LENDING CLUB
CASE STUDY

Gyan Prakash

AGENDA

Introduction

Business Understanding

Visual representation of data

Final Observation

INTRODUCTION

Consumer finance company which specializes in lending various types of loans to urban customers. When the company receives a loan application, the company has to make a decision for loan approval based on the applicant's profile

Pitch variation.

Two types of decisions

Meaningful eye contact

- Loan accepted
    - Fully paid
    - Current
    - Charged off
- Loan rejected

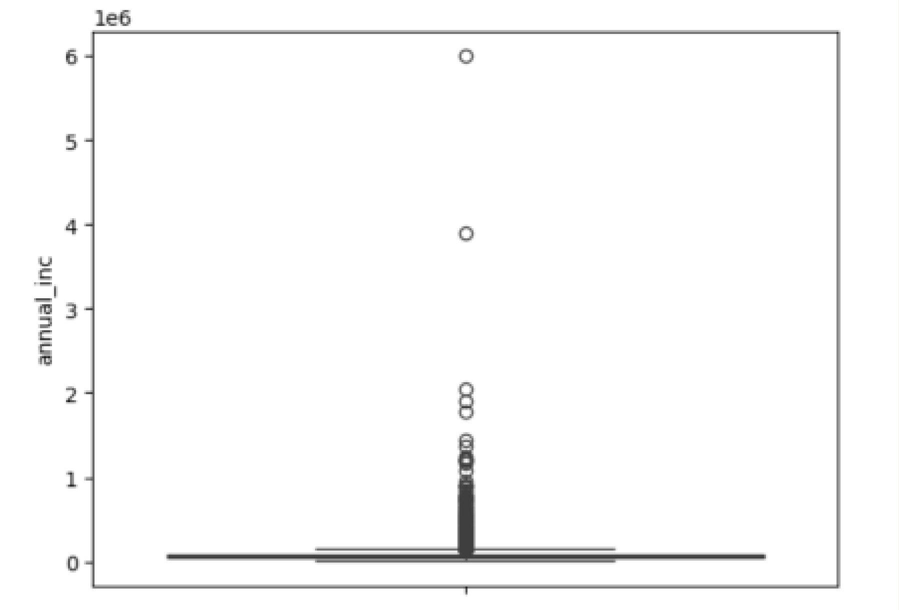
BUSINESS UNDERSTANDING

lending loans to ‘risky’ applicants is the largest source of financial loss (called credit loss). Credit loss is the amount of money lost by the lender when the borrower refuses to pay or runs away with the money owed.

The company wants to understand the driving factors (or driver variables) behind loan default, i.e. the variables which are strong indicators of default. The company can utilise this knowledge for its portfolio and risk assessment.

