

Lending Club Case Study

Team Members:

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Agenda

- Abstract
- Problem Solving Methodology
- Analysis
- Recommendation

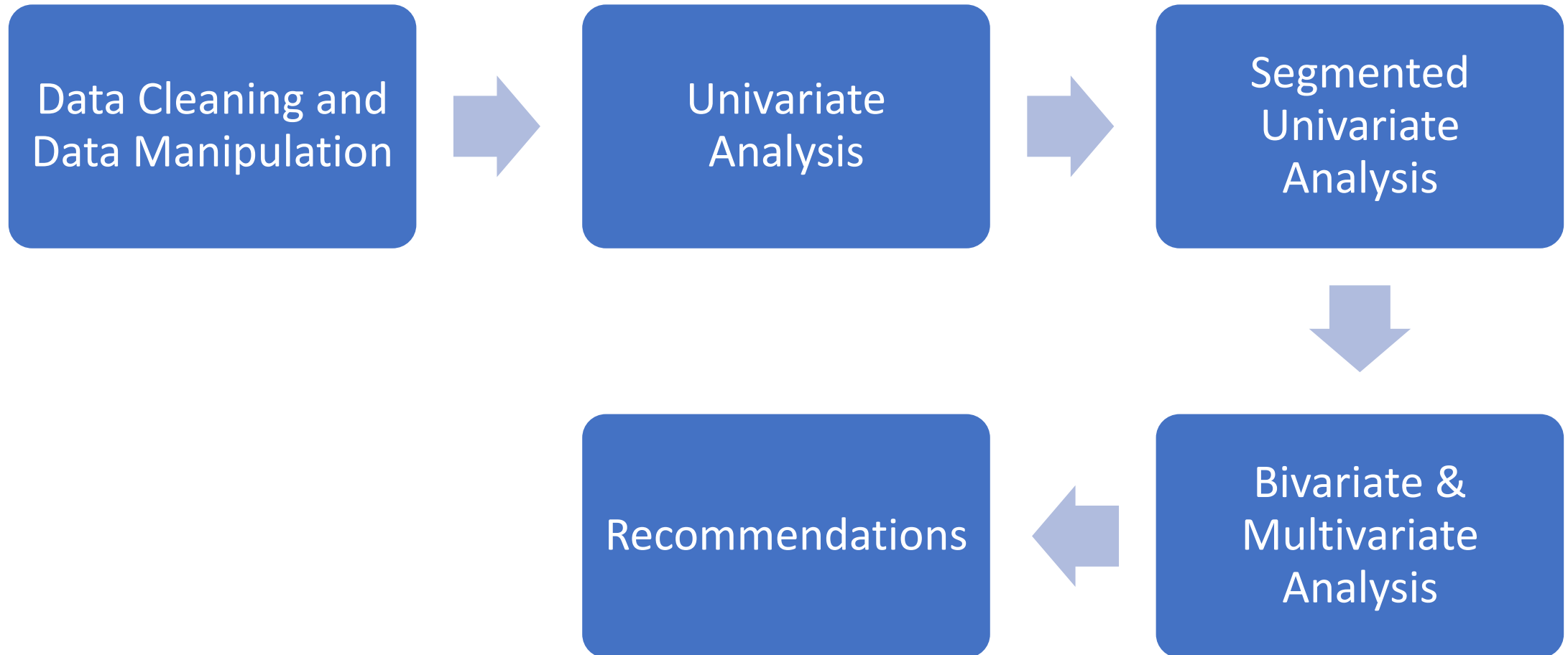
Abstract

The company is the largest online loan marketplace lending borrowers loans for personal, business and medical needs.

