



LendingClub Case Study

G R O U P M E M B E R S :

A S H W I N I P U J A R

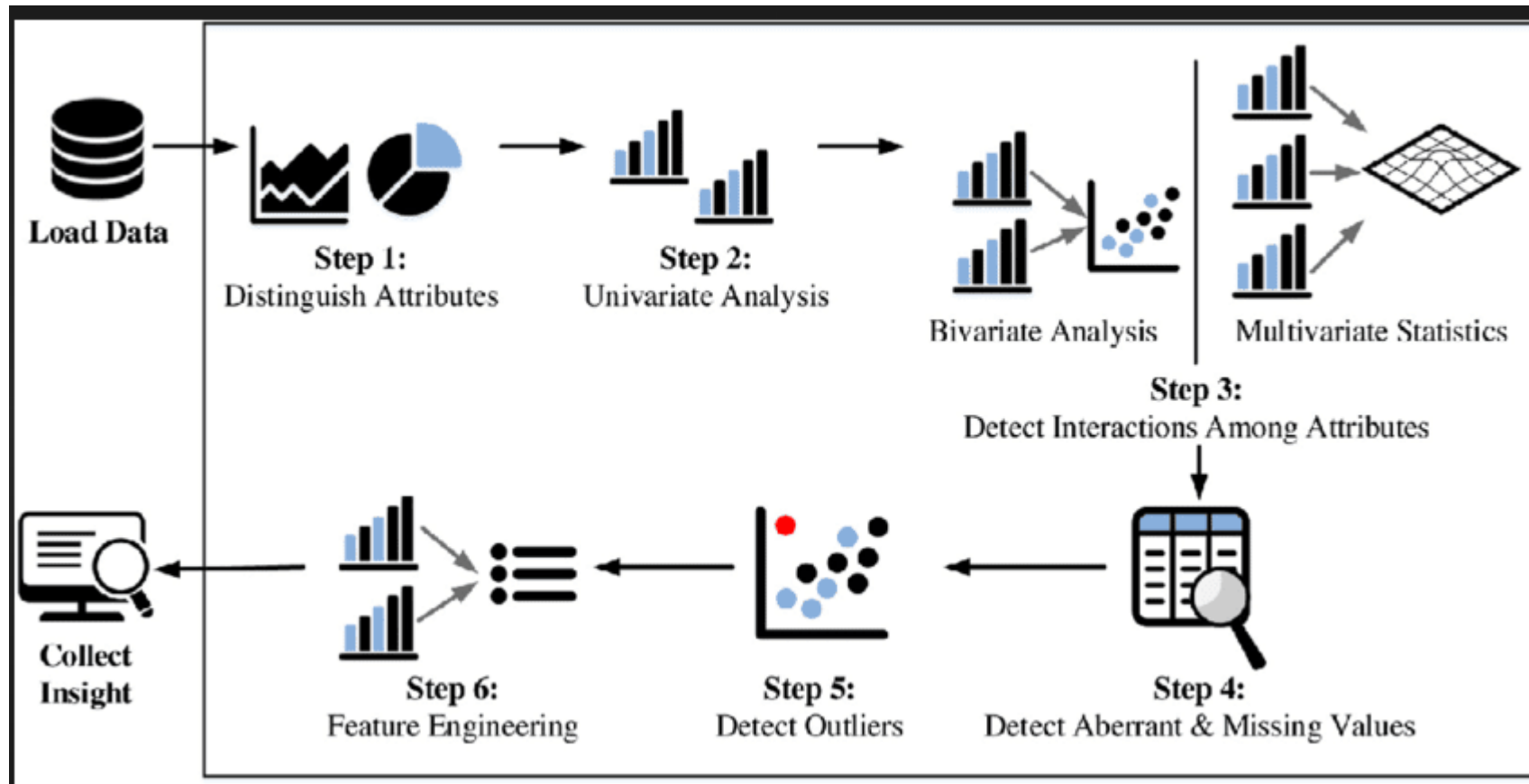
A N U A U G U S T I N E

Objective

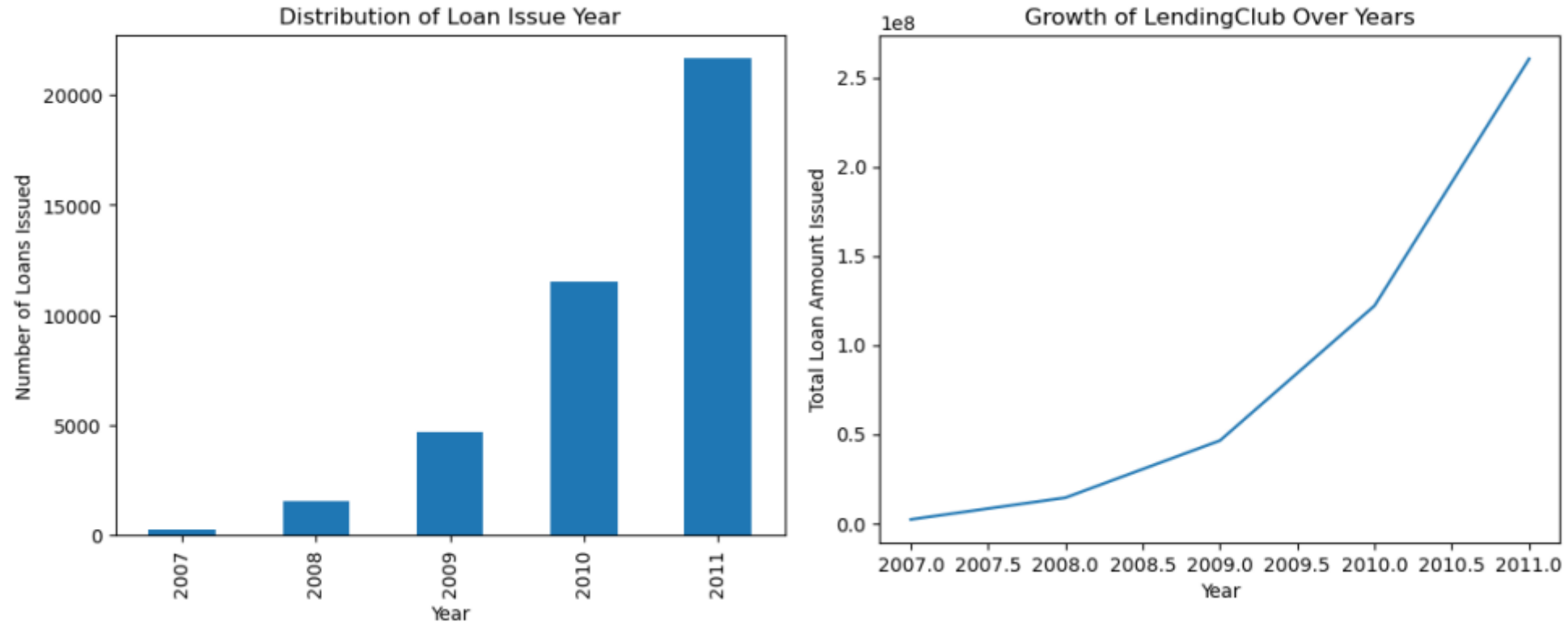


- ❖ Lending Club is America's largest online credit marketplace, and the first marketplace bank connecting borrowers and investors.
- ❖ When the company receives the loan application, it has to decide for loan approval on the basis of loan applicant's profile.
- ❖ The objective is to use EDA to understand how consumer attributes and loan attributes influence the tendency to default

