http://leasingnews.org/archives/Aug2015/8_21.htm#data

Data Analytic Online Lenders/Our Next Industry Meltdown

Fed Chair Asks Cobra Capital for a Survey
By Dale R. Kluga

Janet L. Yellen
Federal Reserve Chair

Today for the first time ever, I voluntarily submitted to the possible threat of industry regulation and completed a survey for The Federal Reserve Bank. My motivation to put Cobra on the national regulatory radar screen is entirely contrary and counter-intuitive to my published and well-known criticism of bureaucratic and overzealous government regulatory agencies. Agencies like the Fed and the Consumer Financial Protection Bureau, which in many cases enforce economically adverse and entirely useless policies which have served only to punish innocent small business job creators while allowing the trillion dollar dangerous banks to materially increase their size and concentration relative to our country's GDP and financial assets, respectively.

Prior to 1996, I was a commercial banker for 15 years having operated under intense regulatory scrutiny when I started my first job in 1981 at the blue blood, complacent and somewhat stuffy Continental Illinois National Bank in Chicago. CINB was the largest bank failure in U.S. history when we ultimately failed in 1984 despite our designation a year earlier as the best managed global institution by Institutional Investors. Many of us, former Continental Bank employees, sarcastically refer to ourselves today as "ex-cons" as in "ex-Continental Bank employees, (not formerly imprisoned ex-convicts like some of the high rate lenders and scammers in our finance company industry). Those legitimately imprisoned former true ex-convicts from our industry will soon be joined by a new breed of smoke and mirror players some of which operate under the current and highly in vogue "data analytics' online lender" finance company models. The current sweetheart target of the sexy, outrageously expensive and counter-intuitive Private Equity Funds, Hedge Funds and BDC's lust for egregious yields and camouflaged terms which are entirely un-sustainable.

Here is the problem I have with all the un-sustainable “online/data analytics” models - most of them will heap destruction upon our industry (again) which ends up burning the legitimate and small independents like Cobra who are cast in the shadow of these bad operators while they rape the profits from their clients and create another implosion and even greater regulatory overreaction.

Like in 2000 and again in 2008, the desperate banks will overreact again and start calling everyone’s loans, not just the bad operators. It is only for this reason that I have filled out the Fed's survey and support limited regulation of our industry to vet the crooks and egregious actors from our industry. Because the true independents who do not rely upon "hot" money from Wall Street have figured out how to do it the ethical way. We don’t make a killing, but we do make a good living. Unfortunately, we almost expect the next round of bad operators to screw it up all over again. Then, we independents with traditional credit models are forced to deal with the carnage of future suspicious lenders who got burned by the online sharks.

Fed Chair Janet Yellen Survey Request: PDF

Dale R. Kluga
President
Cobra Capital LLC
2831 W. 83rd Street
Darien, Illinois 60561
630-985-3500 Office
Email: dale@cobrallc.com
Web: www.cobrallc.com