



PODCAST TRANSCRIPTION SESSION NO. 140-RON SUBER

Welcome to the Lend Academy Podcast, Episode No. 140. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt.

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Peter Renton: We have a special guest on the show today, someone who I've got to know quite well over the last several years. His official title on his LinkedIn profile is President Emeritus and Senior Advisor at Prosper Marketplace, but he is so much more than that. Anyway, I am delighted to welcome Ron Suber back to the show, it's been several years since we've had him on and he is now several months removed from when he stepped down as President of Prosper.

I wanted to get him on just to talk about what he's been doing. He certainly had quite a fascinating few months. He is very much involved in the industry. In fact, I would argue that he seems to be more involved with the industry today than he ever has been. We talk about all kinds of things; we talk about some of his investments, we talk about his time at Prosper, we talk about his travels and what his view is on the marketplace lending space today. It was a fascinating interview, I hope you enjoy the show.

Welcome back to the podcast, Ron!

Ron Suber: Peter, great to be back with you and the team.

Peter: Okay, so for the very tiny percentage of people out there who don't know who you are, why don't you give us a little bit of background about yourself.

Ron: Well I am 53 years old, been married 26 years to Karen, we live in San Francisco, and we have two young adult kids, 23 and 25 years old, both living on the East Coast. I worked on Wall Street for 20 years and became an entrepreneur in 2006.

Peter: Okay, so when you became an entrepreneur I know you started like a prime brokerage firm. Tell us a little bit about that.

Ron: So I met Aaron and Steve Vermut, the dynamic father/son team many, many years ago in the early 1990s and they had created a company called Merlin Securities which was a brokerage firm with great technology helping hedge funds under a billion operate and act and communicate like the bigger hedge funds. I joined them and Sequoia invested in Merlin and we



LEND ACADEMY

had a great, great run for four years and ended up selling Merlin to Wells Fargo in the summer, July of 2012.

Peter: Okay, so then we were connecting around that time and you, unbeknownst to me at the time, but you then decided that you wanted to go and recapitalize Prosper. So what was the....I know you've been investing in this space for a while, but what did you think at the time going back then that was the big opportunity?

Ron: I had been investing personally at Lending Club and Prosper. I got to know the CEOs, and the COOs and the marketing people and the risk people at each of those companies. I had also in fact, invested with the largest fund, commingled hedge fund at the time, investing in both platforms and really became quite interested in this new access economy where people could borrow and lend to and from each other.

And the opportunity appeared in the late fourth quarter of 2012 that Prosper did need an infusion in capital, a change in culture, a new management team and Aaron and Steve and I were able to do our homework together as partners and go back to Sequoia and show them this opportunity that was there.

Lending Club was executing beautifully at the time and there was a need for Prosper to succeed so we committed to do that deal and in late January, around the 23rd, resigned from Wells and appeared at Prosper as the new leadership team and investors with Sequoia.

Peter: Okay, so you led the company for several years there. Let's fast forward back to last year 2017 when you announced that you were stepping down, and you began this thing you are calling Rewirement. Tell us a little bit about what that is and what was sort of behind your decision to leave?

Ron: Rewirement is something I've been thinking about for a few years. It's really a period of redesigning one's life, both personally and professionally, and kind of changing what life has become defaulted to and really embracing uncertainty. People don't know, but Karen and I, my wife Karen and I rewired personally in mid 2016. We got rid of our old home, we got rid of all of our material possessions, including all of our furniture, appliances, art, towels and really everything but our clothes and in 2016 bought a brand new home and traveled the world to re-establish and rewire personally.

So I decided to do the same thing professionally in 2017 after communicating with the CEO of Prosper and the board. What I wanted to do was create a new work environment, really a new balance in my life between my purpose and my pleasure and my "work." I wanted to be even more in control of my professional life and find some new inspiration and kind of get off that speeding train of operating a company which the entrepreneurs listening today will fully understand and really reset in renewing, clearing that mechanism and finding this new rhythm of Rewirement.