Methodology

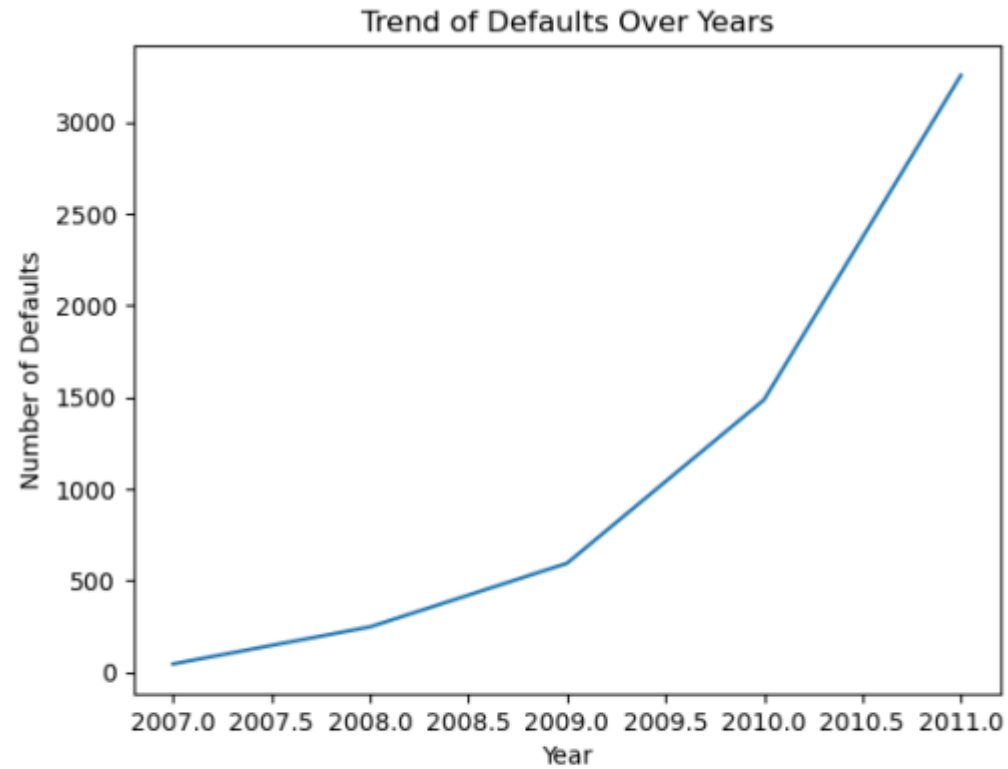


LendingClub Portfolio Analysis – Loans since launch

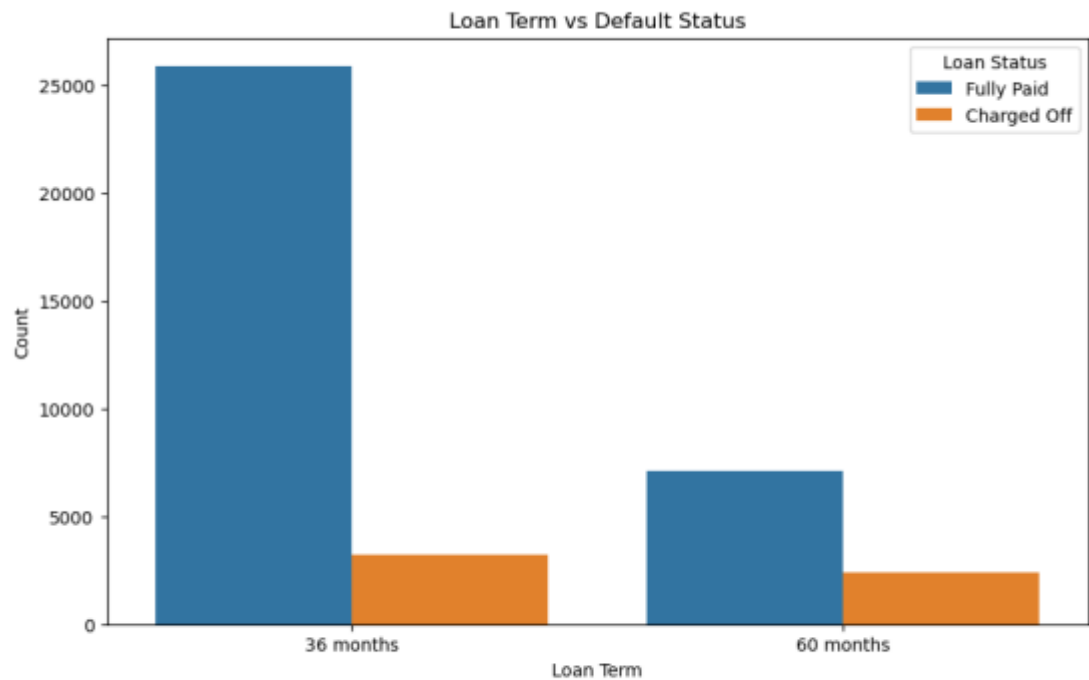
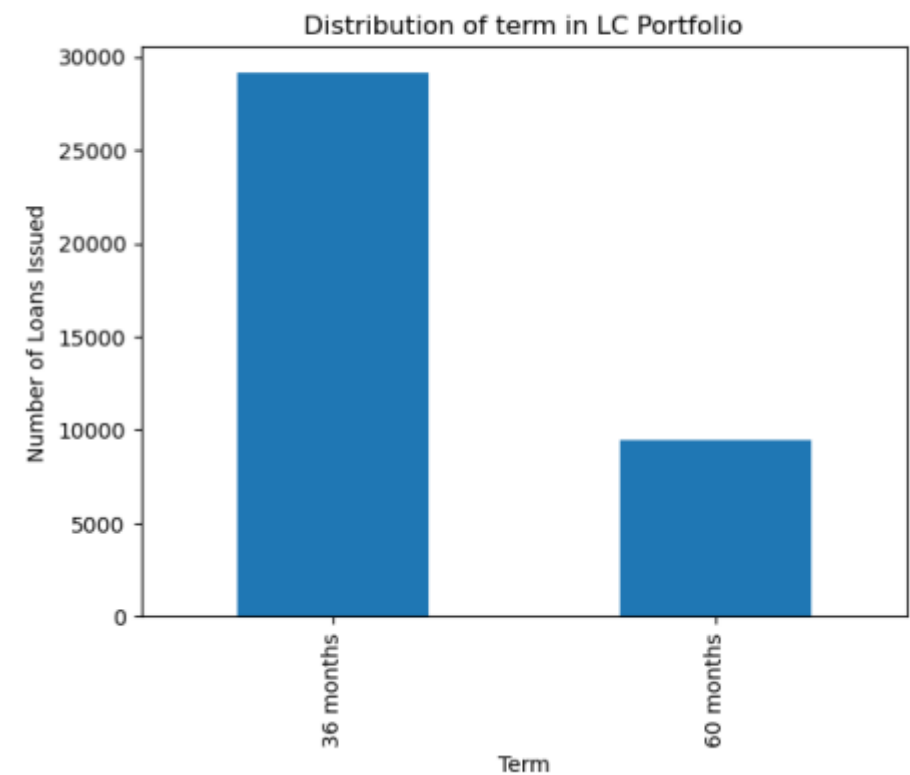


