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## John Mack Joins Board of Alternative Lending Company

John Mack is not riding into the retirement sunset. He is instead diving into alternative banking startups.



Bloomberg News

The former chairman and chief executive of Morgan Stanley has yet another new gig: Lending Club, a lender that matches investors directly with borrowers through its website.

Mack is joining the startup's board after putting money into funds at the company. The move comes just two weeks after Mack [became a senior advisor for private-equity firm KKR](#) and only months after he joined the board of Rev Worldwide, a startup offering pre-paid debit cards for people without bank accounts. He also continues as an advisor at Morgan Stanley, where he keeps his office. And he's writing a book.

Mack said in an interview that he wanted to get involved in a technology company and had discussions with several but "loved the model and liked the simplicity" of Lending Club.

"What I really enjoy, clearly, is the technology of it," Mack said. "I told my wife, 'These young entrepreneurs think differently than the way I grew up.'"

Lending Club also brings Mack back to his roots of fixed-income investing. [He got his start at Morgan Stanley as a bond trader and rose to the head of the global taxable fixed-income division.](#)

The company creates a platform for peer-to-peer lending; there is no bank that gathers deposits and lends them out.

The company is growing rapidly and now makes about \$40 million in loans each month, up from \$15 million a year ago. But it remains quite small, having made just \$600 million in loans.

Chief Executive Renaud Laplanche, who is 41, said growth is fueled by low interest rates and by shortcutting traditional banking.

“In 2007 when I started, I argued the banking system wasn’t efficient and lacked even some basic controls, I had a hard time making that point,” Laplanche said. “Over the last four years my case became stronger.”

Investors can put their money to work in two different ways: by selecting borrowers to lend to, or by investing in a fund that holds tranches of several loans.

Typically several investors who invest directly in borrowers back a single loan, which can be as big as \$35,000. An investor in the funds is paid similar to the way investors in securitized loans are paid.

The conservative fund, which invests only in Lending Club’s top-rated borrowers, is up 5.9% for the first eleven months and is expected to hit 6.5% through this month. The broader fund is up 10% in its first year. Mack is invested in both funds, though has not invested in Lending Club equity.

The company is backed by several venture capitalists including Union Square Ventures, Foundation Capital and Morgenthaler Ventures.

Laplanche said the company’s underwriting is stringent, with about 90% of applicants rejected, and is, in some ways, stricter than credit-card companies.

Mack thinks he can help the company’s relationships with banking regulators, which he said would be a risk down the road. And, ever the banking expansionist, Mack also wants to work on offering borrowers more loan types and make it possible for financial advisors to offer the investments to their clients.