

IEMS 326, Case 1, Due 11/16/2012

Lending Club is a new company that allows consumers to ask for three or five year loans and allows investors to invest in these loans, investing as little as \$25 in each loan. Lending Club provides some data at <https://www.lendingclub.com/info/statistics.action>

Your goal is to advise an investor seeking to invest \$50k. Can you create an investment strategy whose return after 10 years is at least 6% annually with 90% probability? What strategy to you advise?

It may be helpful to read chapter 6 of the Luenberger part of the textbook.

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Case study guidance

Think of your response to the case as a well-written lab report that counts as a full homework but you have almost two weeks to complete. This is your chance to tackle a more realistic and detailed problem. There might be some ambiguity! You might need to make some assumptions! Explain them.

Page 1 of the case study response (the executive summary) should explain what the problem is; what assumptions you made and what your recommendation is and how it might change in certain situations. No math. Nothing technical. This, the executive summary, is the most important part of the writeup. Imagine that the person reading your report is a decision maker at the company. They care less about the details of the calculation and more about the recommendation, an intuition about why it makes sense, and a discussion of any limitations, caveats, etc. So please think about doing some sensitivity analysis.

The rest of your writeup should provide backup to the executive summary by explaining your methods and showing any tables or graphs you wish. Limit this to no more than three pages. So four pages max.

I would like you to submit a hard copy of your response. Do not submit anything electronically.