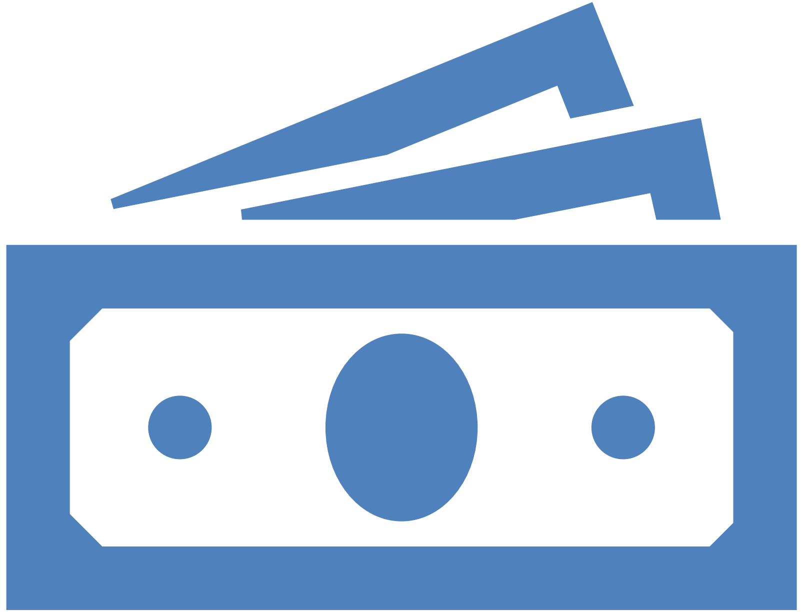
CASE STUDY

LENDING CLUB



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PROBLEM STATEMENT

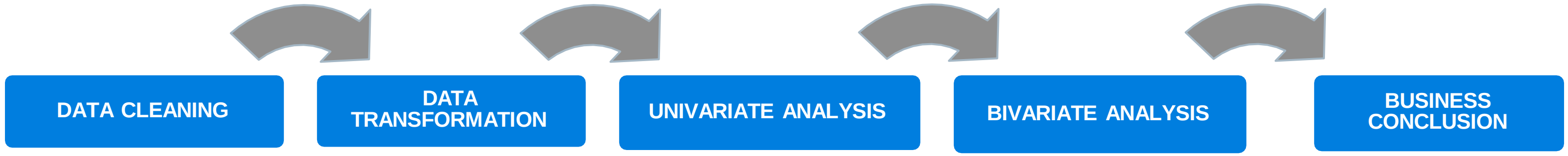
HISTORY

Lending club provided interest-only loans affordable to subprime borrowers is one of the main causes for 2008 Global Financial Crisis.

STATEMENT

Lending a loan is risky decision that a company takes and the borrowers who default cause the largest amount of loss to the lenders, reduces lender’s cash flow. Identifying those risky applicants helps in cutting down the amount of credit loss to the organization.

