

Happy Money Intern Case (Confidential)

Deliverable requirement: Presentation deck

Section 1 - Understand Product and Customer

HappyMoney's personal loan product Payoff is an unsecured installment loan designed to help people refinance their credit card debt. People who use Payoff loans to pay down their credit card debt usually gain significant interest savings and see their FICO score increase by ~30 points.

1. Why do you think people who use personal loans to pay down their credit card debt have their FICO increased after being funded?
2. What do you think are the major reasons for people to default on their Payoff personal loan?

Section 2 - Credit Risk

In the Risk Dataset, you have a list of application stage attributes and the final credit performance result of past applicants. The "bad flag" represents the list of customers who defaulted on our loan. Using this data, please answer the following questions:

- (1) Of the different model scores (FICO, Score1, Score2) which one does a better job of separating good accounts and bad accounts?
- (2) Are CreditCardBalance and InquiriesInLast6Months predictive of risk in addition to the best score you identified from the last question?

Sample dataset:

ID	FicoScore	CustomScore1	CustomScore2	CreditCardBalance	InquiriesInLast6Months	IncomeAnnual	BadFlag
0123ca88-b4ae-4dfa-a647-3d59955af8b2	646	0.31898815	0.290841496	14701	1	100000	0
8a5cd764-f2a8-4f2d-b936-e22f46c74cba	646	0.22914484	0.230241977	16300	1	115000	0
a4706386-9fe4-49e0-a92b-7901d752670c	741	0.05948313	0.037298024	13827	0	83000	0
31ead444-e33e-437a-b481-6c5fafbdb755	772	0.06896970	0.063600235	15612	2	108000	0
afe8dc16-8865-4156-9d4c-f2825e2645c5	724	0.07730412	0.085119290	37588	1	82000	0
d9ff4210-787a-4344-9025-a10d53e03307	696	0.05855500	0.035522312	30769	0	110000	0
36f0581c-d1fc-4ce1-a63c-6abccd79f9c1	726	0.04581697	0.036539107	35325	0	80000	0
b6c9d62d-387e-4e9a-b530-1263af56ed78	690	0.26873463	0.288734609	5002	4	120000	0

Section 3 - Business model

Happy Money is a marketplace lender that connects credit unions' capital and borrowers. Please try to make the best guess of Happy Money Payoff loan's business model. Please list and explain the factors that impact the profitability of Happy Money Payoff loan program.