

Week 4 · Lending, borrowing and stablecoins

The idea in one line

With no credit score, DeFi loans are backed by more collateral than the debt, and bots liquidate positions that slip.

Key terms

Term	Meaning
Collateral	What you lock to borrow
LTV	$\text{Debt} \div \text{collateral value}$
Liquidation threshold	The LTV at which others can liquidate you
Health factor	Below 1.00, you can be liquidated
Liquidator	A bot that repays part of your debt and takes collateral plus a bonus
Utilisation	$\text{Borrowed} \div \text{supplied in a pool}$
Oracle	Supplies the price used to value collateral (Pyth)
Peg	A stablecoin's target price, usually \$1

Three things to remember

1. Health factor = $\text{collateral value} \times \text{liquidation threshold} \div \text{debt}$.
2. Example: 10 SOL at \$150, borrow 900 USDC. HF 1.33. At \$110, HF 0.98: liquidatable.
3. Pyth price = $\text{price} \times 10^{\text{expo}}$. Live: insights.pyth.network.

Do and don't

- Don't borrow real money for this course.
- The optional \$5 supply is real money. Supply only. Never borrow.
- Check where a lending market gets its prices.
- A stablecoin is not an insured bank deposit.

This week's task

Get the live SOL price from insights.pyth.network and write down the time.

Fill materials/week-4-lending-model.xlsx: price path, liquidation price, liquidator profit.

Blog: "Understanding lending and borrowing in DeFi." Say which stablecoin you'd trust, and why.

Deck: /week-4/