APPROACH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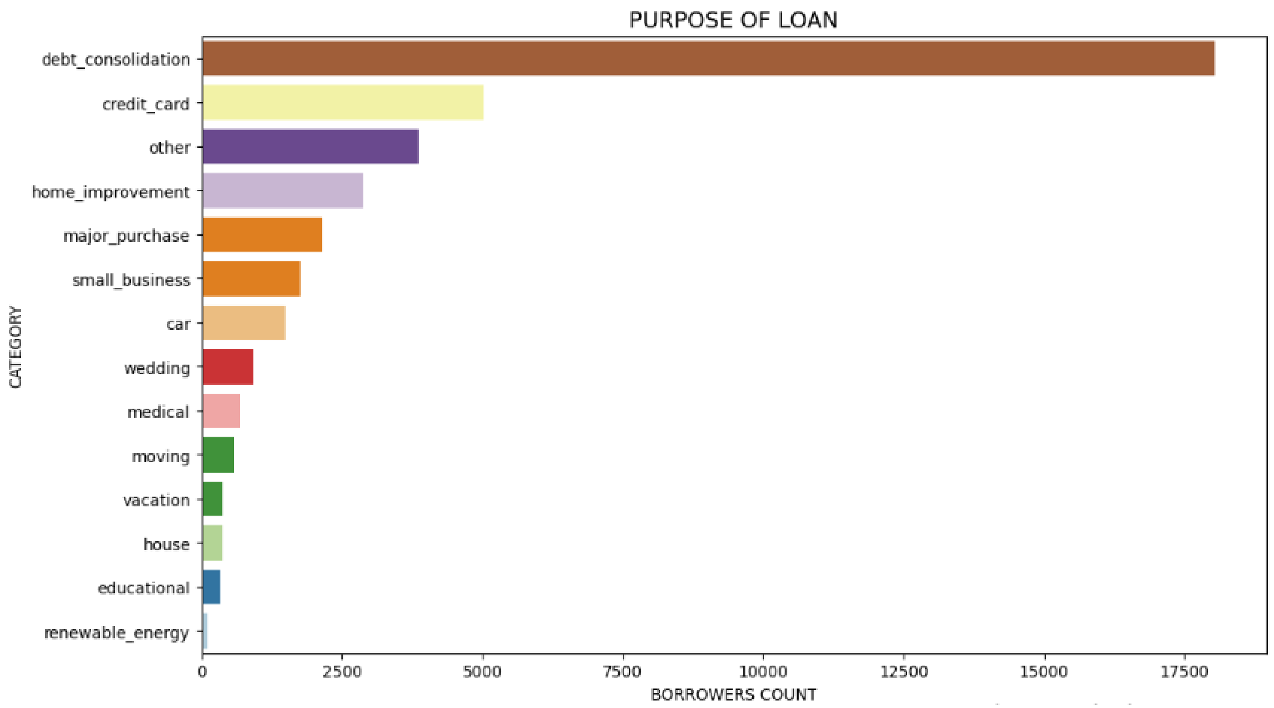
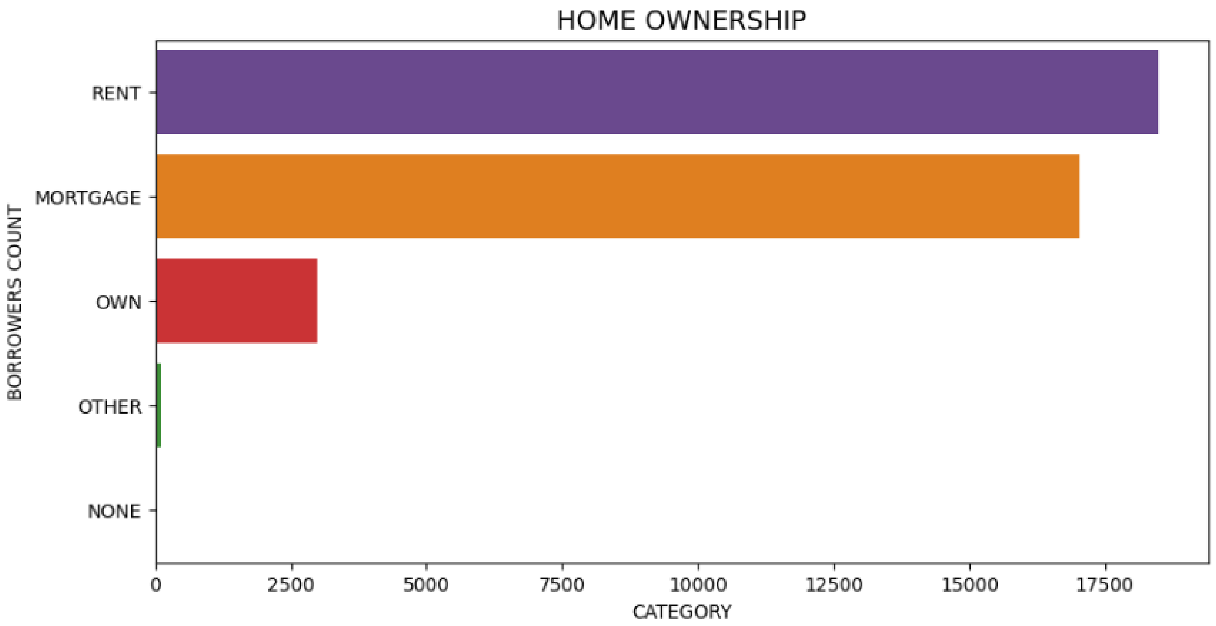
UNIVARIATE ANALYSIS