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Peter: So then tell us about that rhythm then. Can you run us through a typical day in the life of Ron Suber right now?

Ron: Well there's 168 hours in every week and so I've created a regiment on my calendar with four colors.

The color blue on my calendar makes up ten hours of the 168 hours and blue for me is exercise, working out and yoga. Green is personal stuff, family, friends, travel. There's lots of green on my calendar. Purple is "work", advising companies, public speaking and teaching at universities which I taught at Stanford last night and I'm teaching at USC in ten days, really enjoying the teaching.

And then I'm spending roughly five hours per month, up to two days per month with nine of the companies that I'm advising; DocuSign, eOriginal, Unison, Money360, Juvo, Prosper, YieldStreet, HouseCanary and I'm the Chairman of the Board of Credible. There's one more coming next month which will fill out my roster for the year.

And then red is the fourth color on my calendar and that's really the time I spend, the effort I spend, managing my own little family office. I have 19 investments in private companies, tech companies, payment companies, financial inclusion companies and lending companies. What most people don't know is I've become a debt investor to eight different online lenders, invoice finance companies, real estate, small business and some other companies. I've really enjoyed the debt side of investing as much as the equity side.

Peter: So then I want to just talk a little bit about...I know you've been on a lot of trips. If you go to your website which I'll link to in the show notes, you talk about some of the trips you've taken, but why don't you just give us some of the highlights maybe of...it's been what, about eight months, 240 days. I know you just recently published an update, what are some of the trips that you've been that have been most memorable?

Ron: Yeah, we just came back a couple of days ago from Patagonia, we spent two weeks exploring Santiago, the big city, the lake region just to the south and then the volcanoes, jungles and mountains further down into Patagonia, at the bottom near the Straits of Magellan, just an amazing, amazing part of the planet.

We spent two weeks in Australia through the Daintree forest, in Melbourne, my favorite city in Australia; the Yarra Valley which is like Napa Valley 20 years ago and drove the Great Road along the coast which reminds me of Highway 1 in California and we're heading to Africa next, through Rwanda and Tanzania to explore some more.

Peter: Okay, cool. I won't hold it against you, you know I'm from Sydney so you can't say Melbourne's your favorite city (Ron laughs) and not get a reaction because I'm fiercely loyal to Sydney, I think it's far superior to Melbourne in every way.



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Anyway, I digress. Speaking of Australia though, you said you're the Chairman of Credible, you were down there for the IPO that they did recently, in fact, I only just missed you by a couple of days. I was down there in November as well, but tell us about the experience of taking Credible through an IPO, a journey that obviously wasn't sort of a typical journey for a US fintech company so tell us a little bit about that.

Ron: Yeah, I met this young entrepreneur, Stephen Dash, in San Francisco in early 2015 and I heard the story about his personal background. Clearly, he's a smart guy, he has a very high emotional quotient, his EQ, but he also had this thing, this AQ, this Adversity Quotient, this grit and drive and desire to win and he and his company clearly needed to raise money. So I worked with some other fintech people and a group out of Asia and we all invested at a \$40 million valuation, about \$10 million invested at 40.

Another round happened as they grew and then it was time to do one more round and it turns out that going public in Australia is very different than in Hong Kong or in the US and we were able to meet with the asset managers, the family offices, and the superannuation funds and some of the pension funds in Asia, Hong Kong in particular, and throughout Australia who were very supportive of Stephen Dash, who is from Australia and what he's done in fintech. So Credible became the biggest tech/fintech IPO in Australia last year.

It's really a unique story, it's giving 20 banks the opportunity to share their credit model and the whole operational process to Credible and Credible has 120 unique places where they find students for student loans, consumers for consumer loans and people who need credit cards and there's more product expansion coming along the way. I'm very excited about not just capital markets and being public in Australia, but what's happening at Credible, in particular.

