is believed to be un-hackable. Once a block has been hashed, it is nearly impossible

to alter the information stored in the digital ledger, producing a verifiable record of a transaction since it is impossible to change the data retroactively without destroying the entire data string. Everyone in the computer network that oversees the blockchain technology would have to concur before a change could be made.

So a valid question comes to the surface: who is using blockchain technology?

Who Uses Blockchain Technology?

Blockchain technology was created in conjunction with the cryptocurrency Bitcoin. Founder Satoshi Nakamoto needed a way to prevent double-spending of "digital currency" without the oversight of a central server. Nakamoto invented the blockchain technology in 2008 as an open source software to meet this need. Though Bitcoin was the first to harness the technology, others have created cryptocurrencies using the same blockchain technology.

According to the Telegraph, the ten most popular cryptocurrencies are

1. Bitcoin
2. Bitcoin Cash
3. Litecoin
4. Dogecoin
5. Ethereum
6. BAT
7. NEO
8. Ripple XRP
9. Stellar (XLM)
10. Cardano (ADA)

Many recognized businesses are embracing the idea of blockchain technology in every sector of the business world. Blockchain technology has business applications much broader than the scope of cryptocurrency.

According to IBM, "Tangible assets such as cars, real estate and food products, as well as intangible assets such as bonds, private equity and securities are all fair game." A specific example of this type of use is Everledger, which has over one million diamonds secured through blockchain technology.

Below is a list of recognized names that have incorporated blockchain technology in their businesses either through adopting cryptocurrency or other applications.

- Craigslist
- FedEx
- IBM
- Spotify
- Walmart
- Microsoft

- Mastercard
- Bank of America

It is evident that there is an increased attraction to blockchain technology, but why?

Why People Use Blockchain Technology

Here are some solid reasons blockchain technology is gaining momentum for many businesses and individuals.

- First, blockchain technology is entirely transparent. There is virtually no way to fudge or alter the books.
- Second, it saves money. Using blockchain reduces the regular fees associated with currency transactions.
- Third, it is the fastest way to get paid. With a cryptocurrency transaction, payment is immediate once all parties have met all the stipulations.
- Fourth, blockchain is decentralized, meaning there is not one organization or company that controls the ledger. Decentralization makes it very difficult, if not impossible, to "cook" the books.
- Fifth, it has a built-in tracking system that can help end disputes before they happen. The system records everything and makes it available for public oversight.

An under-explored application of blockchain technology is in the world of financing. Blockchain lending is a real-world solution for many people and businesses. So how does it work?

How Does Blockchain Lending Work?

How can blockchain technology be applied to the world of lending? With the ability to "cut out the middleman," the idea of a cryptocurrency loan could revolutionize the banking industry as we know it.

Blockchain loans are nothing more than a spin on a previously accepted lending model called peer to peer (P2P) lending. Blockchain P2P provides a way for private (or business) lenders to loan money to other private individuals or companies. According to Forbes, "Borrowers and lenders work with each other and set terms." This process provides excellent flexibility, competitive rates and built-in trust.

So who are the top lenders in the blockchain community?

Popular Blockchain Solutions for Lending

When exploring a cryptocurrency loan, these are the top three considerations in the lending field.

Bitcoin Loans

A Bitcoin loan can be secured online through several services like BitBond or Unchained Capital. Each platform has its own set of requirements. It is also possible to obtain a Bitcoin loan from a private individual or user.

SALT Lending

SALT (secure automated lending platform) lending is a platform for obtaining cryptocurrency loans through Bitcoin, Ether, Litecoin and Doge. It is a membership platform that is specifically designed to connect lenders and borrowers. They operate as a middleman. It is simple to join, and SALT offers rates as low as 5.99% and terms from 1-36 months. There are no credit checks, and upon securing a loan, they quickly deposit the cash into the bank in US dollars.

SALT is often called salt coin and can be easily confused with another cryptocurrency company called Salt Coin or SaltCoin. SaltCoin is a digital currency that is backed by a real-world commodity, salt (even though SaltCoin has not begun manufacturing salt). SaltCoin is built on the Ethereum platform, which is a newer blockchain network.