The LC Loan Portfolio is increasing at a rapid pace since it's launch

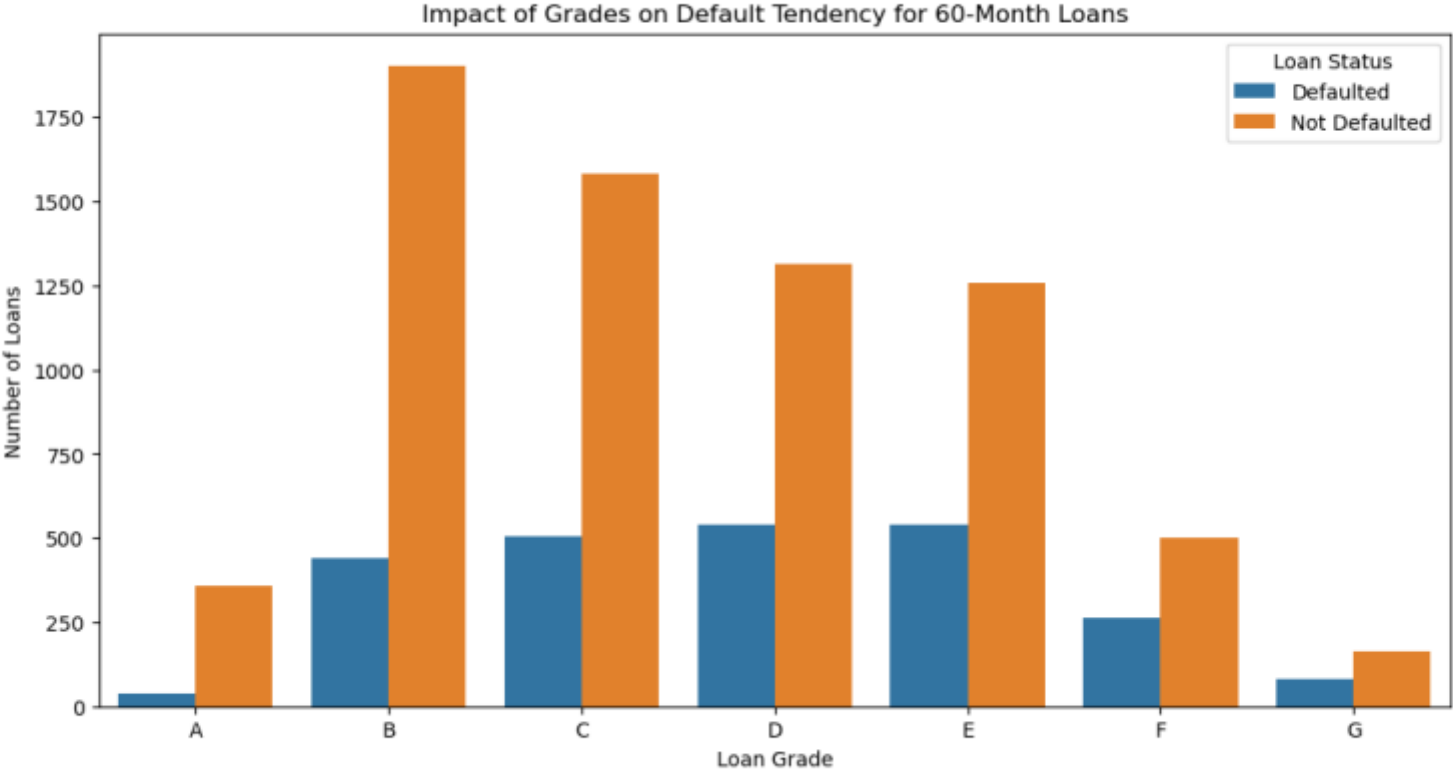
The no of people defaulting is growing at the same pace as business is growing



