Lending Club Case Study

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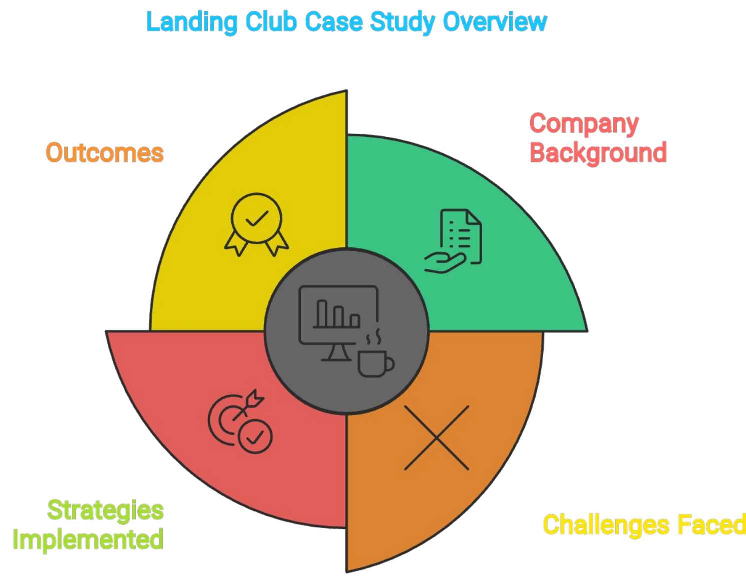
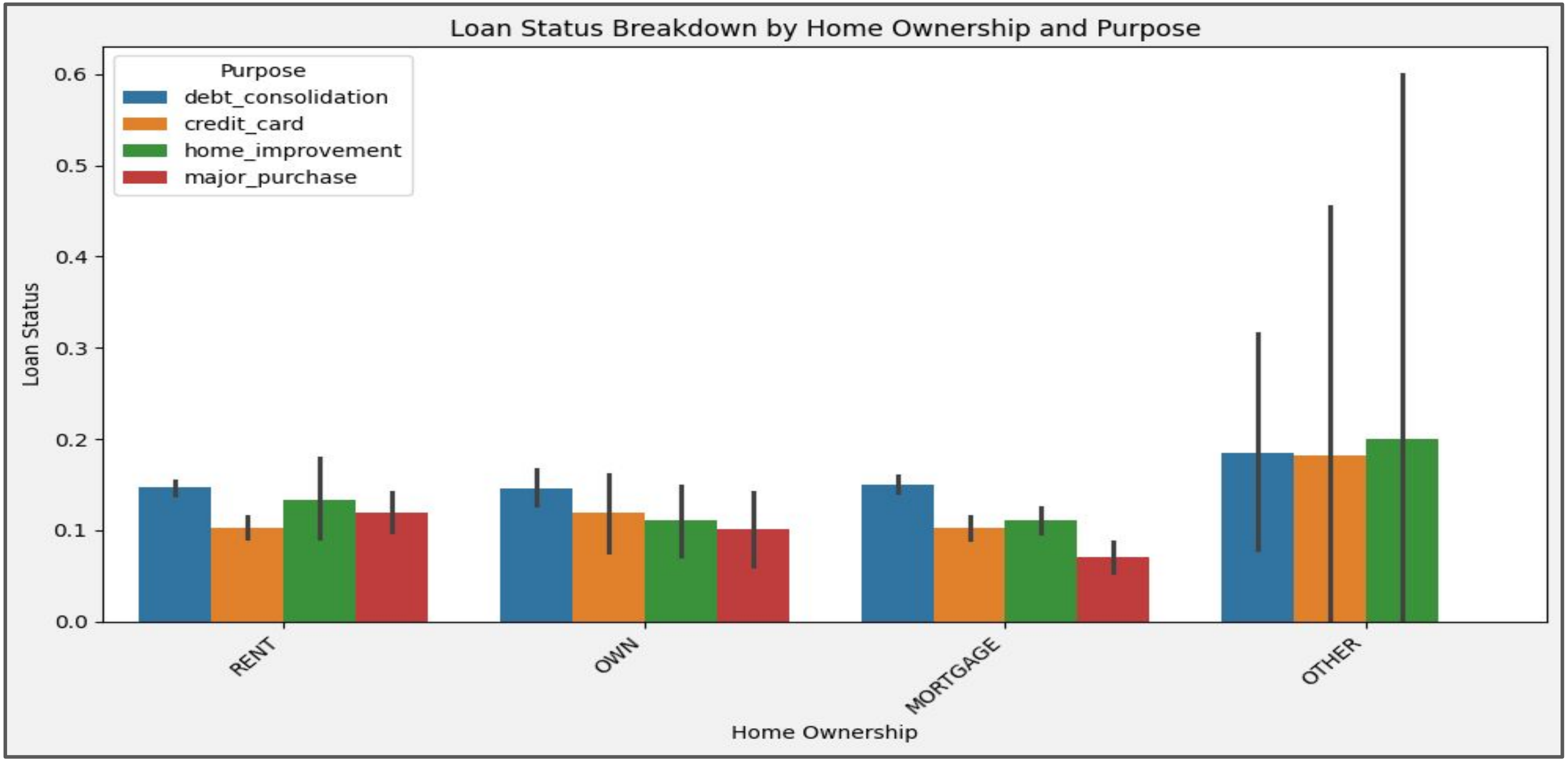
Abstract