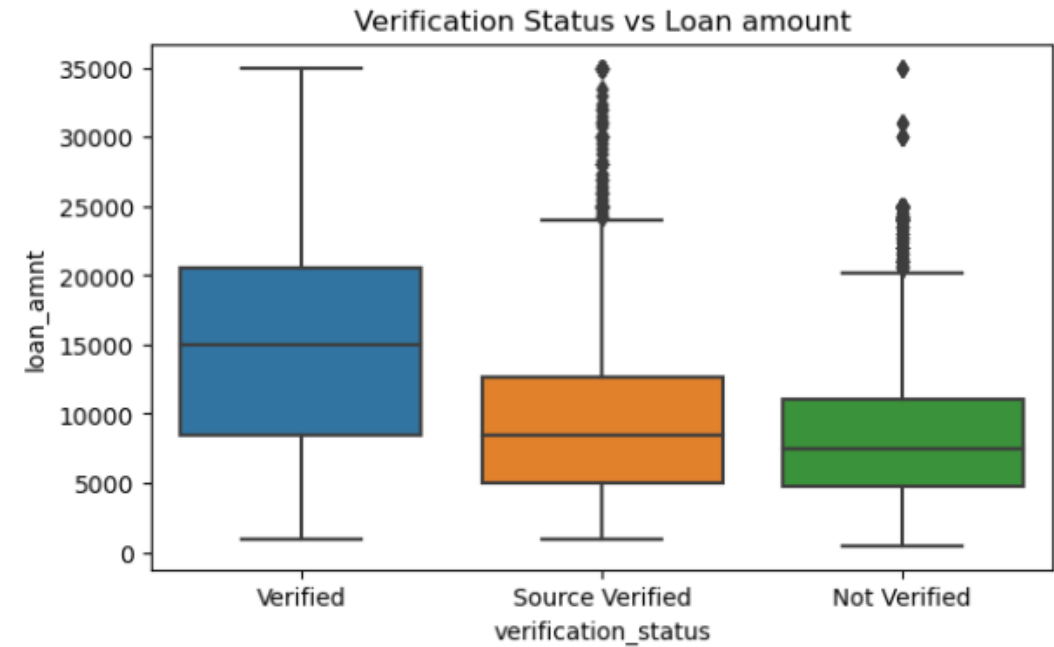
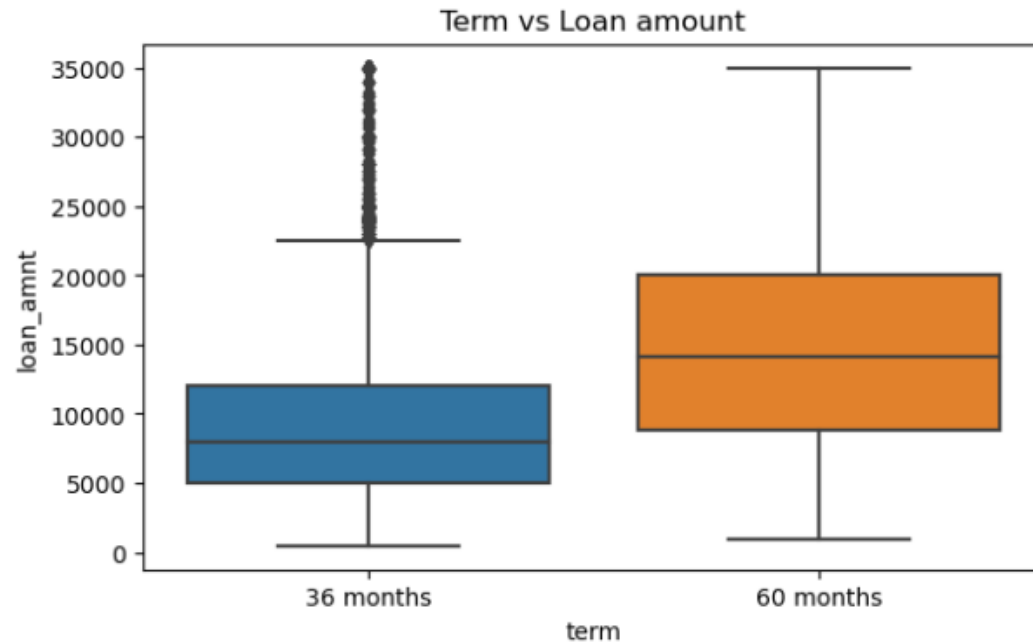
Lending loans to risky applicants is what contributes to the largest financial loss(credit loss) for the company

The company wants to understand the driving factors(variables) behind loan default so that credit loss can be reduced