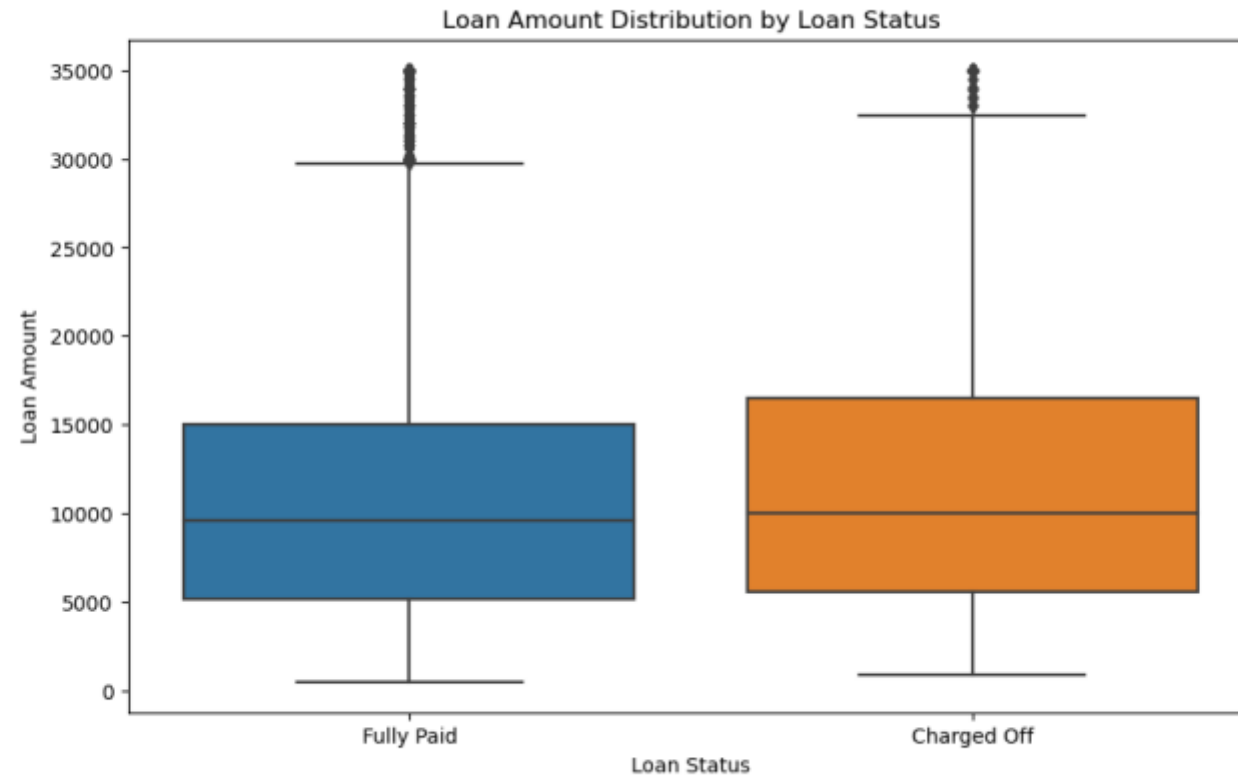
LC has issued a large number of loans with lesser term. But the default rate is higher in loans with higher term