This presentation provides an in-depth analysis of the Landing Club case study. It covers the company's background, the challenges it faced, the strategies implemented to overcome these challenges, and the outcomes of these strategies. The goal is to provide insights into effective business strategies and decision-making processes that can be applied to similar scenarios.

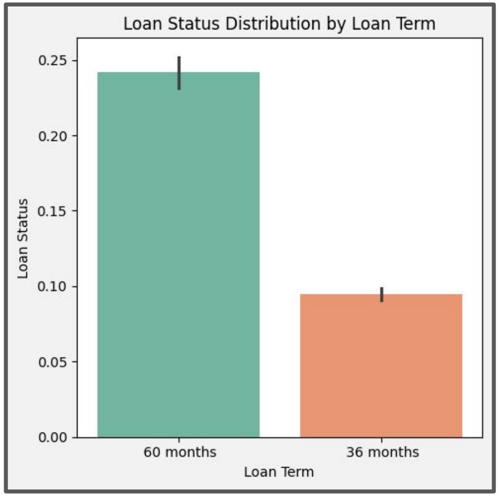


Home Ownership Impact on Loan Defaults



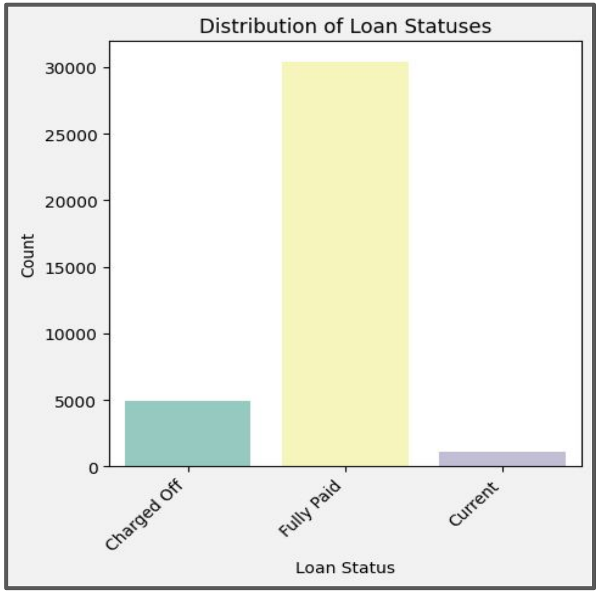
Individuals with higher loan amounts in the Other home ownership category demonstrate a higher default rate compared to other ownership categories.

