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Target Mean Encoding

Pay 1	Default Payment	Mean Target Encoding
Missed 5 Mo	1	1

- Mean Target Encoding is based on the response column of the rows
- The lower the number of rows in the group, the more it reveals the response column value

Worst Case Scenario: Response Col Mean = Mean Target Encoding

Cross Validation Target Encoding

Fold	Pay 1	Default Payment
1	Up To Date	0
2	Up To Date	0
3	Up To Date	0
2	Missed 1 Mo	1
1	Missed 1 Mo	0
3	Missed 1 Mo	0
1	Missed 5 Mo	1

Target Mean Encoding

- Mean Target Encoding is based on the response column of the rows
- The lower the number of rows in the group, the more it reveals the response column value

Pay 1	Default Payment	Mean Target Encoding
Missed 5 Mo	1	1

Worst Case Scenario: Response Column = Mean Target Encoding