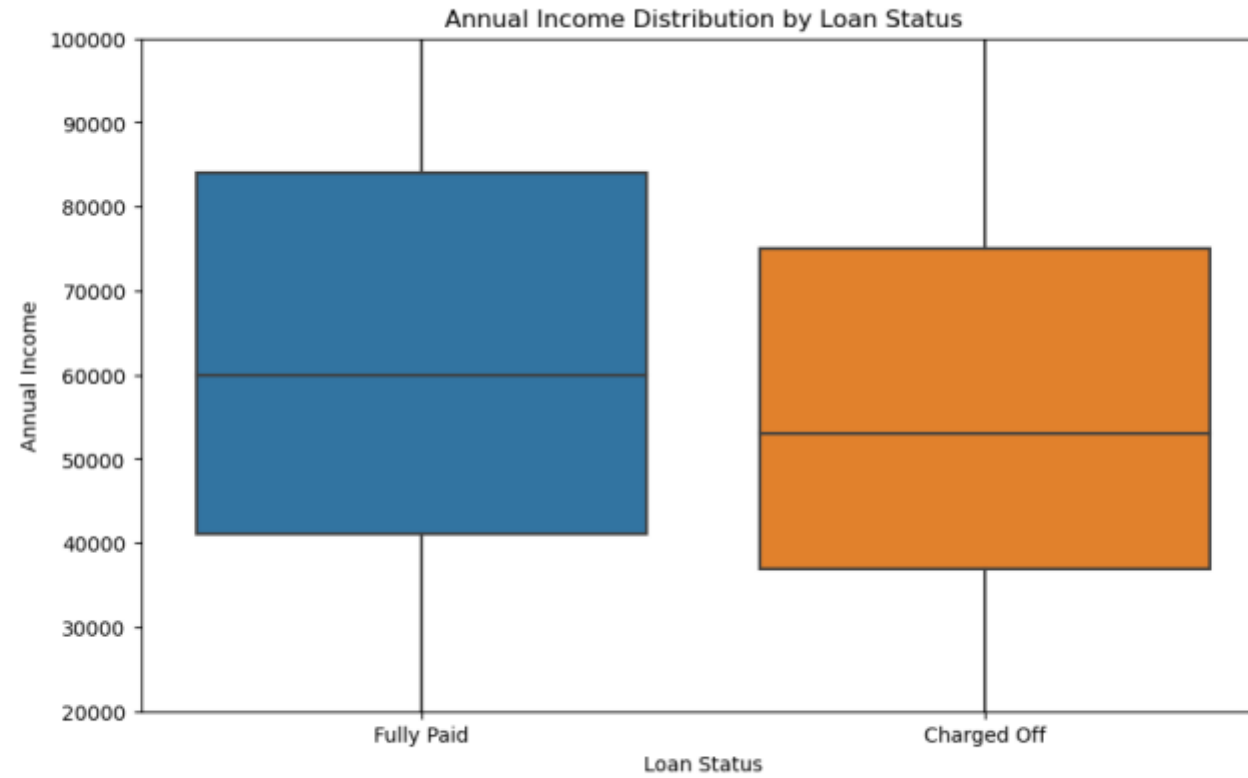
The grade A has least amount of defaults in 60 months loan term



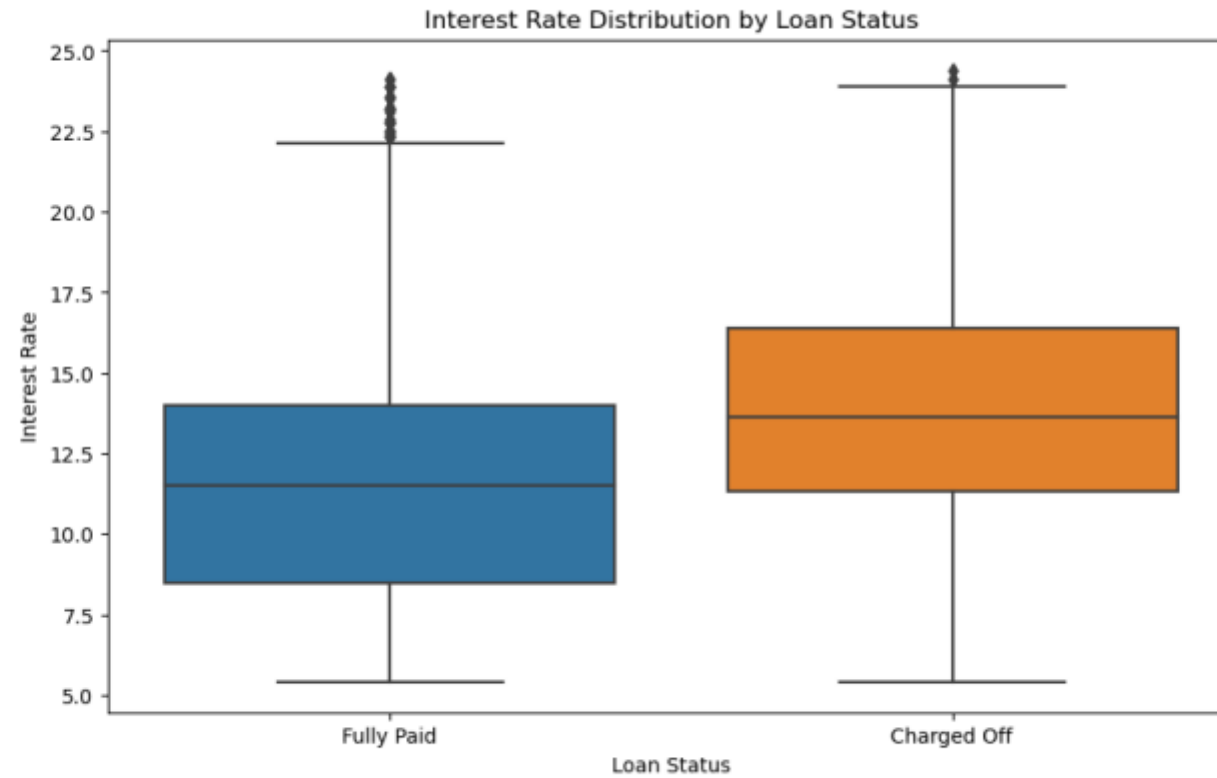
There is a tendancy to default when loan amount is higher as it is evident from the box plot