Loan Term Distribution and Default Rates

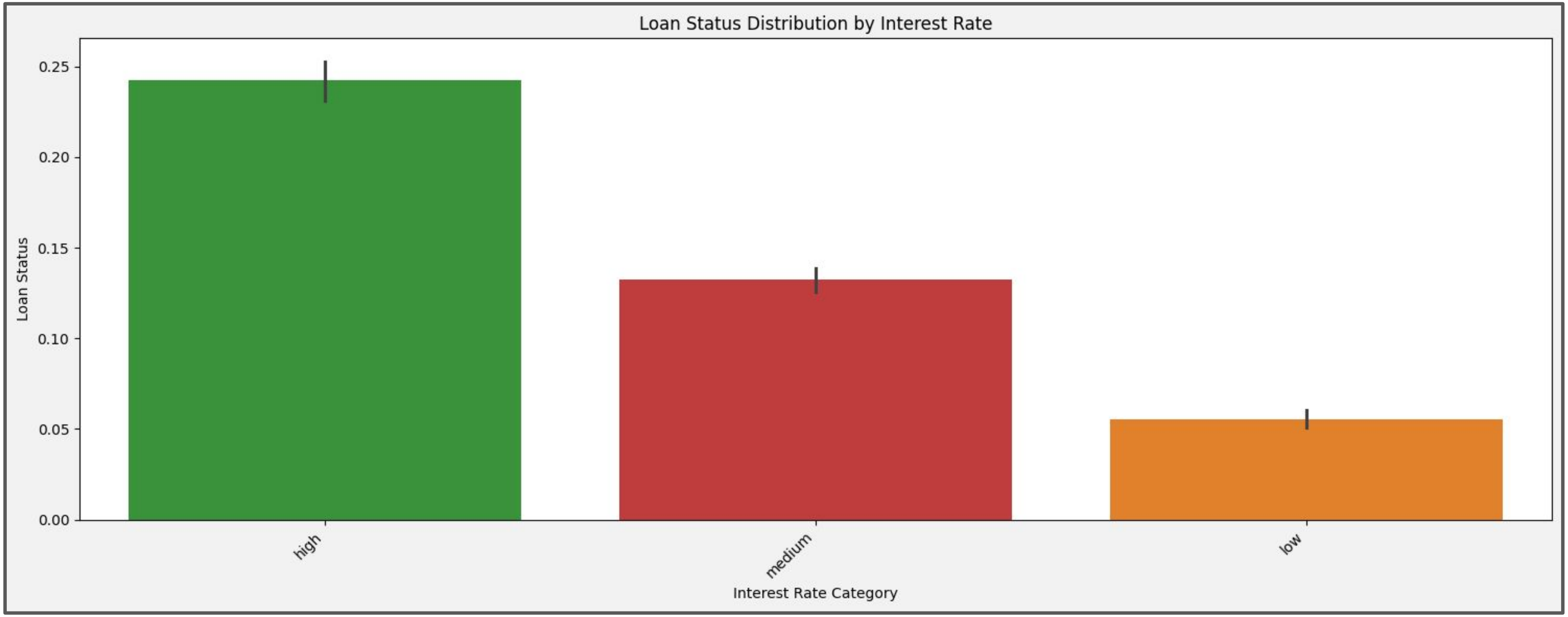


Approximately 75% of borrowers opted for loans with a 60-month term.

Approximately 15% of borrowers have charged-off loans, while around 85% have fully repaid their loans.