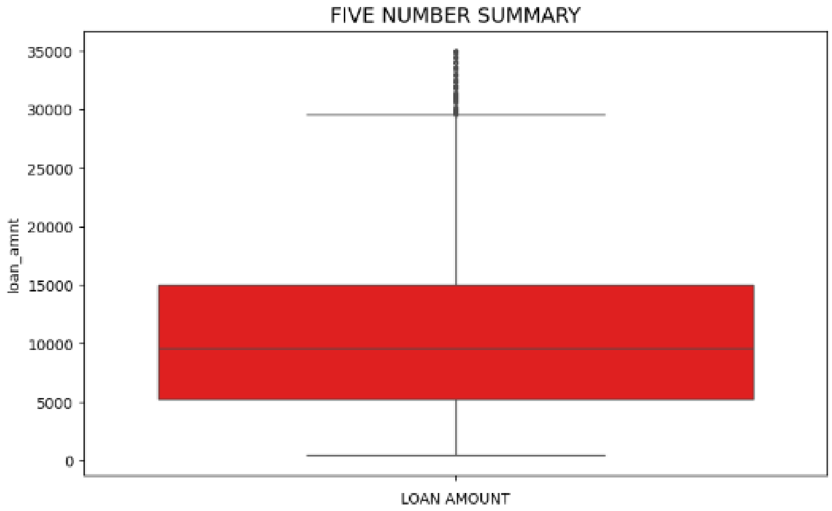
INFERENCE :

- Most of the borrowings happens for debt consolidation and credit card bill payment.



INFERENCE :

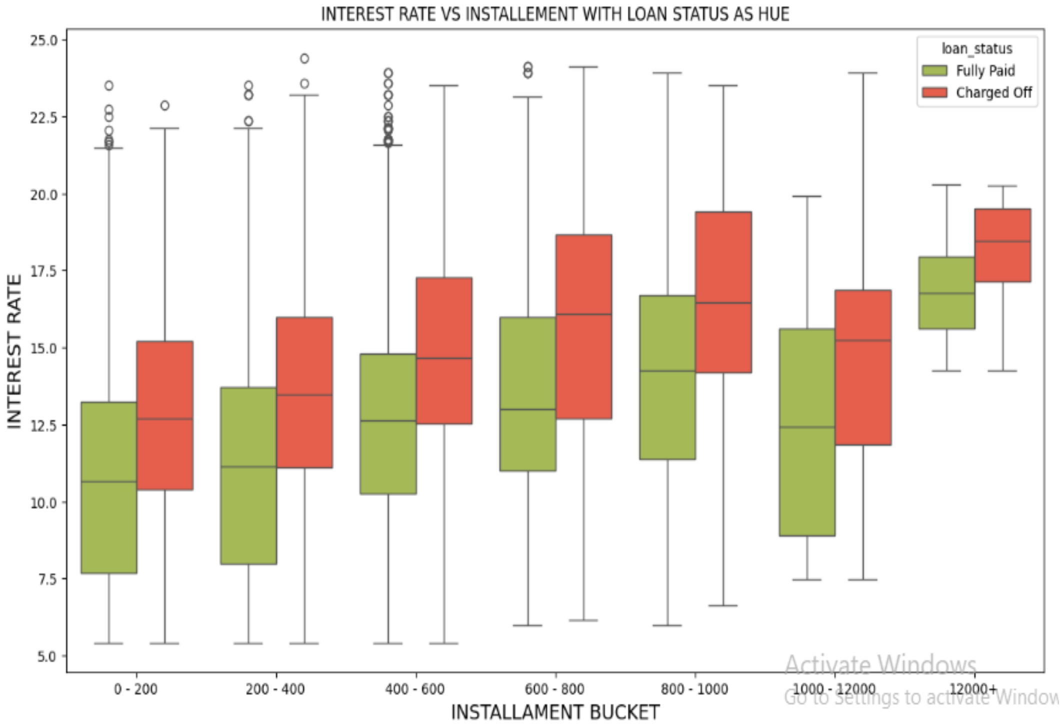
- Proportion of borrowers who owns a house is significantly less.



INFERENCE :