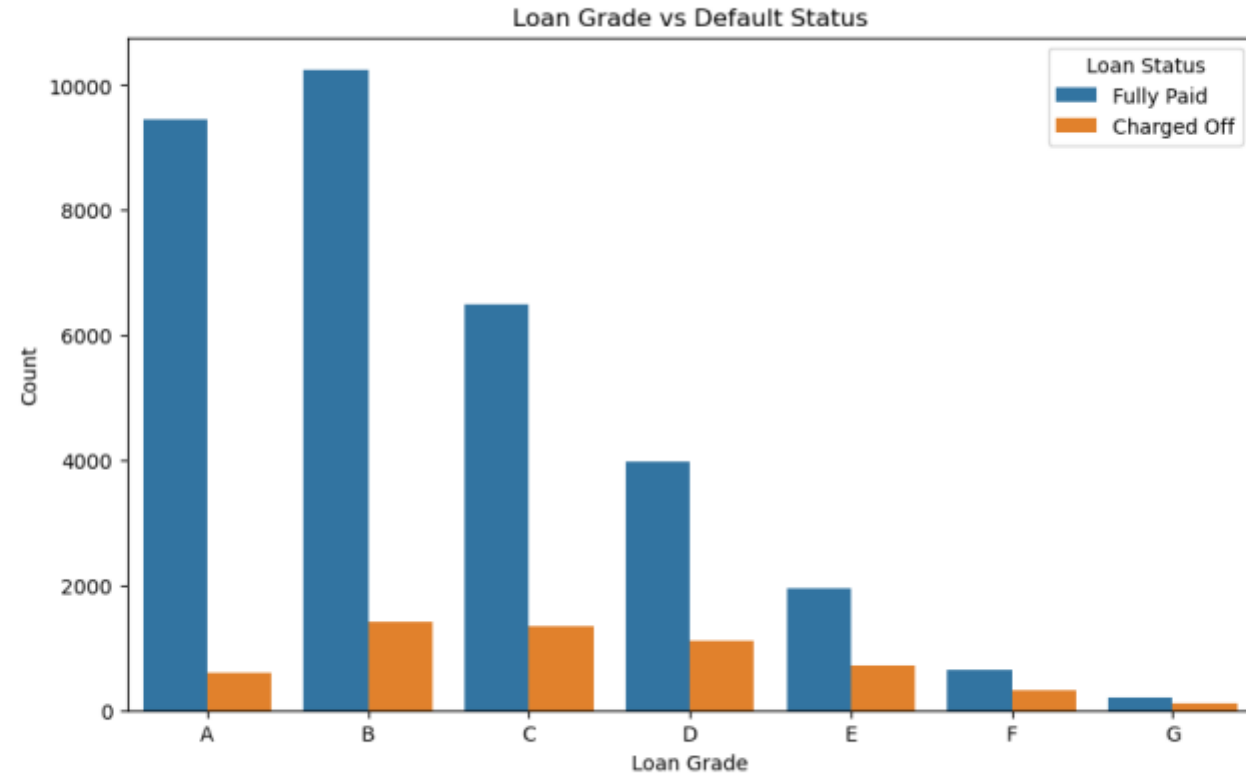
Lower income levels have higher tendency to default



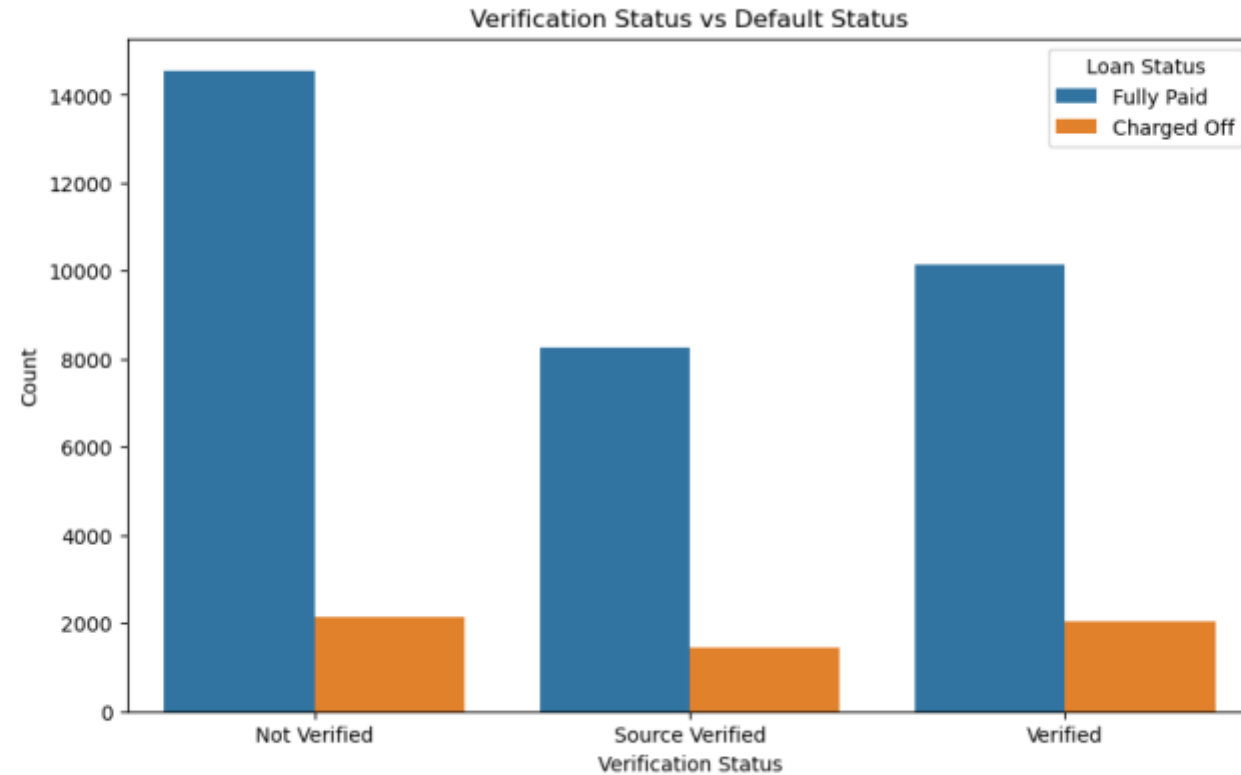
There is a higher tendency to default when Interest rates are higher as box plot suggest