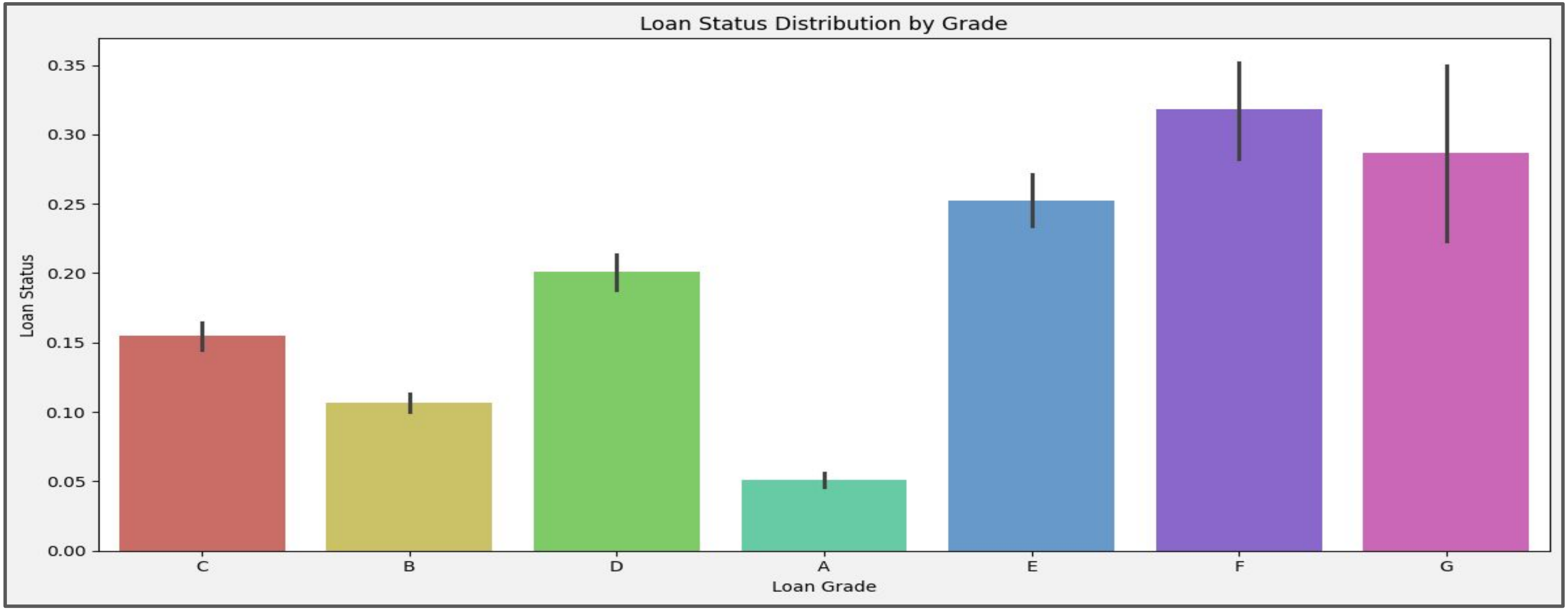


Interest Rate Impact on Loan Default



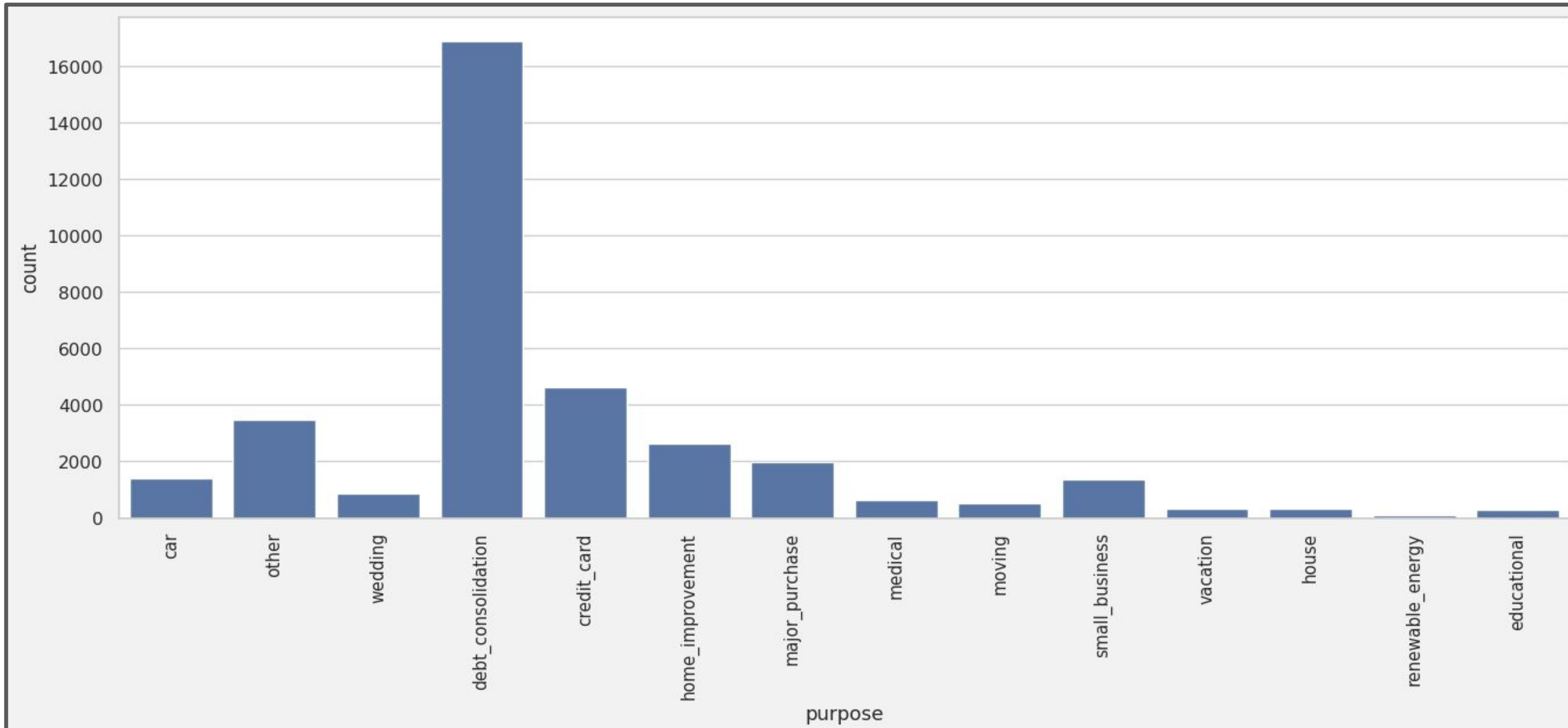
A higher interest rate significantly increases the likelihood of loan default.