Problem Solving Methodology

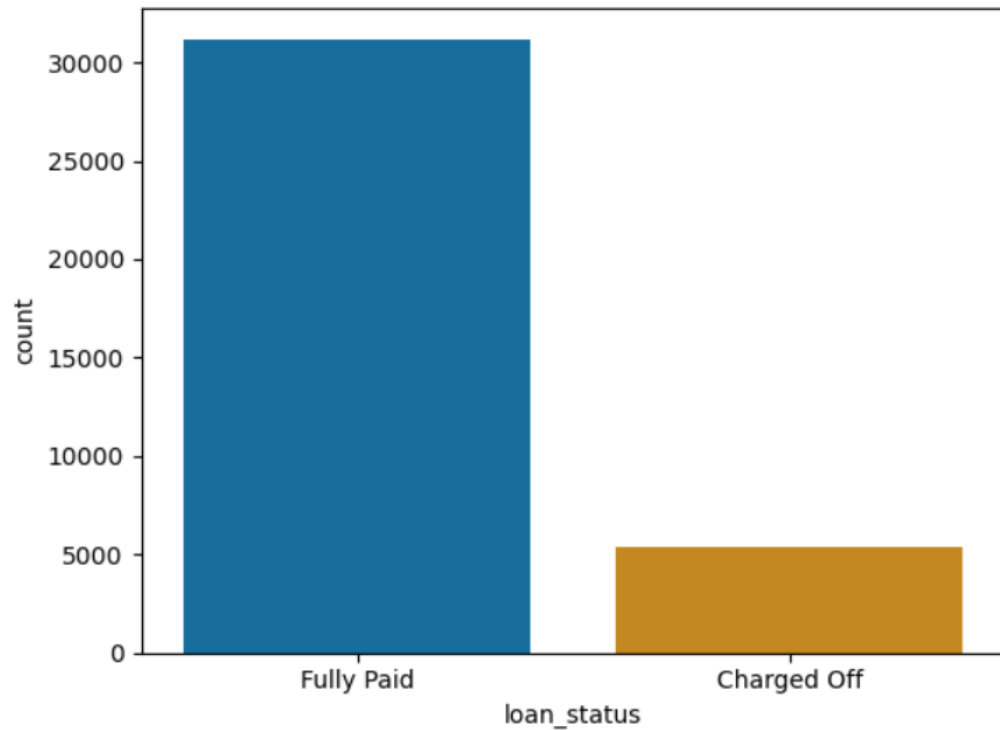


Analysis

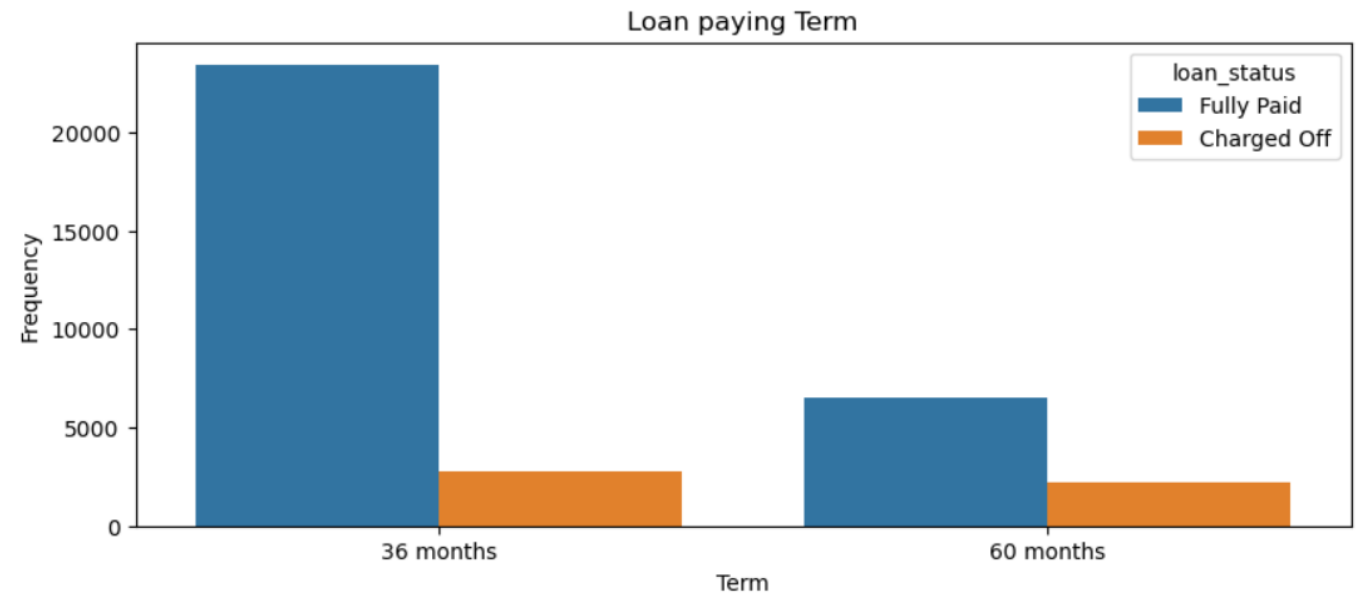


- The borrower who takes higher loan amount tends to choose the loan term 60 months.