Peter: Okay, before we move on from the Australian theme, I heard a rumor that you met with the Australian Treasurer, Scott Morrison, recently. How on earth did you meet him and what did you guys talk about?

Ron: Yeah, I gave two keynote speeches in Australia last year; one in Sydney and one in Melbourne, and I had the chance to do my keynote right after the Treasurer, Scott Morrison's keynote, and got to know him a bit. And so he reached out and wanted to set up a small meeting with me and the people from Coinbase and the people from a payments company to talk about what can Australia do more with us, young entrepreneurs, here in the US.

So Stephen Dash gave a presentation to the Treasurer as did the representatives from Coinbase in the crypto space and other payments groups and he was very inquisitive how young, smart people from Australia can work with us in Australia and the US and how we're viewing regulation and this whole new economy. He was very open and very proactive and has invited us to come back to meet with the rest of his team in two months which we're going to go back for and continue to work together with he and his group.



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Peter: Fascinating, fascinating. So I want to move on and talk a little bit about Prosper. I ran into you at the Prosper offices there a few weeks back and...I mean, how much time are you spending at Prosper these days and what are you actually doing there specifically?

Ron: So I am very close to the CEO, David and CFO, Usama, and the leadership team of Prosper and the board and I spend about 2.5 days, roughly 2.5 days a month with Prosper, at Prosper representing and helping Prosper. I help them on the acquisition side working with the new chief marketing officer and the business development team to find borrowers that fit the Prosper credit model.

I'm helping on the capital markets side and really just working with the team to help them understand the uniqueness and great things Prosper is doing. It's again doing close to \$300 million a month in originations, it has a \$100 million in cash it generates cash each quarter, it has its own securitization channel at this time in addition to the consortium. Prosper has its own securitization process going. There's a lot going on there including some product expansion so there's no shortage of things to do with Prosper, which I care a lot about.

Peter: So then just on that, if I could take you back a little bit. You spent basically close to five years running on the executive team there at Prosper through some incredible growth and through some challenging times. I'm curious, knowing what you know now, what would you have done differently over that time period?

Ron: I've thought about that a lot, usually sober but often not sober, (Peter laughs) thinking of that topic. We had this amazing run and clearly did some things that in hindsight we could have done better.

I think the first thing is when we purchased American Healthcare Lending it was a great decision, a fantastic team, it enabled Prosper to find healthcare borrowers, consumers that wanted to do elective and non-elective medical and Obamacare deductible and it was a great place for us to have a unique access point to borrowers. But we changed American Healthcare Lending too much and tried to make it into something that it just couldn't be with the point of sale financing. I think the lesson there is it's great to do an acquisition, but you have to make sure you execute and keep it fresh and focused and successful once you get it.

Again, Prosper purchased BillGuard in Tel Aviv and while it sounded great, we weren't able to execute and cross-sell and really fully utilize all the great talent and technology there. I think we took on too much office space around the country, perhaps we could have outsourced a little more instead of all the hiring. Clearly diversifying committed capital and maybe back then even using some of the capital we raised to do these own CLUB deal securitizations which Prosper does now very successfully with its balance sheet.

Peter: Right, okay so then let's just take a step back and look at the marketplace lending space today. I mean, you've helped shape the trajectory of this space over the last several years, but what do you think we still need to do to improve as an industry today?



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Ron: I don't think we've shown our technology and the unique things we do as tech-enabled finance companies. When venture capitalists now come and look at investing in the equity or big credit funds and others, banks included, they want to see the tech, not just the lead gen side and not just the volume, but what is the technology we've developed? So I would encourage us and our industry to show our technology, show what we've done that is so unique in the tech part of fintech.

I also think as an industry we need to think about how we work together, how we communicate together and try to parallel ourselves, the online lending industry like the airline industry.

So the airline industry is competitive, they're competing for dollars and seats and people and talented pilots and the best planes, but the reality is they have to work together, they have to make sure that planes don't crash and that the industry is on time and does lots of good things together; healthy competition, but lots of communication, lots of coordination and really lots of helping people get from point A to point B. And that's really what I think we can do better, a better job of as an industry is really working together, competing, but communicating and making sure everybody lands safely.

