LENDSMART
CREDIT RISK ANALYSIS

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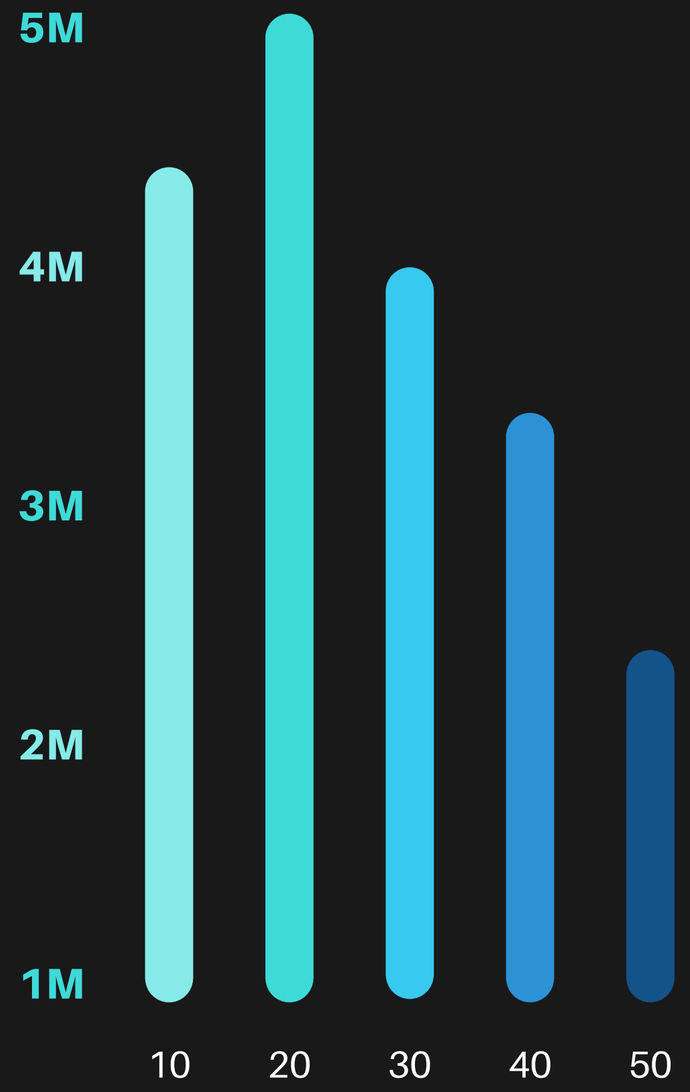
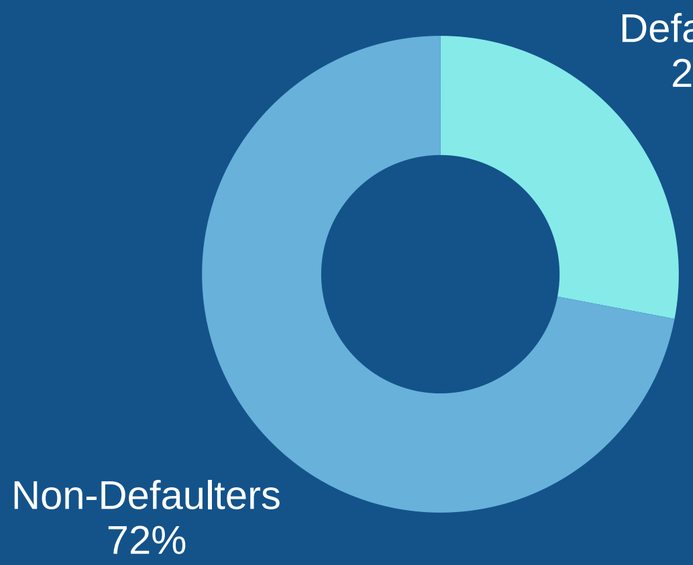


Defaulter’s behavior

WHAT ARE WE TRYING TO SOLVE?

GOAL

Elaborate a predictive model that allows LENDSMART to identify possible defaulters



PORTFOLIO DISTRIBUTION

KEY INSIKEY INSIGHTS: WHAT DRIVES DEFAULTERS?

