



Lending Club: Breakthrough ideas

An interview with
Andrew Deringer,
VP, Head of Financial Institutions Group



Q: Congratulations Andrew, on winning the BAI-Finacle Most Innovative Non-Bank Financial Services Organization Award. Could you talk about what Lending Club is doing that makes its service truly innovative?

A: Lending Club leverages technology to deliver a frictionless, transparent, and highly efficient online marketplace that delivers lower rates to borrowers, solid returns to investors, and an overall better customer experience. On one side of the marketplace, investors get unprecedented access to consumer credit as an asset class and are empowered to diversify their investment across hundreds or thousands of loans. On the other side of our marketplace, credit worthy borrowers can find out if they are qualified for a loan within minutes of applying and are often eligible for a lower rate than what is available from other sources.

Q: So what brought on this idea?

A: In 2006, Renaud Laplanche, Lending Club's founder and CEO, looked closely at his credit card statement

Lending Club leverages technology to deliver a frictionless, transparent, and highly efficient online marketplace that delivers lower rates to borrowers, solid returns to investors, and an overall better customer experience.

and realized that despite a great credit history, he would pay a 16.99% interest rate on a balance, while

Renaud founded Lending Club on the premise that an online marketplace would offer a more cost-efficient and consumer-friendly way to allocate capital between savers and borrowers than the traditional banking system.

his deposits at the same bank were only earning 0.48% interest. This inspired him to do more research, and he began to understand just how inefficient the traditional banking industry can be. Renaud founded Lending Club on the premise that an online marketplace would offer a more cost-efficient and consumer-friendly way to allocate capital between savers and borrowers than the traditional banking system.

Q: Physical branches: Essential or redundant?

A: Consumer behavior is fundamentally changing in the U.S. and across the world as more consumers engage with their financial institutions online or through mobile devices. Lending Club's proprietary technology platform and online marketplace model capitalizes on this change in customer preferences. As a result, Lending Club eliminates costs related to a branch network and allows us to make credit more affordable. Furthermore, online product delivery broadens our reach into communities that have been historically underserved by traditional banks.

Lending Club's low operating expenses, combined with banks' low cost of capital, reduces the cost of credit for consumers and businesses.

Q: The banking industry is transforming. Where do you see traditional banks placing themselves as the wave of change comes. And will you partner with traditional banks?

A: Lending Club has established partnerships with many banks over the last few years through which banks can buy loans from Lending Club's online marketplace or use Lending Club's online marketplace to offer co-branded loans to their customers. This can be particularly helpful in areas such as personal loans or small-balance commercial loans, which are often hindered by high underwriting and servicing costs. This partnership plays to each party's strengths – Lending Club's low operating expenses, combined with banks' low cost of capital, reduces the cost of credit for consumers and businesses. Further, Lending Club's

Q: Tell us about the Google partnership

A: The Google partnership allows Google to facilitate low-interest and no-fee financing to select Google for Work reseller partners. The program leverages Lending Club's platform so Lending Club services the loans and enables Google to purchase the loans, thus investing its own capital in its partner network to drive business growth.

Q: How do you see it taking shape in the next two years? Is it about more customers, or introducing newer services? Add-ons?

A: Our goal is to make ourselves more useful to more people over time, and we're doing that through continuing to deliver a superb customer experience and expanding across different product lines such as small business loans and lines of credit, as well as through

Our goal is to make ourselves more useful to more people over time, and we're doing that through continuing to deliver a superb customer experience.

online platform provides a solution to banks that want to offer loan products online, but find it difficult to do so because of legacy systems.

partnerships such as Union Bank, BancAlliance, Google and others. We think there's a huge opportunity to help people achieve their financial goals.