Clearly as an industry, we need to lower the cost per acquisition. Look, direct mail is still too big and we're still using some of the lead gen sites who are now raising rates again. We have to find a better way to find these borrowers, mortgages, students, business loans, consumer, litigation finance, real estate and much more. We have to improve our efficiency, increase conversion and really become very, very efficient smooth machines that generate cash and generate profits and can show EBITDA.

And of course, we need to expand products and cross-sell, I think the banks and others have taught us that...you're seeing some platforms do lots of this which is super encouraging, but I think as an industry these are the things in 2018 we can do a better job with.

Peter: Okay, so I'm curious and that all sounds great, but when you've given presentations at LendIt over the years you often talked about what inning we are in. So what would you say right now is, taking the baseball analogy, what inning are we in today in marketplace lending?

Ron: I think we're in the home stretch, I think we've done the 7th inning stretch. I think that, for example, in Asia they've gone from 3,000 platforms to now really 50 and in the US we've gone from 300 to what I would argue less than 100 and that the mature are maturing and the adults are in the room and you're really seeing some platforms pull away from others, both in valuation, in volume, in the ability to execute and recruit and kind of work with the banks and big incumbents.

I think you're going to see some very big announcements with some very big insurance companies and asset managers and banks partnering up with the winners in our industry and that the separation will continue. So I think everyone has got to really understand the reality, the truth, where they stand and what this opportunity is. This industry will look very different one year from now.



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Peter: Sure, so then you mentioned some of your investments and you talked about...I mean, I was just reading your latest blog post and you shared a little bit about your investment thesis, but when you are looking at a new investment what is it that you actually look for?

Ron: I'm looking for an entrepreneur who has that balance of EQ and IQ and AQ, someone who's all in, super passionate, is clear in their ability to articulate what they need to do and what they're going after, but also can handle the pivot. Every single company pivots, every single one needs to make a move left or right, there's so many examples, great examples from AutoFi to Roostify to others who've made these great pivots and surprised people.

And so that to me is what I'm looking for is that team that can get in there and make it happen, but be open to the things that change, capital markets, technology, competition and all kinds of things in business. I think that that total addressable market is great, a lot of these companies have big addressable markets, but if the wrong entrepreneurs and the wrong teams are there and they can't execute, it doesn't seem to work out in the end.

Peter: Okay, so then obviously you mentioned your investments that you've made, tell us maybe some of the investments that you have pulled the trigger on that are in the Ron Suber portfolio and what made you...I don't want you go through every one, but maybe take a couple of sort of...we talked about Credible, but maybe take some of the others. What really struck you with some of the companies you invested in?

Ron: One of the things that struck me is financial inclusion. I studied financial inclusion and all the companies in it and which ones really could take that billion people who weren't included in the new world, in the developed world. They didn't have an identity, they didn't have a financial identity, they didn't have a smartphone, they didn't have access to the internet, to emails and texts and data for 30 days a month, they were still on the paying every day.

And I found that company in Juvo, J-u-v-o, and invested in a few rounds, worked very closely with the amazing entrepreneurs, Steve and John, and then you saw NEA invest \$40 million and then now last week you saw Samsung make a big investment to bring Juvo and the telecom companies and now a Samsung smartphone to bring these billion people online into the financial world. I'm really excited about what Juvo is doing.

We talk a lot in the online lending industry about top down, super-prime and prime and near-prime; this is my way of coming from the bottom up with technology and data and finance to be involved in financial inclusion. I'm really quite excited about that one.

Another one that I'm very excited about is Unison. So there are four companies like Unison in America, there are a few in Australia and others, where they're trying to unlock people's equity and fractionalize the equity in the biggest asset people own.