PAYMENT HISTORY SCORE

It has a coefficient of - 15.67
Indicating that as it increases so does the probability of being a defaulter

CREDIT UTILIZATION

it has a coefficient of 11.31
Indicating that a high value indicates low probabilities of being a defaulter

JOB STABILITY SCORE

It has a coefficient of - 12.8
Indicating that as it increases so does the probability of becoming a defaulter

LESSER VARIABLES

IN ADDITION TO THESE THREE KEY VARIABLES, TWO OTHERS WERE OBSERVED TO HAVE A SMALLER BUT STILL RELEVANT INFLUENCE

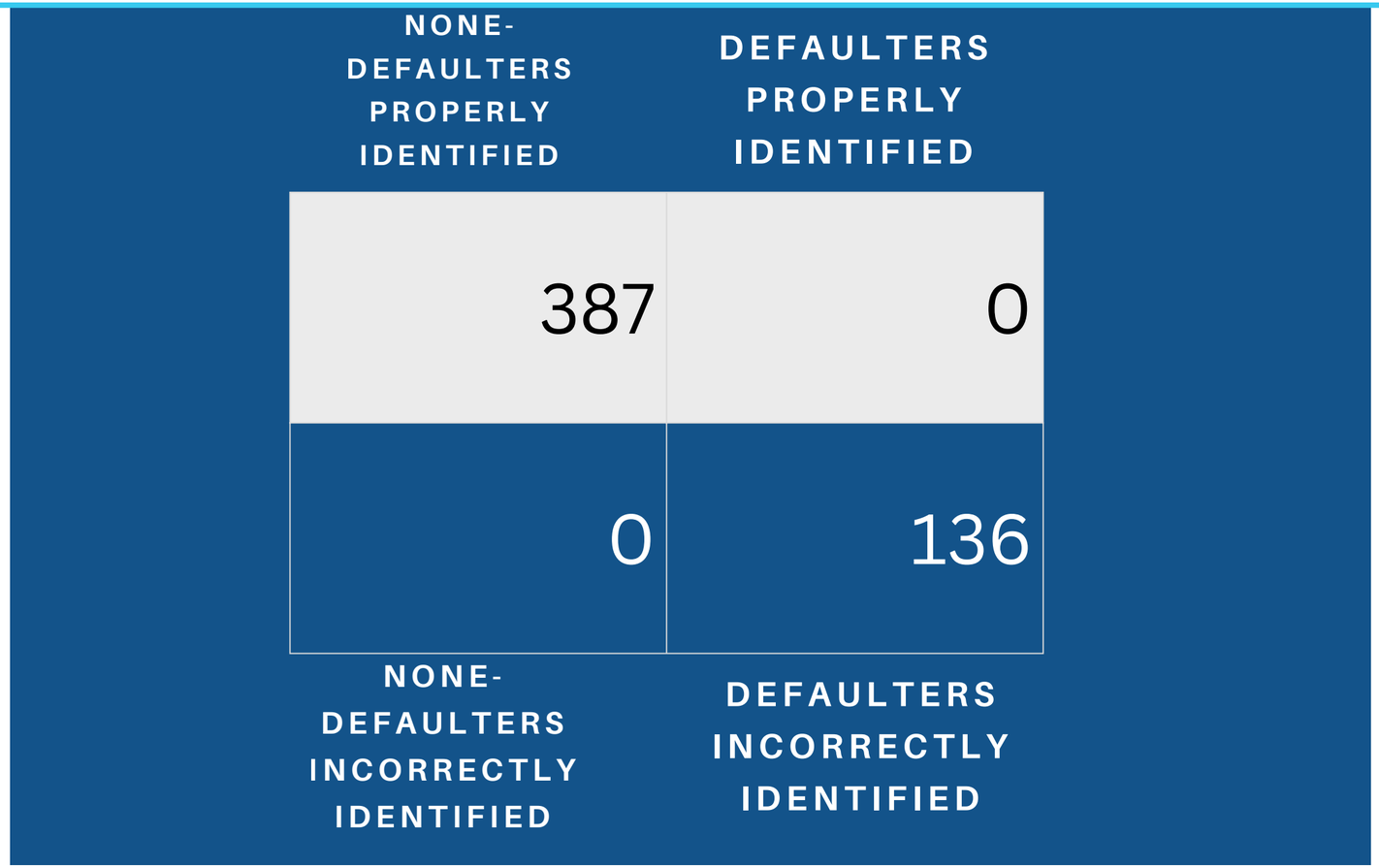
DEBT TO INCOME RATIO

Coefficient of 4.5

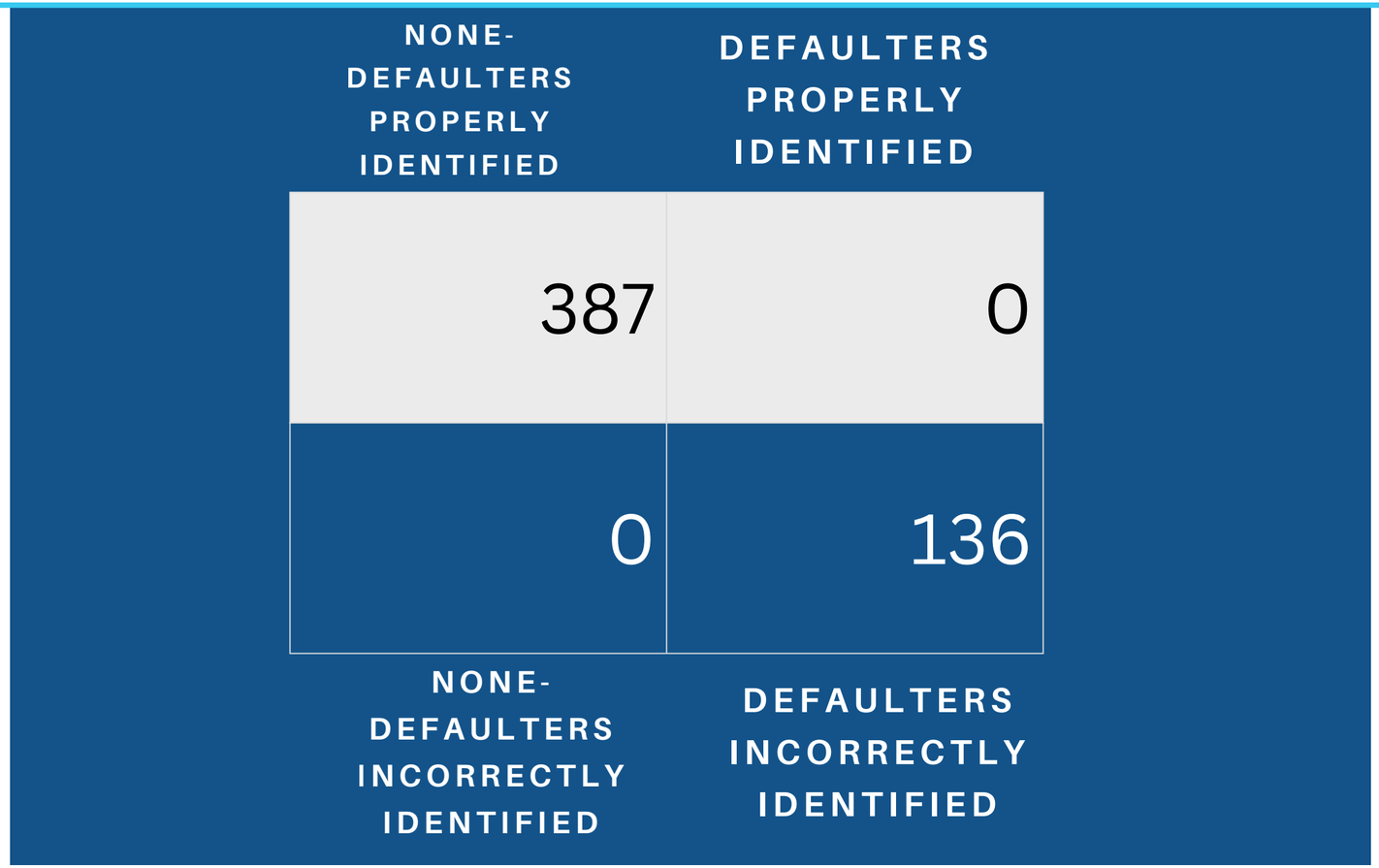
CREDIT SCORE

Coefficient of -.24

LDA -CONFUSION MATRIX

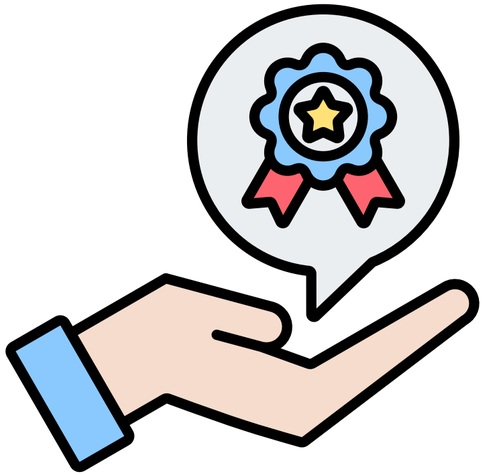


QDA -CONFUSION MATRIX



FINAL RECOMMENDATIONS

- WE RECOMMEND THAT LENDSMART DEPLOYS THE LDA (LIN EAR DISCRIMINANT ANALYSIS) MODEL AS THE PREFERRED SOLUTION



- NOTE THAT THIS MODEL WAS TRAINED ON HISTORICAL DATA WITH CLEAR GROUP SEPARATION, MEANING THAT FUTURE DATASETS WITH MORE OVERLAP OR NOISE MAY SLIGHTLY REDUCE ACCURACY