Impact of Credit Grades on Loan Default



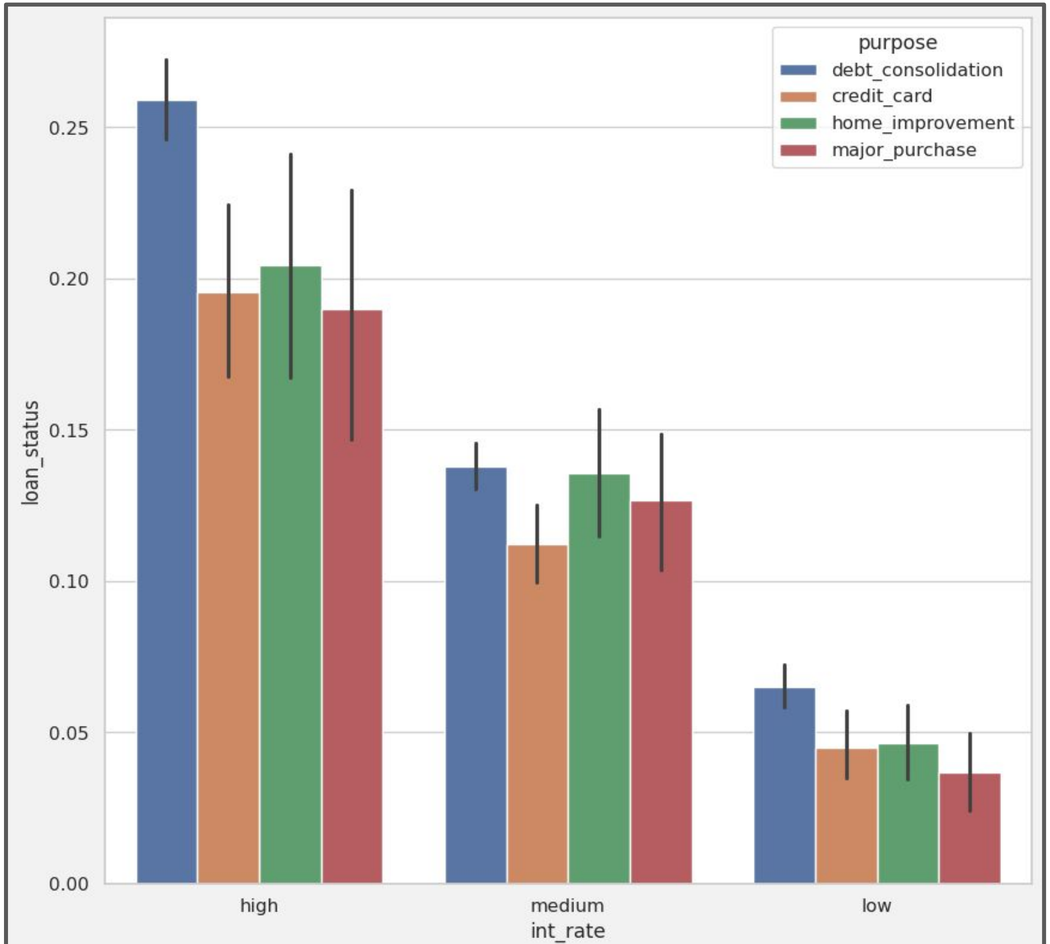
- Lower grades (E, F, G) exhibit a higher likelihood of loan default compared to higher grades (A, B).
- Borrowers with lower credit grades are securing loans at higher interest rates, which may contribute to the increased likelihood of loan defaults.