So for example you, Peter Renton, own a house, your kids are going to college, what should you do to come up with \$100,000? Do you do a home equity line of credit, do you do a new



LEND ACADEMY

mortgage, do you go to one of the student loan lenders and take on more debt or do you sell 5% or 10% of the equity in your home.

And if I want to buy a house, for example, and I have \$200,000 cash and the bank will lend me \$700,000, but I want to live in a million dollar house because it's in the right school district and the commute is shorter, I can sell 10% of my house day one and not have payments and not have more debt and not have PMI insurance, but put down my \$200,000, borrow \$700,000 from the bank and sell \$100,000 to Unison.

I think this fractionalization of the equity in people's homes, their biggest asset around the world, is one of the big new things and you've seen Andreessen invest in some and others invest, but I think the pension funds and endowments and the people looking for more exposure to real estate will be finding these companies, fractionalizing residential equity, very exciting.

Peter: Yeah, I had the guys from Unison on last year and to me it's amazing that it's taken this long for such an idea because it feels like this is something that should have happened in the 90s because home mortgage is such a mature asset class. It's really been around for centuries and it seems like the time is right now and maybe the technology is such that it's easy to execute now than ever before, but that was another good one.

But I want to actually go back and talk about consumer lending for a second because I meant to ask you this. I want to talk about Marcus. Marcus has made waves in this space, I mean, they're a fast growing organization, they have made...I think awareness of the space has been increased because of them and certainly, I think all of the large banks are paying attention. What is your view on Marcus and some of the other large banks that have indicated PNC Financial, Barclays. These are very large banks that indicated they want to get into consumer loans as well. What's your take on that?

Ron: I think that the one word to describe it is impressive. What they did was committed hundreds of millions of dollars, knew it was going to take two years or more and they did it right. They took that very low cost of capital they had, the deposits that they bought and they very thoughtfully hired people from the industry, from the lenders, from the agencies and built acquisition channels that work, often with no origination fee and a very smooth process at a very low price with speed and the experience many, many people want.

I think what's even more brilliant is they've learned how hard it is and how long it takes so now you see them acquiring Genesis in the real estate space and a credit card company in California two weeks ago and making other moves to now acquire pieces that fit. I think they're just getting started and this has set off a flare in the board and strategy meetings of the incumbents, the banks, the insurance companies and the other big asset managers.

I have been summoned to some of the CEO's offices of the biggest banks and incumbents, I had breakfast with one of the biggest insurance companies in the country yesterday as well asking, how do we do this, who do we hire, who do we buy, who do we partner with, where do



LEND ACADEMY

we get involved in the equity and debt because we too need an answer. The search for yield is still insatiable, it's as high as I've ever seen it.

You see PIMCO and these other big asset managers getting involved in different fields with the Greenskys' and others in our industry. That part has really just begun, but these big incumbents, these big banks are only going to work with us where we can, as an industry, as companies, show them we understand credit and vendor and risk management, we know how to generate cash and run platforms that will succeed and grow.

They're not in it for the quick flash in the pan, buy some assets, they're in it for the long term relationships and I think you're going to see the regionals, the BBVAs' and SunTrusts' and Fifth Thirds' continue to do deals and work with us as an industry. To me that's very exciting and gives me great hope for this coming year, for sure.

Peter: So then I'm interested when you sort of look at broader fintech...obviously, marketplace lending has been a big part of your career over the last few years, but take us back because I know you're looking at investments from all kinds of different areas. What area of fintech are you most excited about today?

Ron: So I really believe in the point of sale solution. I also believe in the invoice finance companies that are there fixing the way invoices are financed, making it better, quicker, cheaper, and I also think there's a great opportunity in the clean energy space. I think you know I invested in CleanCapital and am helping them in what they do, I think you see some good things happening with solar, Mosaic on the residential side and CleanCapital on the commercial side...so I think that point of sale is a big, untouched, untapped opportunity; invoice finance.

I can't believe what some of these companies are paying and we as fintech capital markets people can improve that and, of course then CleanCapital. I think these are three areas where I'm leaning into.