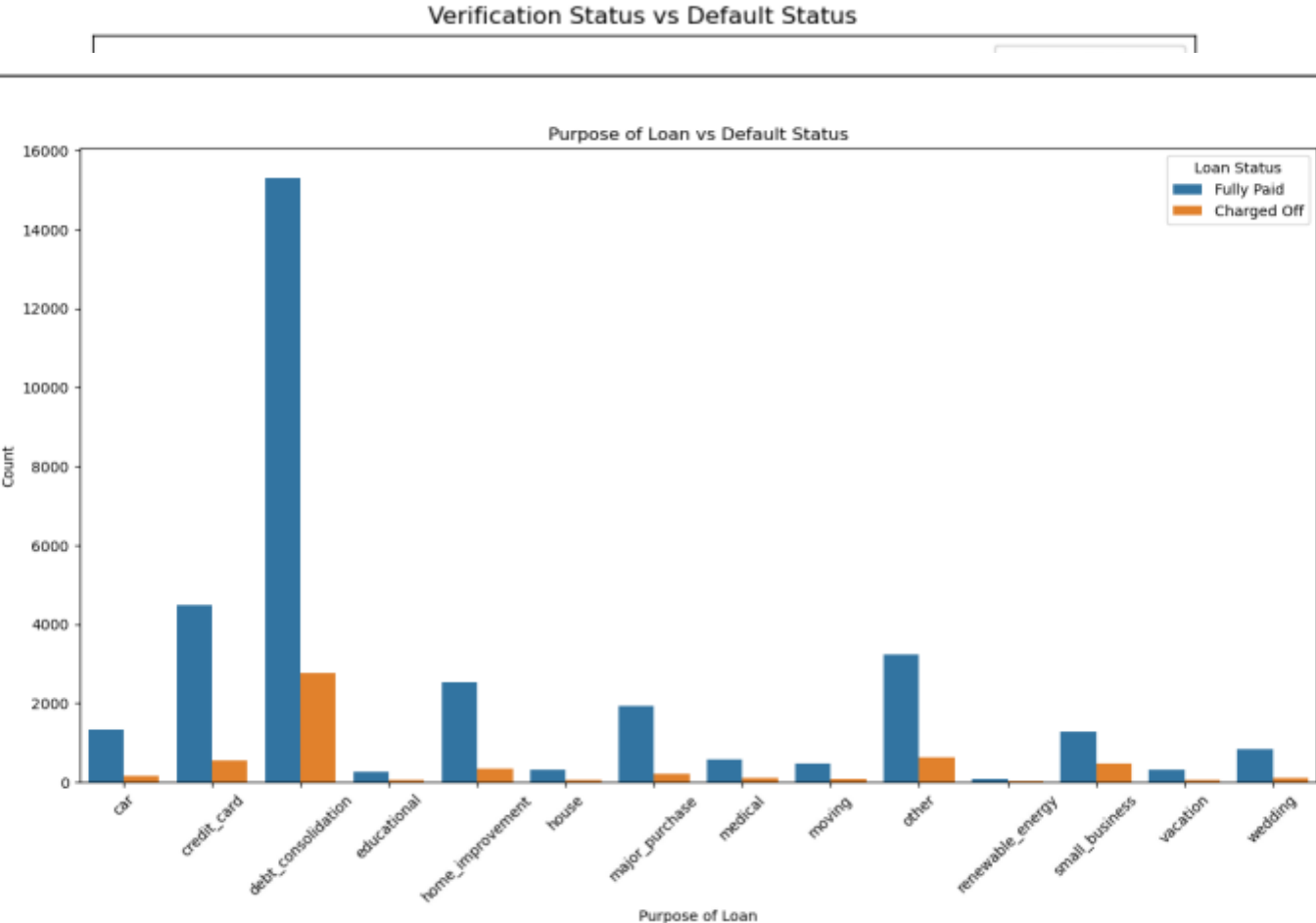
There is a higher frequency of default in loan grade D, E, F & G



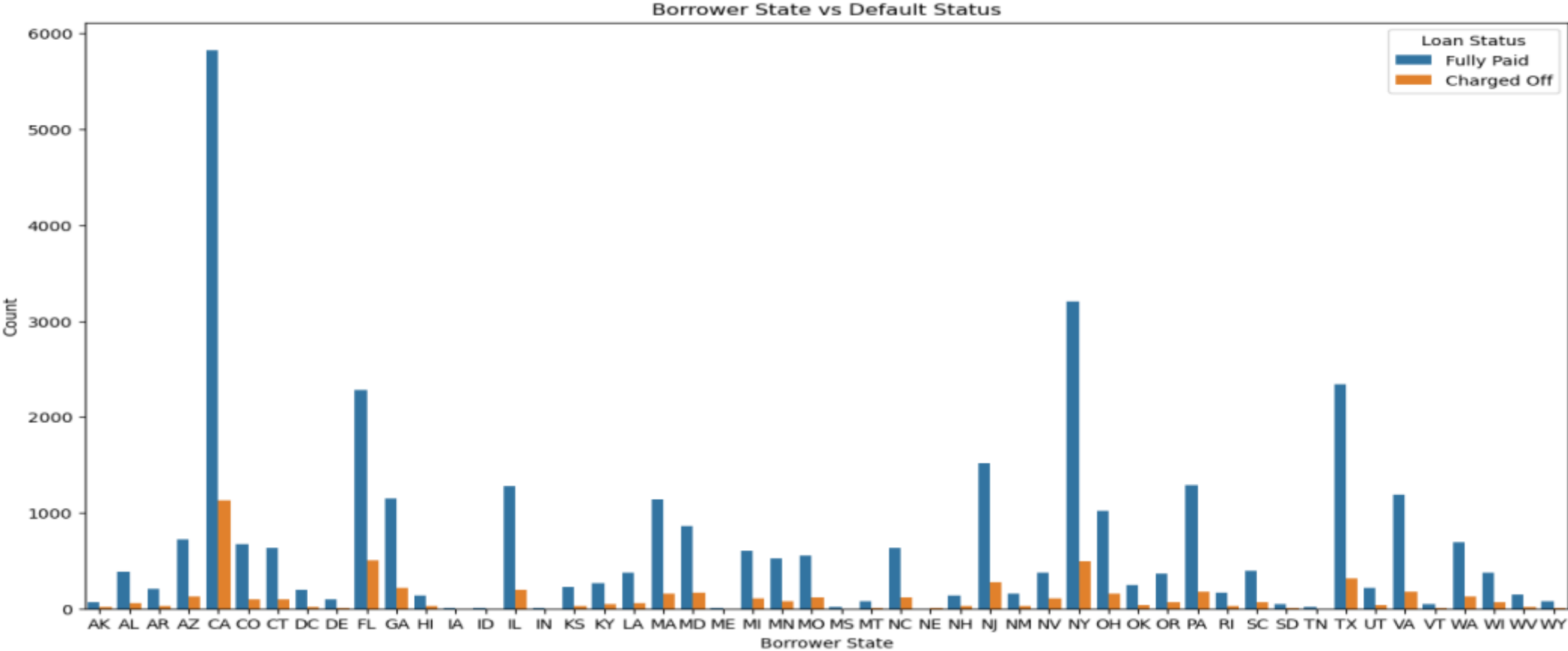
There is a higher % of defaults in verified category compared to non verified category