Default Rates by Loan Purpose



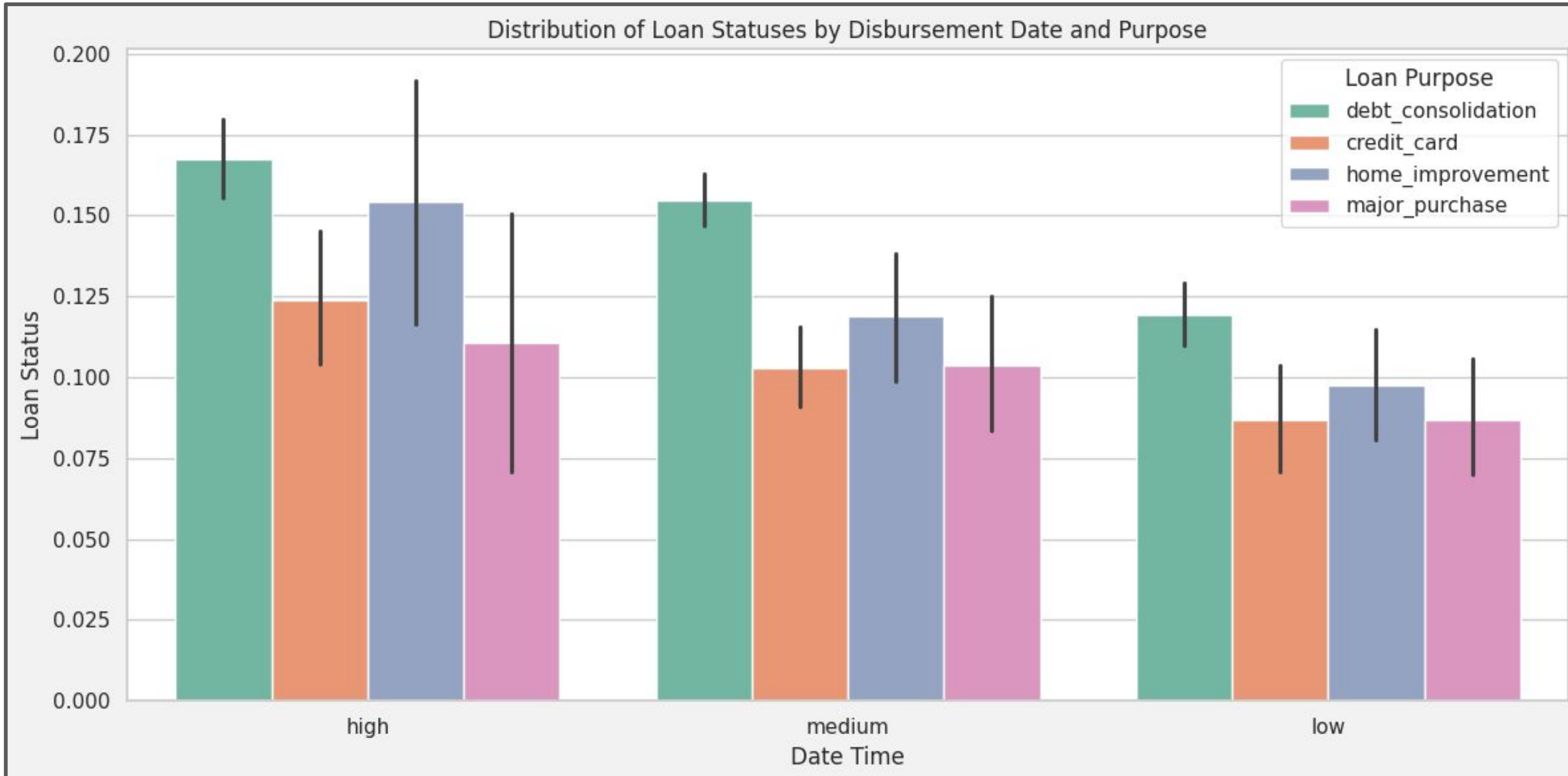
Borrowers who obtained loans for debt consolidation purposes have a higher incidence of default.

Loan Trends Across Interest Rate Brackets



The number of loans taken peaks within the 15-25% interest rate bracket and gradually declines. However, the likelihood of default increases as the interest rate rises.

Impact of DTI on Loan Default Risk



A substantial portion of clients possess a high debt-to-income ratio, highlighting a considerable risk in extending credit to these individuals.

Conclusions

- **Home Ownership and Default Risk**: Borrowers with higher loan amounts in the "Other" home ownership category exhibit a higher default rate.
- **Loan Term Preferences**: Approximately 75% of borrowers chose 60-month loans, with a default rate of about 15%.
- **Interest Rate and Default Probability**: Higher interest rates are strongly associated with an increased likelihood of loan defaults.
- **Credit Grades and Risk**: Lower credit grades (E, F, G) are linked to higher default risks due to elevated interest rates.
- **Debt Consolidation Loan Risks**: Loans for debt consolidation purposes show a higher incidence of default.