- Mostly verified borrower's are getting higher loan amount due to security reasons.

Analysis

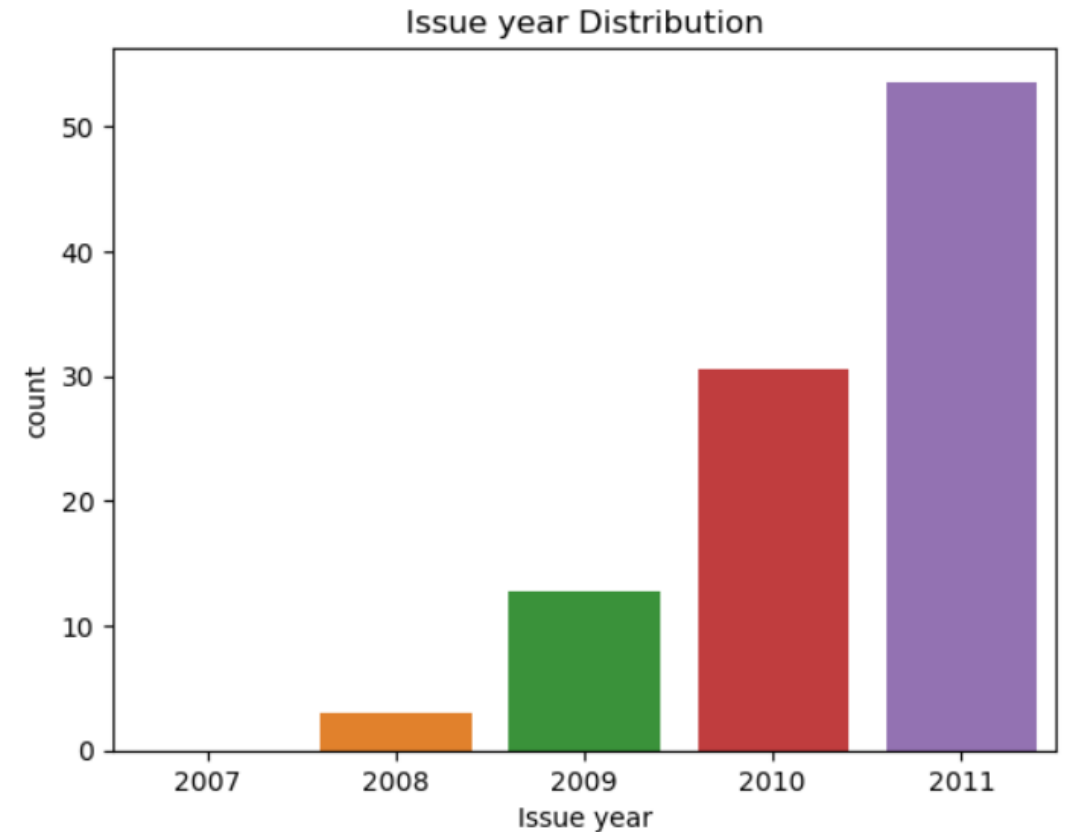
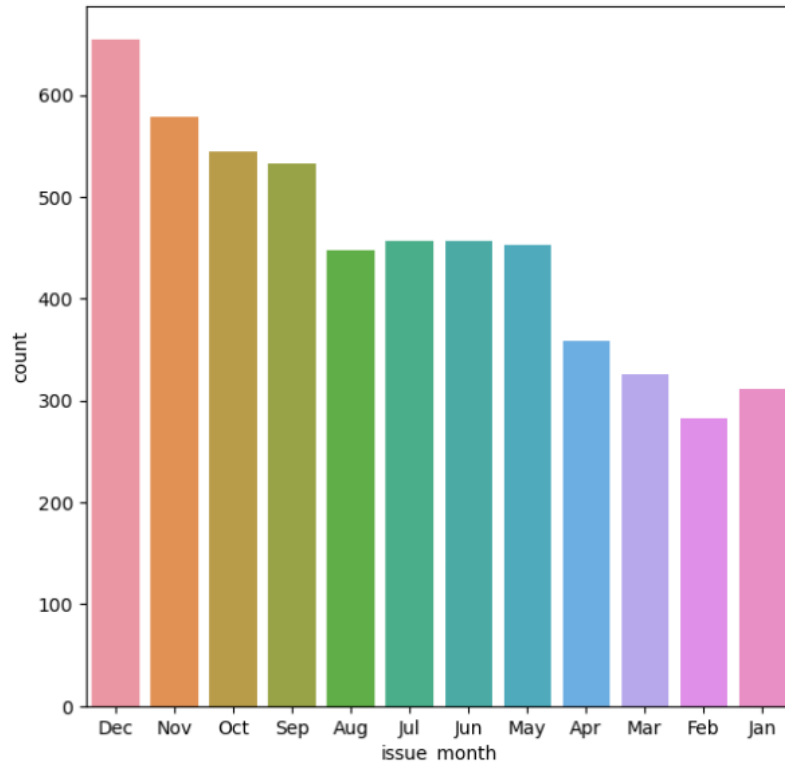