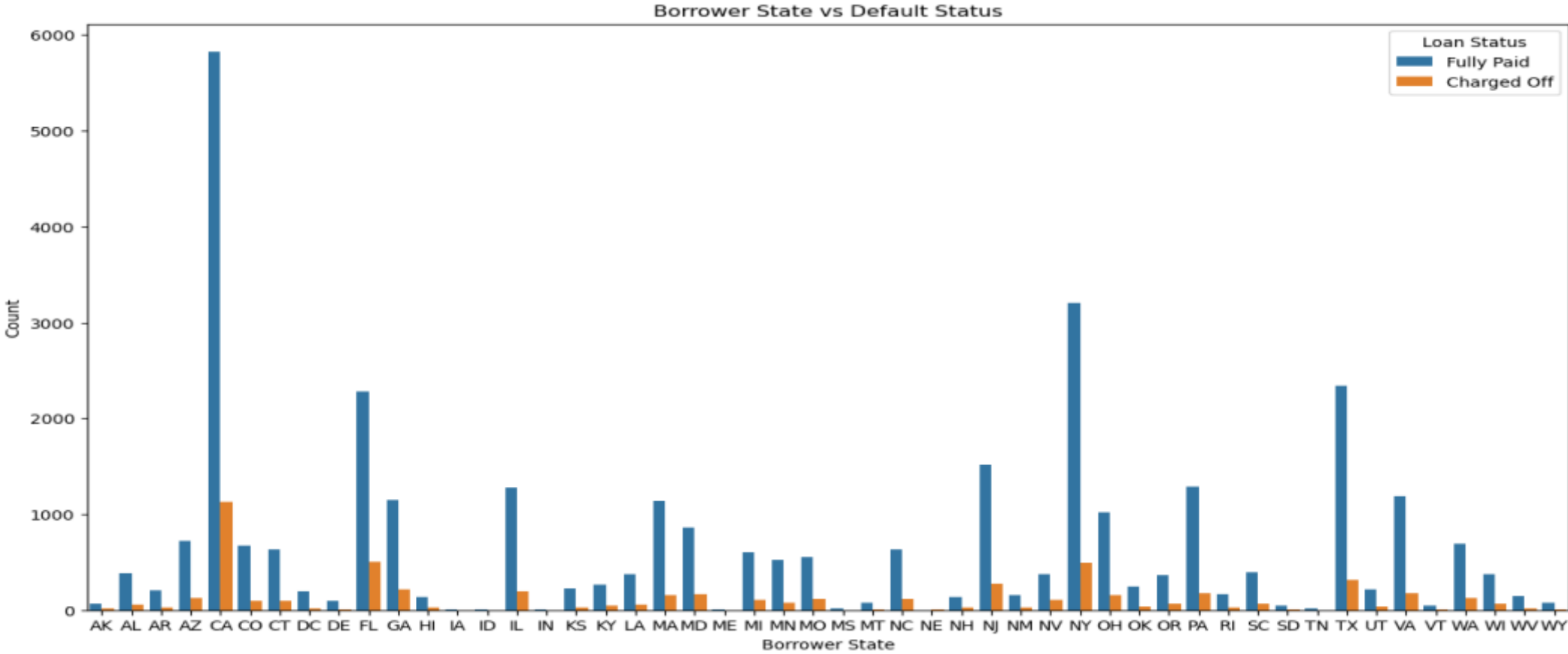
It seems there is a high demand for loan for debt consolidation, the category has also highest no of defaults



There are high number of default cases reported from CA, FL and NY states



Final Conclusion



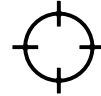
Final Conclusion



LendingClub has grown consistently over the period of years. However the defaults have also grown by the same rate. Few considerations that LC should have are as below:



LendingClub should issue long term loans (60 months term) for Grade A cases only as other grades have higher tendency to default



There is a higher tendency to default when loan amount is high. LC should perform higher due diligence in such cases



Higher interest rates are levied to compensate for high risk loans. However there is a higher tendency to default when interest rates are higher. Implement stricter loan amount limits based on the borrower's income and credit history. Lower limits for those with lower incomes or poorer credit scores could reduce default rates. • LC should perform higher due diligence for the loans issued to borrowers from CA, FL and NY

Thank you

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