2026 State of Private Lending: Fraud, Reputation & Borrower Trust Report

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Executive Summary

The U.S. private lending market originated **$125.6 billion across approximately 238,600 loans** in the first ten months of 2025 (Forecasa). Yet the market's trust infrastructure has not kept pace with its growth: **fewer than 12% of the 13,631 active private lenders have any verifiable online reputation**, and **31% of small businesses report encountering fraudulent lenders or scams** during the lending process (Experian, 2025). This report documents the private lending trust gap with data from Experian, LexisNexis Risk Solutions, the FTC, the FBI IC3, Forecasa, and Morgan Stanley.

Key Findings

Finding	Figure	Source
Small businesses that encountered fraudulent lenders or scams	**31%**	Experian Commercial Pulse Report, 2025
Active private lenders with a verifiable online reputation	**<12%** of 13,631	Forecasa, 2025
YoY growth in SMB lending fraud	**+13.6%**	LexisNexis Risk Solutions, 2024
Consumer-reported fraud losses in 2025 (record)	**$15.9B**	Federal Trade Commission, 2026
SMB loan applications showing first-party fraud signs	**46%**	Experian, 2025
Origination volume held by top 10 private lenders	**21%** of $125.6B	Forecasa, 2025

1. The Verification Gap

Private lending in the United States runs on relationship-based trust. Lenders extend capital to operators they know; borrowers approach lenders they were referred to. Outside of those relationships, both sides operate blind. There is no centralized registry where a borrower can confirm a private lender's track record, and no standard profile where a lender can verify an operator's repayment history with prior capital providers.

The scale of the problem is measurable. Forecasa counted 13,631 active private lenders through October 2025 — a 17% increase in a single year — yet fewer than 12% maintain any verifiable online reputation. The American Association of Private Lenders (AAPL) has publicly noted that borrowers frequently call the association just to verify whether a lender claiming AAPL membership is legitimate. When basic credentialing requires a phone call to a trade association, the market is missing infrastructure, not diligence.

2. Fraud Is Growing on Both Sides of the Table

Borrower-side exposure. 31% of small businesses experienced fraudulent lenders or scams during the lending process (Experian, 2025). The FTC logged a record $15.9 billion in reported fraud losses in 2025, with imposter scams — the category that includes lender impersonation — leading all categories at over 1 million reports and $3.5 billion in losses. Business email compromise added roughly 25,000 reports and more than $3 billion in losses (FBI IC3, 2025).

Lender-side exposure. 46% of small business loan applications showed signs of first-party fraud (Experian, 2025), and SMB lending fraud grew 13.6% year over year per LexisNexis Risk Solutions. Detection is getting worse, not better — only 27% of fraudsters were caught at account origination, down from 32% the prior year. 72% of surveyed lenders plan to increase fraud prevention spending in response.

The common thread: both failures are identity and reputation failures. A fake lender survives because no borrower can check a public track record. A fraudulent application survives because no lender can check an operator's verified deal history.

3. The Cost of a Bad Counterparty

For borrowers, the direct costs of engaging an illegitimate or predatory private lender include lost advance fees and deposits (imposter scams carry a $700 median loss per FTC data, with business-scale losses far higher), blown acquisition timelines when a lender fails to close, and capital-stack collapse when committed funds never wire. Indirect costs — lost earnest money, damaged seller relationships, and forfeited deals — routinely exceed the direct ones.

For lenders, the LexisNexis study found most institutions expect SMB lending fraud to impact overall losses by 6% to 10% annually. In a fragmented market where the top 10 lenders hold just

21% of $125.6 billion in annual origination volume, the majority of deals are underwritten between parties with no prior relationship and no shared reputation infrastructure.

4. What a Trust Layer Looks Like

Adjacent industries solved this decades ago. Contractors have license boards and review platforms. Restaurants have health grades and Yelp. Public companies have EDGAR. Private lending — a market Morgan Stanley sizes at $3 trillion globally and projects to reach $5 trillion by 2029 — has fragmented, single-sided directories siloed by asset class, none of which verify both parties.

A functional trust layer for private lending requires three components:

1. **Verified identity** for lenders, brokers, and operators before listing.
2. **Two-sided reviews** tied to real transactions rather than anonymous comments.
3. **Portable track records** that travel with the professional from deal to deal.

This is the infrastructure LendLedger is building — a verified directory where reputation is checkable before capital moves. Search the directory at **lenderledger.io**.

Methodology & Sources

This report synthesizes publicly available data published between 2024 and 2026. All statistics are cited inline. LendLedger did not alter or re-weight any third-party figures.

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6. Morgan Stanley, *Private Credit Outlook*, 2025 — https://www.morganstanley.com/ideas/private-credit-outlook-considerations

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