- 85% of the borrowers have fully paid their loan whereas 15% of the borrower's are charged off.



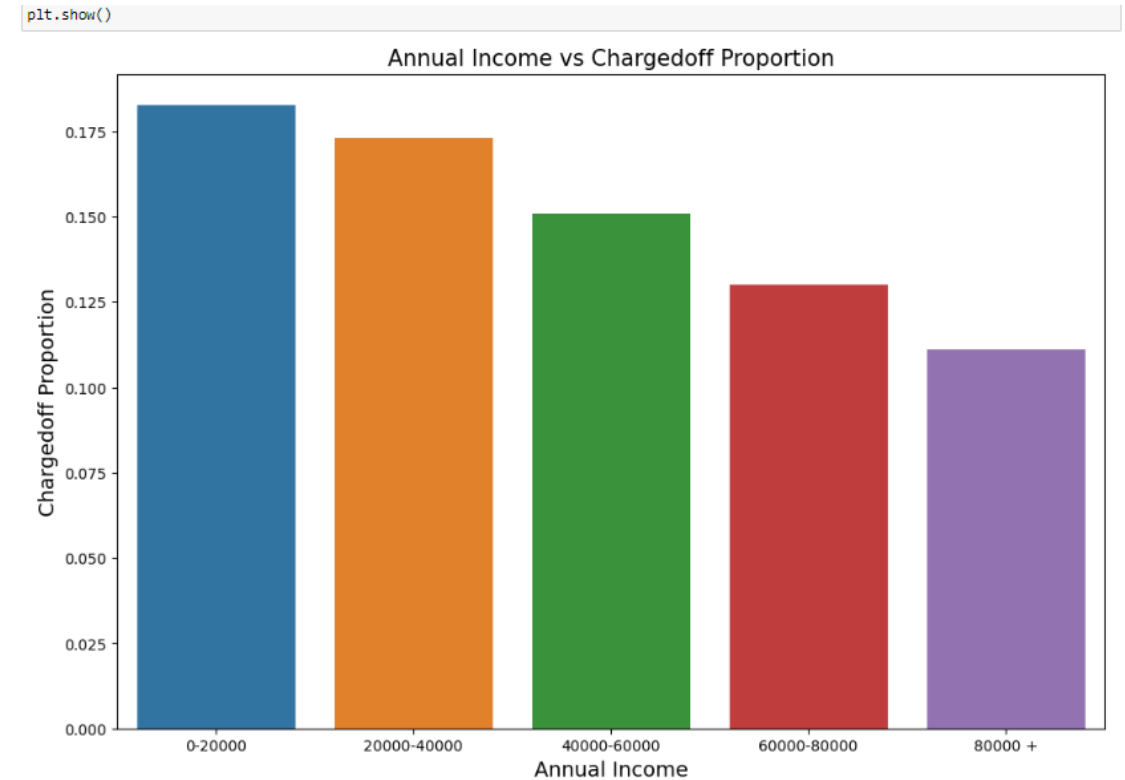
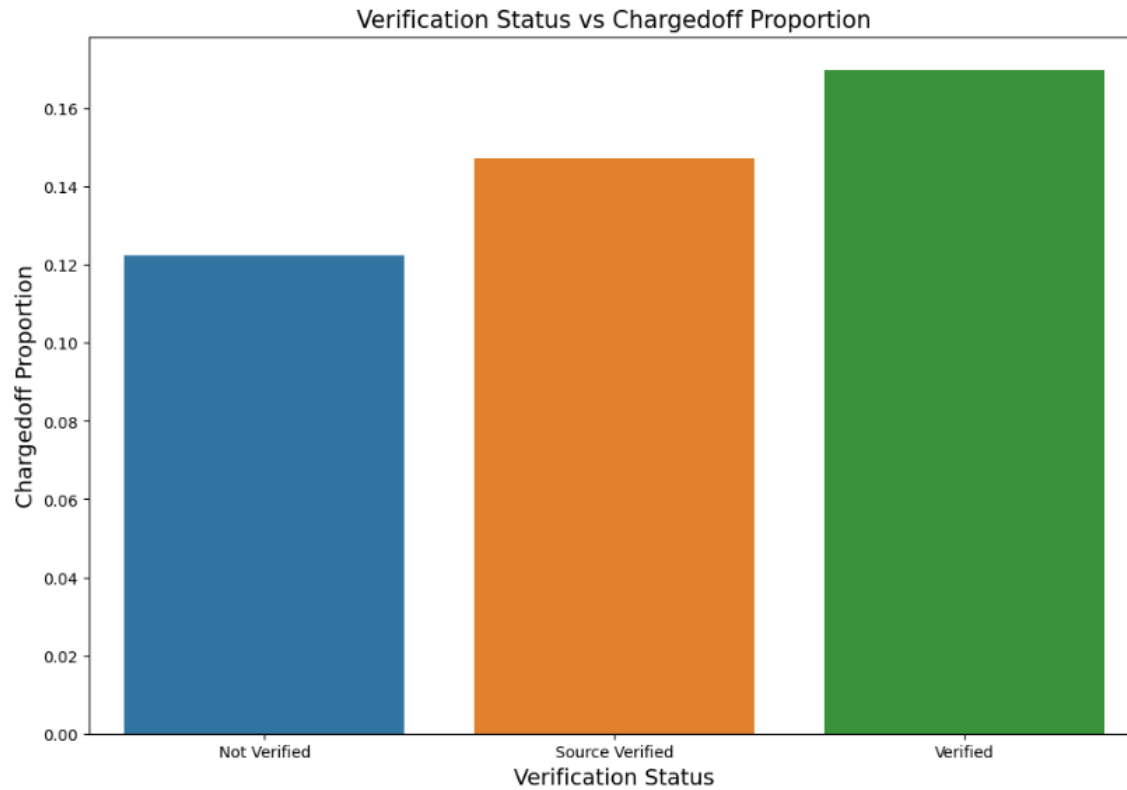
- There are 2 loan term and most of the borrower took 36 months tenure.
- But the ratio of charged off is high in 60 months tenure.