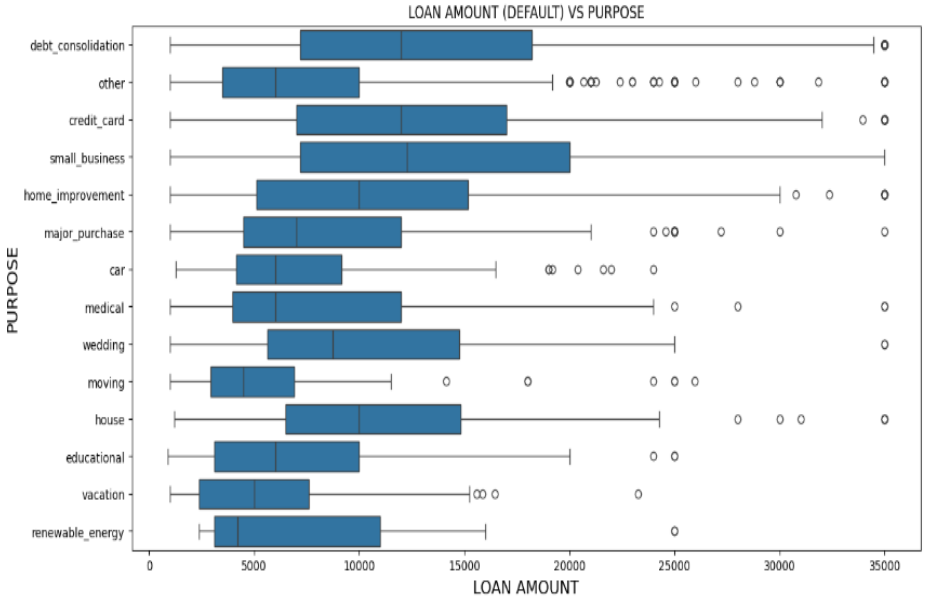
- Most of the borrowers prefer to get loan amount between 5000 to 15000.
- Almost of the borrowers gets interest rate between 9% to 14%.

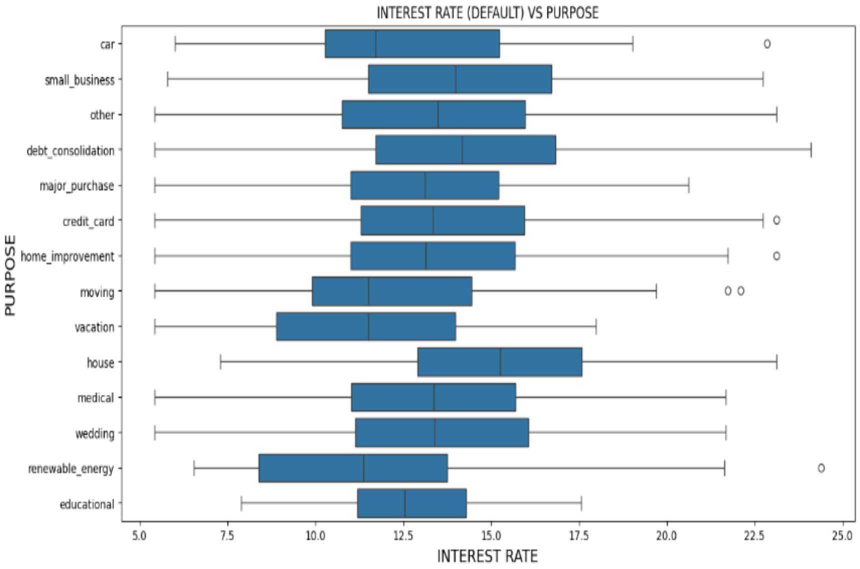
BI-VARIATE ANALYSIS



INFERENCE :

- Borrowers with 10+ years of employment length are more likely to charge off.





INFERENCE :

- Loan for debt consolidation, credit card, small business with average loan amount greater than 12000 are more likely to default.
- Loan provided for house, debt consolidation, small business with highest interest rate are more likely to charge off.

CONCLUSION

CONCLUSION

- Borrowers who have been employed for more than 10 years are at a higher likelihood of experiencing charge-offs.
- Borrowers residing in mortgaged homes with loan amounts exceeding 12,000 are prone to charge-offs.
- Loans designated for debt consolidation, credit card refinancing, or small business ventures, with an average loan amount surpassing 12,000, exhibit a higher likelihood of default.
- Loans carrying the highest interest rates within their respective categories are more prone to charge-offs.
- Loans designated for housing, debt consolidation, and small business, featuring the highest interest rates, are more likely to result in charge-offs.
- Longer loan tenures tend to have higher interest rates, and individuals with terms between 15-20% are more susceptible to charge-offs.
- Shorter loan tenures tend to have lower interest rates, and individuals with terms between 10-15% are more prone to charge-offs.
- Borrowers falling under grade E, F, or G, with an average loan amount exceeding 15,000, are at an increased risk of charge-offs.
- Borrowers with a verification status of "not-verified," holding loan amounts between 5,000 and 12,500, are more likely to experience charge-offs.
- An increase in the number of installments corresponds to a higher likelihood of charge-offs for borrowers with elevated interest rates.

THANK YOU …