Ethlend Loan

Ethlend is a third option for securing P2P loans. Like the others, it is decentralized. However, it runs on the Ethereum Network. They do not require an intermediary and do allow borrowers to set their own financing terms. To secure a loan through this channel, one must have tokens on the Ethereum Network. These tokens become collateral to secure a loan and will be transferred to the lender if it goes into default.

To place a loan request, the borrower sets the terms of the loan and submits them on the web platform. If a lender agrees to fund the loan, they will accept the offer. This platform allows for loans at zero percent interest if both parties agree.

Which Blockchain Lenders Are Preferred

A Bitcoin loan can be secured from many different platforms, including directly from an individual. However, the preferred platform is Unchained Capital, which operates similar to SALT, but the interest rates are higher at 10-14%. This rate is excellent for lenders but may not be the best for borrowers.

SALT lending is ideal for a simplified lending process, but it requires an intermediary. The rates are lower than Unchained Capital, which is a definite plus.

While all these options are great, our pick is Ethlend because they give the borrower the most flexibility within a structured environment and with the possibility to secure a loan interest-free. Plus both lender and borrower have a platform to arrange the agreement on their terms.

What Are The Risks of a Blockchain Personal Loan?

Fortunately for the borrower, the majority of the risk for a P2P loan lands on the lender. However, if the loan goes to default, the borrower risks losing their collateral and their online reputation in the digital world. This loss can be devastating for the future, especially if cryptocurrency takes the world by storm.

Thankfully, there is more than one cryptocurrency platform available if a reputation becomes sullied. It is unsure if the digital world will enact some form of crypto-ruptcy or crypto-fixer-upper in the future to help people with tarnished digital signatures make amends.

What Are The Benefits of Lending with Blockchain?

While there are some risks involved in lending with blockchain, there are some great benefits. Lending through blockchain opens the doors for the average person to create wealth through interest.

For a lender, all three lending platforms could bring in an excellent interest rate, ranging from zero percent to the sky. The beauty of the system is that lenders do not have to accept terms that they do not like. If they set their eye on 15% returns, they can search for this type of loan.

Another benefit of lending through blockchain is the ability to become a banker without the overhead. It's not surprising that banks like Bank of America want to get in on this action too. They can see the handwriting on the wall that banking as we know it is changing forever.

Lending is one way to invest in blockchain, but it is not the only way. Many people buy and sell cryptocurrency just like they trade on the FOREX or NASDAQ.

What Do Beginners Need to Know Before Investing in Cryptocurrency?

There are a few helpful things to know before investing in cryptocurrency, and much of it begins with mindset.

1. Keep a level head. Not everyone gets rich with cryptocurrency.
2. Cryptocurrencies are volatile. That means the market can fluctuate severely in a short amount of time.
3. Study cryptocurrency trends. There is a learning curve. Do the homework. Stay educated and informed.
4. Find the platform (or exchange) that is right for you.
5. Start slow. Despite the likelihood that cryptocurrency could replace our modern banking system, there are no guarantees.
6. Remember that transactions are unalterable once made. There is no place for *oops.*
7. Keep your password (private key) private, or someone's going to steal your crypto.

After getting the mindset correct, the next step is to get a "digital" wallet to store your digital money. If you have chosen Bitcoin as your currency, they have several wallets to choose from on their website. The next step is to buy some crypto coin at an exchange. Bitcoin has their own exchange, but there are other options on the market. There are three types of exchanges: trading platforms, direct platforms and broker platforms. Do the research and find out which is the best fit.

Once your wallet is fat with digital money, it can be exchanged for goods and services in the real world or traded like a commodity.

Cryptocurrency and the Future

One cannot argue that cryptocurrency and blockchain technology could play a massive part in the future of the world. Many wealth builders are filling out their financial portfolios by investing in Cryptocurrency. Big businesses like IBM and Microsoft are involved in the new trend. Even niche entertainment sites like Spotify recognize the value of cryptocurrency and blockchain and are incorporating them into their business models.

The simplicity of lending and borrowing through cryptocurrency (which in essence turns "digital" tokens into cash) makes this a phenomenon cannot be ignored. There could be two types of people in the future: those with cryptocurrency and those who have lost the ability to buy and sell in the world marketplace.