Analysis



Lending club has really expanded year by year, every year the number of loans are doubled. Issue of loan is also increasing every month from January to December and in the final quarter of year there are more loans issued due to vacation.

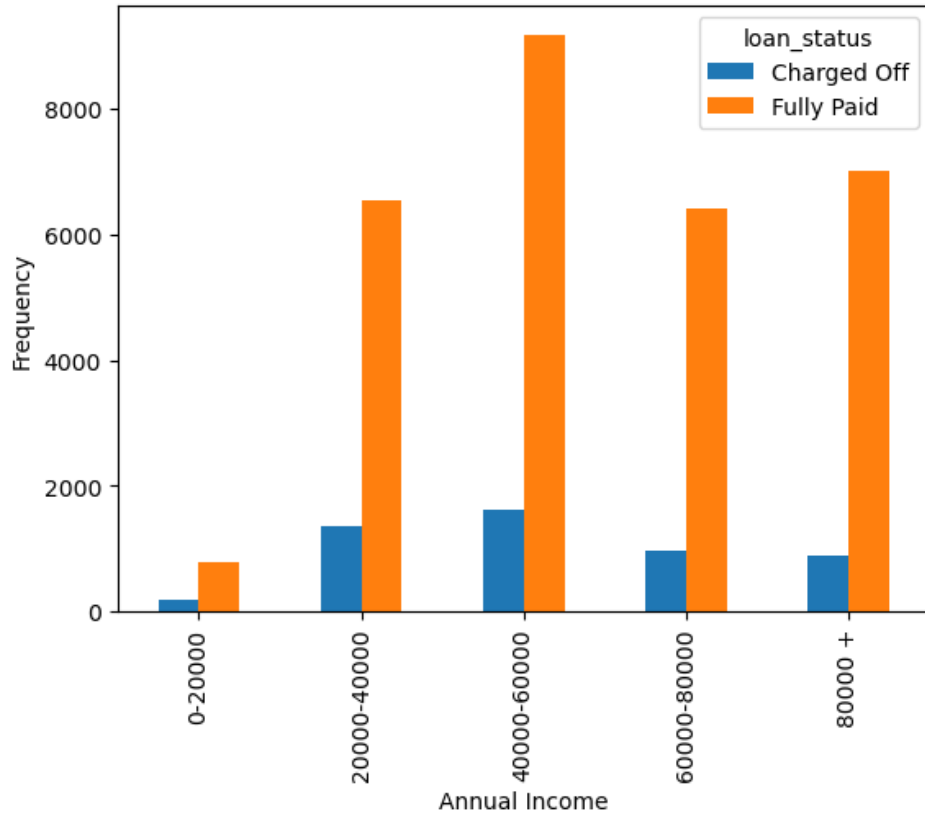
Analysis



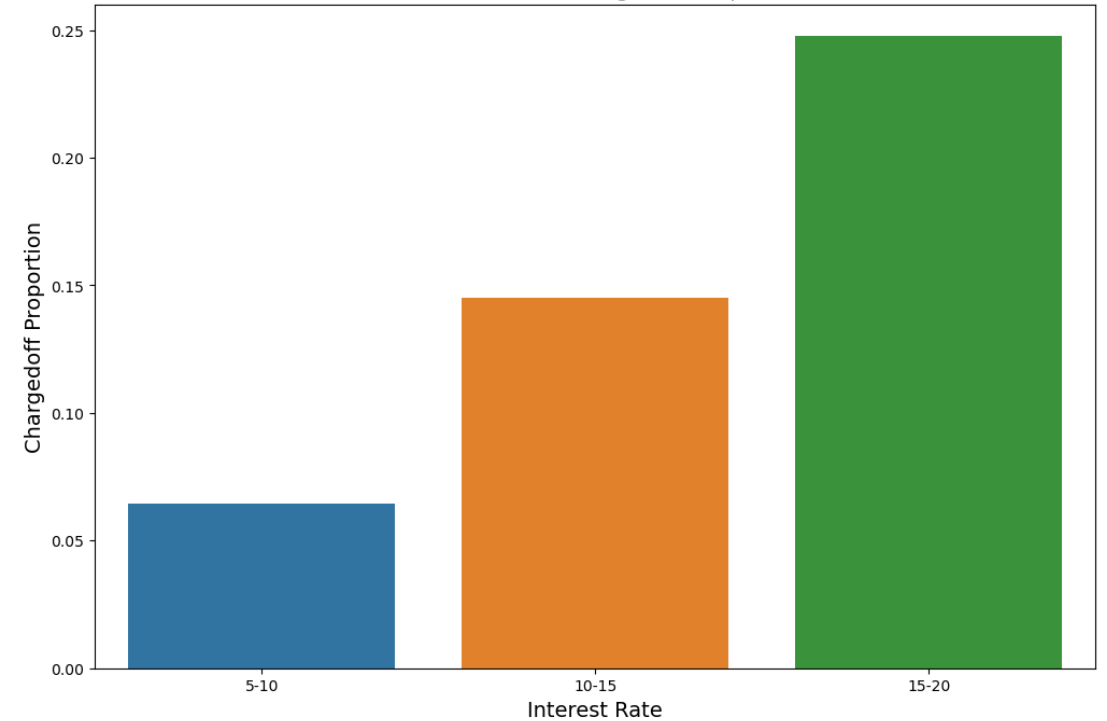
- Most of the verified borrower's are getting charged off due to high loan amount and 60 months tenure.
- As Annual income is increasing, charged off proportion is getting decreasing. So, we can say that lower the annual income most is the chance of getting defaulted.

Analysis

Annual Income distribution w.r.t loan status.