I also love the real estate space and I'm doing a lot with the PeerStreets' and LendingHomes' and Money360s' and LendingOne and others. I think there's a tremendous opportunity in commercial and residential real estate.

Peter: Okay, so we're almost out of time, but there's a couple more questions I want to ask and it's something that has always been amazing to me. I mean, I looked on your LinkedIn profile before I called you today and I saw that you have over 27,000 LinkedIn connections. When I'm traveling around the industry and talking to people, the number of people I talk to that say, oh, yeah, I got a text from Ron Suber today, it's staggering to me. I don't think I've sent as many texts as you have in my entire life, that you've done in just a month or two, it feels like, but how are you able to maintain so many connections throughout the industry?

Ron: One of the things I've tried to do is to be one of the lubricators of the industry of relationships, of contacts, opening my Rolodex, talking to young entrepreneurs, talking to venture capital firms and really helping people get to know each other. I often get asked to meet



with groups and I'll do four or five follow up emails and they say, what can we do for you and I don't have an ask and I usually get a bottle of wine or Karen gets some flowers from somebody....someone sent me a bunch of Kobe beef last month for a favor, an introduction, something in networking.

So look, I get up early, Karen and I have a cup of coffee and watch the sunrise every morning and I spend my day really trying to help people along the way, not all day, but a lot. I really enjoy the assist in basketball more than the score or the dunk and so I'm trying to be that leader of assists in our industry, Magic Johnson, if you'll let me use that analogy, one of the greatest passers. I want to be him for our industry and help everybody win and help the whole thing be bigger, but you have to give the ball to the people in the position where they can score and that's what I'm trying to do.

Peter: Right, I think you have that title right now, I don't think there's anybody else who is even close. So then looking to the future now, what is next for Ron Suber? Is this Rewirement something that is a dynamic process or what is on your horizon for the next year or two?

Ron: I'm really enjoying the teaching, I'm actually covered by a speakers bureau in Singapore that has me going around the world giving speeches to companies about innovation and leadership and fintech and Rewirement. That first blog I sent out hit 30,000 views, the second one I published earlier this week hit 12,000 views on the first day and I can't tell you how much fun it's been where people write back to me and talk to me about the fear they have and how reading the blog helped them or the pursuit of youth or investing or just other observations about the things I mentioned that people are going after in life.

It's been really filled with lots of fun and gratitude and getting the responses back that seems to be helping people get some of the clarity they are looking for. I can't believe how many people in their 30s, 40s, 50s, 60s, and even 70s also want to rewire and so I think it's a process. The first couple of months are different than the last two months and I think Rewirement will evolve over time. I don't have a specific date that I've given myself or a specific time frame. I just kind of take it one day and one month at a time.

Peter: Okay, we're going to have to leave it there, Ron. I could talk to you all afternoon, but unfortunately, we are out of time. Thank you so much for coming and sharing with us today, Ron.

Ron: Anytime, Peter, see you soon.

Peter: Okay, see you.

Ron: Thanks.

Peter: I think the marketplace lending space...in fact, the broader fintech space, I think we can all say we are very lucky that Ron Suber decided to spend really the prime of his career in this space really making it better and helping it to grow and mature. I think if he hadn't decided to do



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this, we would be in a lot worse shape. I think there would be a lot more failures, there would have been a lot less activity and certainly on the investor side, the amount of evangelizing that Ron Suber has done over the years, tirelessly crossing the globe and certainly crossing this country speaking at many dozens of conferences every year.

I think he really has earned his title, you know, the Mayor of Fintech or the Godfather of Fintech, whichever way you want to put it. I don't think anyone has done more for this industry. And when he talks about helping people, I have been on the receiving end of that help many times and he is always so gracious. He does not expect anything in return and that I think has been one of the reasons for his tremendous success and why many, many people, hundreds of people throughout the industry, call him a friend and the fact that they have also been helped by Ron.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

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