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Traditional Banks Join the Alt-Lending Fray
By Alan Snyder

Notwithstanding their stock declines, traditional deposit-taking banks seem to be looking for some of the alternative lending mojo. No, they are generally not exhorting their troops to become cost efficient, lean machines using big data. With malice aforethought and practicality, they are seeking partnerships with these new entrants.

Consortiums of community banks are buying from Lending Club and Prosper; J.P. Morgan partners with On Deck; Citibank continues with securitizations from Lending Club and Prosper. A bit further afield, ING works with Kabbage; Goldman Sachs seeks to create its own startup. Intuit, RBC, PayPal, and United Parcel Service (UPS) all want their share, too.

Say whaaaat? Just maybe, it is the 175% growth rate that attracts. Having lived through this froth in the online insurance marketplace and survived despite several near death experiences, there will be consolidation as well as winners and losers. Careful evaluation and diversification is most warranted as an investor. Diversification should rule the day.

Additionally, selection of lending niches where intellect, intensity, and judgment can be applied can lower risk and interestingly, stabilize if not increase returns. Clearly, we at Shinnecock are headed down the path as investors employing a multi-strategy approach to alternative lending.