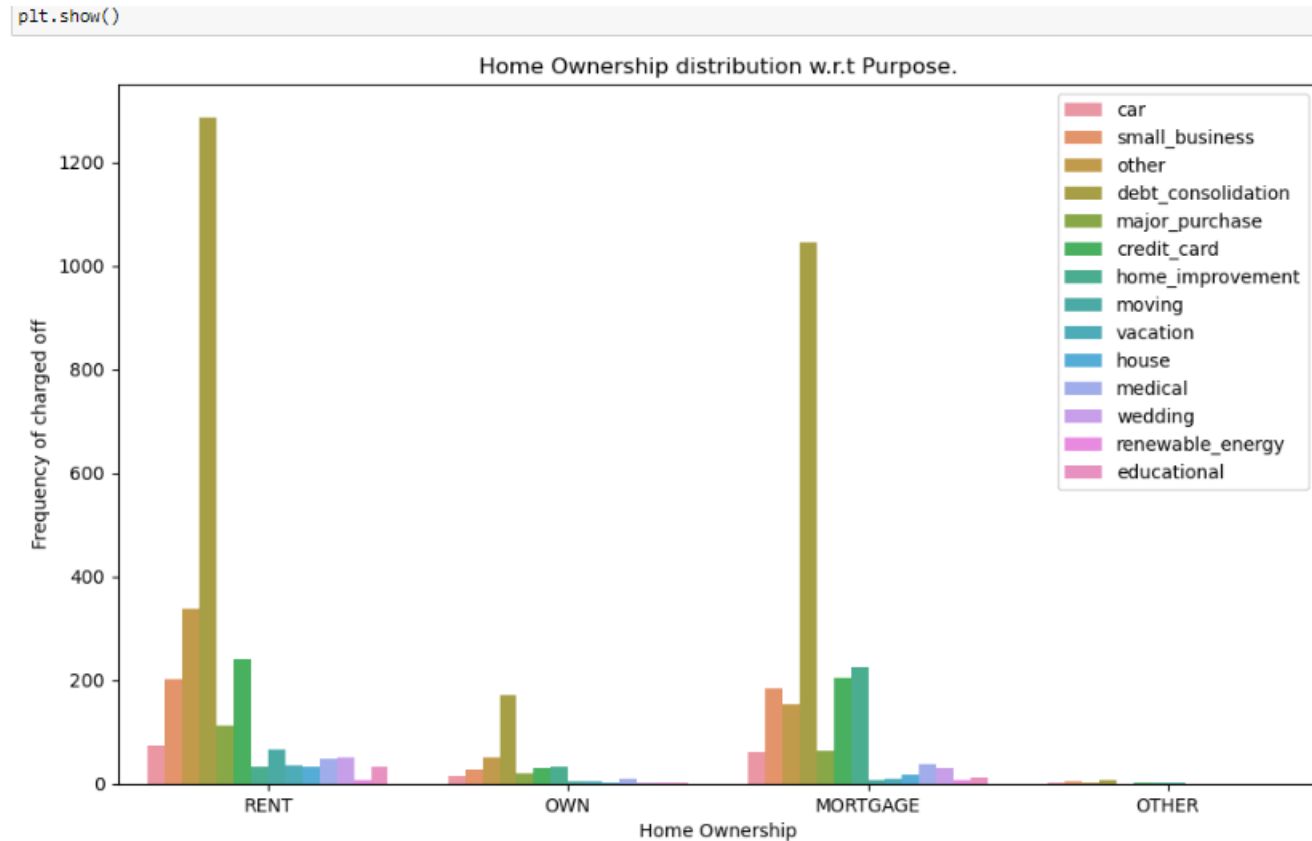


Interest Rate vs Chargedoff Proportion



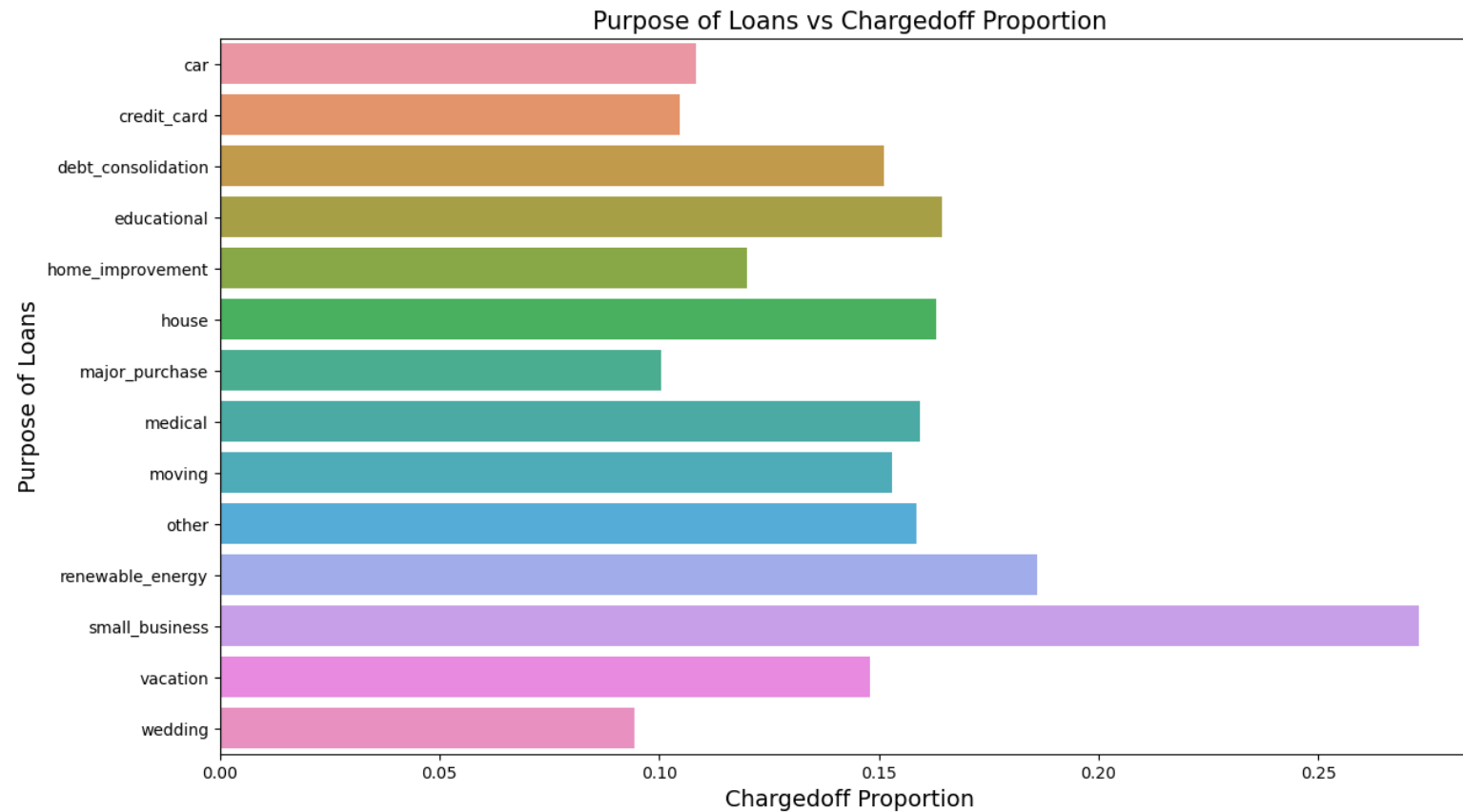
- The borrower who took loan in the range 0 to 14k are mostly getting defaulted.
- Loan with 15 to 20% interest rate are mostly getting defaulted.

