

Name _____

From Friends to Funds: The World of Peer-to-Peer Lending and Crowdfunding

Open-Ended Response Answer Key

1. To use Crowdfunding for a book project, I would start by creating a detailed campaign on a Crowdfunding platform. I'd outline the project's goals, such as publishing costs and marketing expenses, and set a funding goal. To attract backers, I'd offer rewards like early access to the book, signed copies, or personalized messages. I'd also promote the campaign through social media, email newsletters, and my network. Engaging with backers through updates and responding to their questions would be crucial. If the funding goal is met, I'd use the funds for publishing and distribution, ensuring that backers receive their rewards as promised.
2. As an investor in P2P Lending, advantages include potential returns through interest, diversification of your investment portfolio, and the ability to support individuals and businesses directly. However, potential risks include the possibility of borrowers defaulting on loans, impacting your returns. Before lending, it's crucial to consider factors like the creditworthiness of borrowers, their loan purposes, and the P2P platform's track record. Diversifying your loans across different borrowers can spread risk. Additionally, you should be aware of the platform's fees and policies for handling defaults. Conducting due diligence and monitoring your investments is essential for successful P2P lending.
3. A small business seeking a P2P loan to expand can follow these steps: Research P2P Platforms, Create a Profile, Set Loan Terms, Provide Documentation, Engage with Lenders, Build Trust, Diversify Loan Requests
4. Crowdfunding has revolutionized the creative industry by democratizing funding and fostering direct interaction with audiences. Artists, musicians, and filmmakers can now bypass traditional gatekeepers and secure funding directly from their fans. For example, the Pebble Time smartwatch campaign raised over \$20 million from backers on Kickstarter. Musicians like Amanda Palmer have used Crowdfunding to release albums, offering exclusive content to backers. Filmmaker Zach Braff funded his film "Wish I Was Here" through Kickstarter, involving fans in the production process. Crowdfunding empowers creatives to bring their visions to life and build engaged communities of supporters.