Analysis



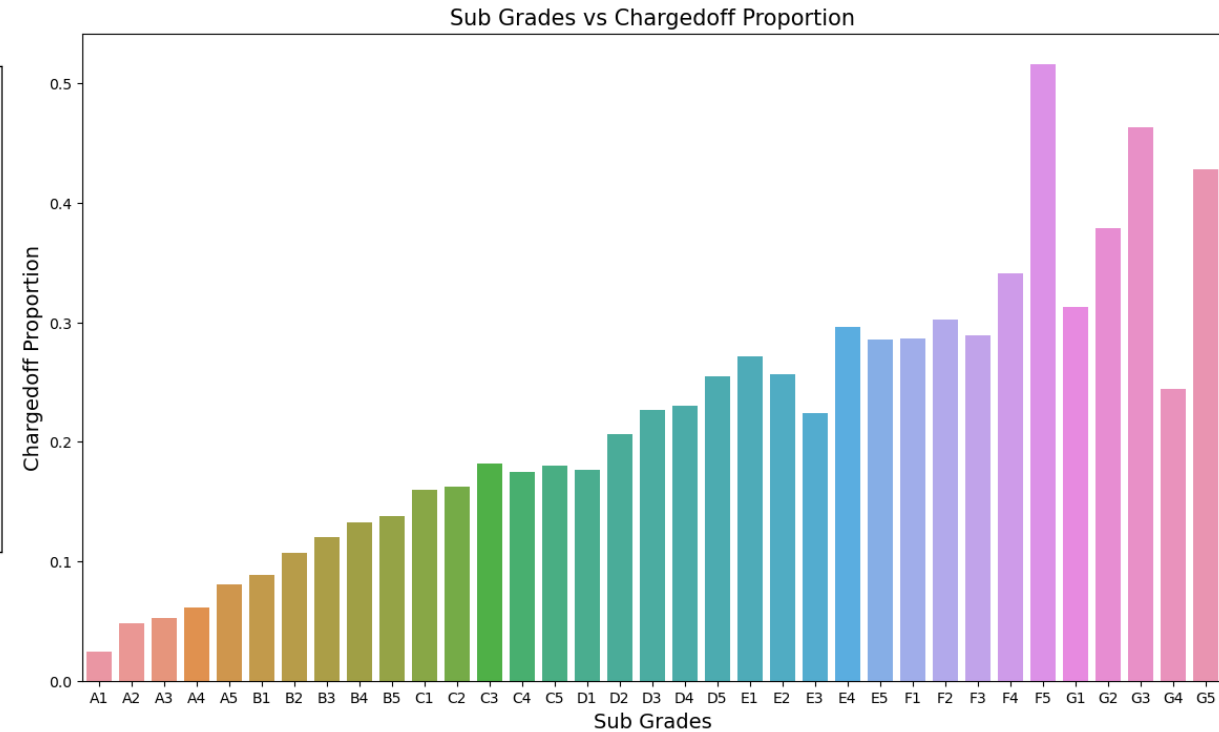
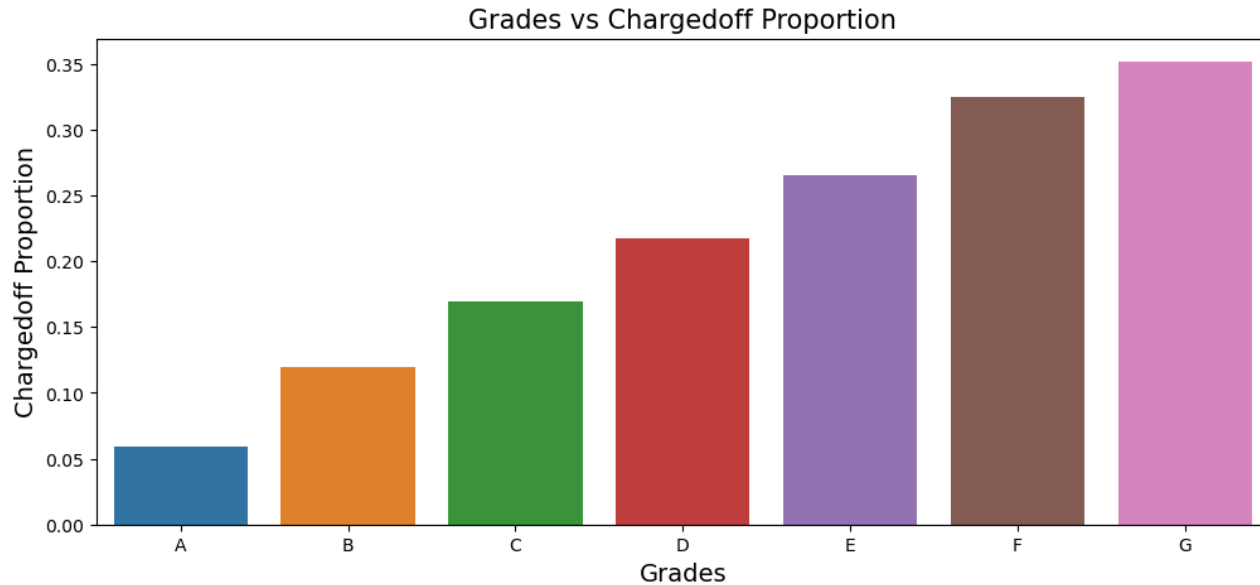
- According to this, we can say that more loan is taken by the borrower whose home ownership is rent and they get charged off when they take loan for the purpose of debt consolidation.

Analysis



- The borrower who took loan for the purpose of small business are mostly getting charged off.

Analysis



- As grades are decreasing, charged off proportion is increasing. So, we can say that lower the grade more is the chance of getting defaulted due to high loan amount and high interest.
- In subgrade, mostly F5, G3 and G5 are getting charged off.

Recommendations

From above analysis we can say that, there is more probability of defaulting when

- Borrower's are taking loan for the term '60 months'.
- Borrower's whose loan status is 'Verified' as they taken high amount of loan with 60 months tenure.
- Borrower's who are having home ownership as 'Rent' and they take loan for the purpose of debt consolidation.
- Borrower's whose annual income is low i.e. (0-20000).
- Borrower's who takes loan amount in the range 0 to 14000.
- Borrower's who receive interest at the rate of 15-20%.
- Borrower who takes loan for the purpose of small business.
- Borrower's with lower Grade i.e. $F < G$.
- Borrower's whose subgrade is F5,G3,G5.

Thank you