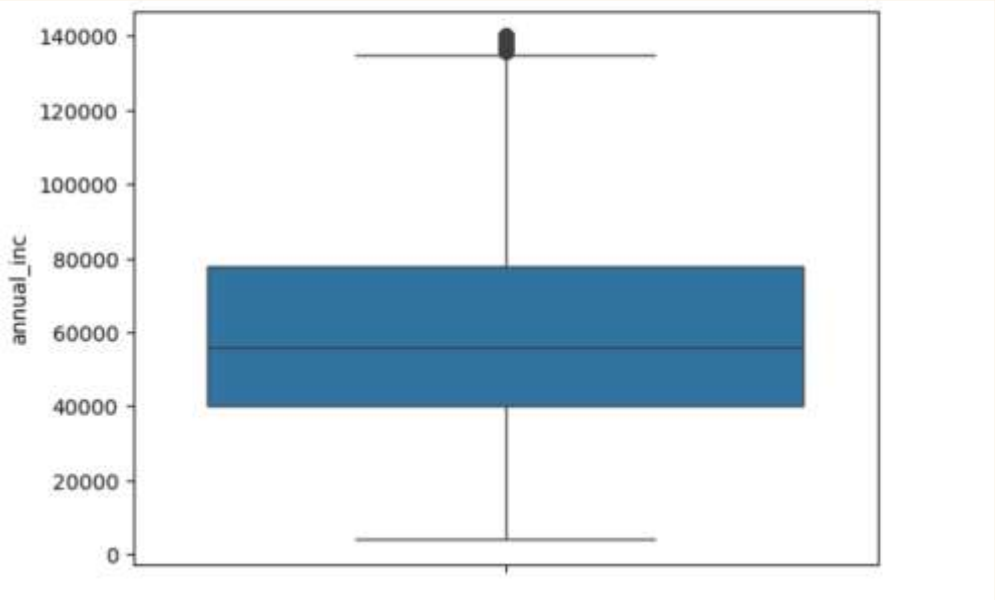
VISUAL REPRESENTATION OF DATA

Finding Outliers



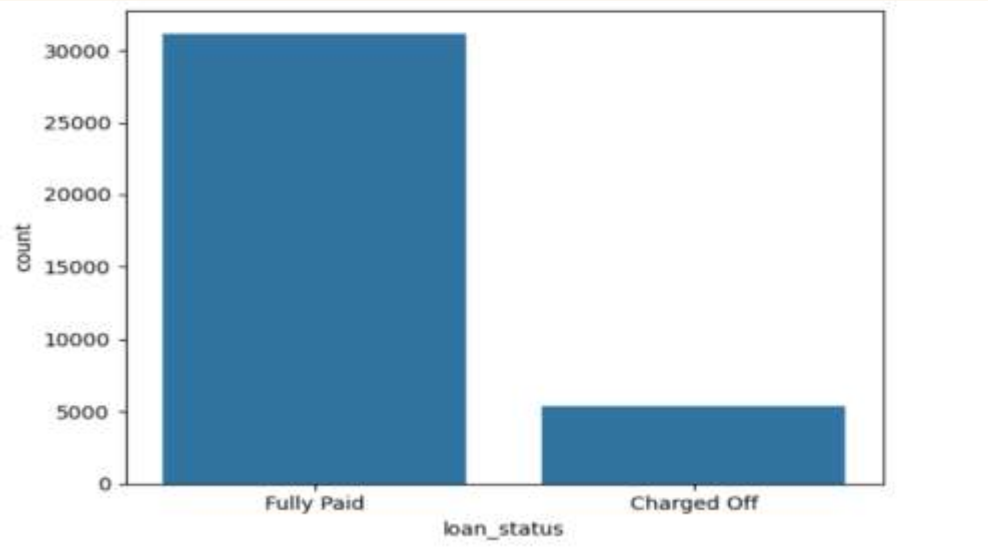
The above plot clearly shows the presence of outliers mostly at 95 quarantile

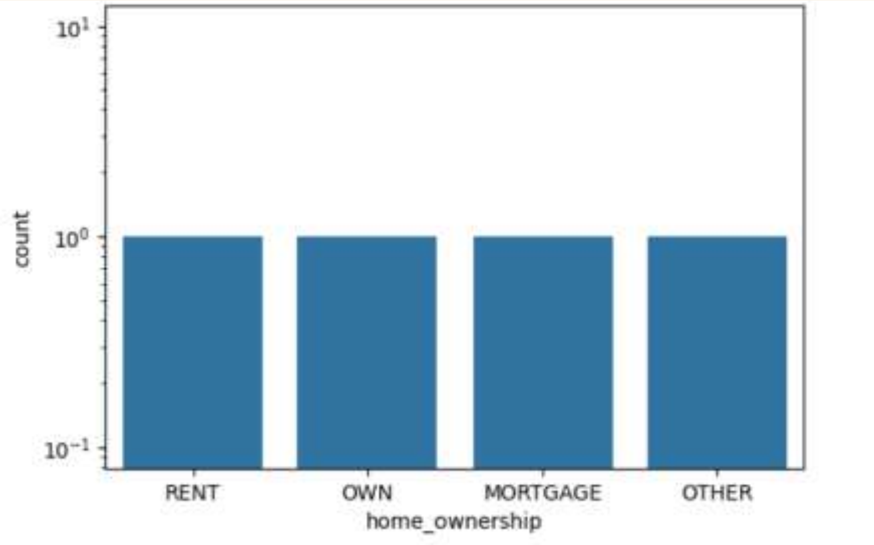
Post removing the outlier

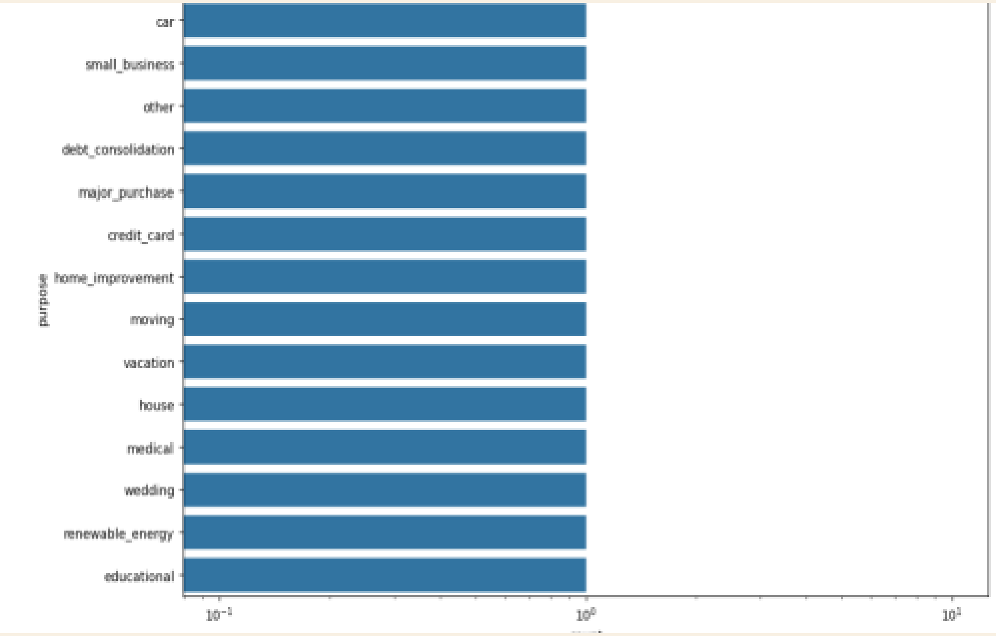


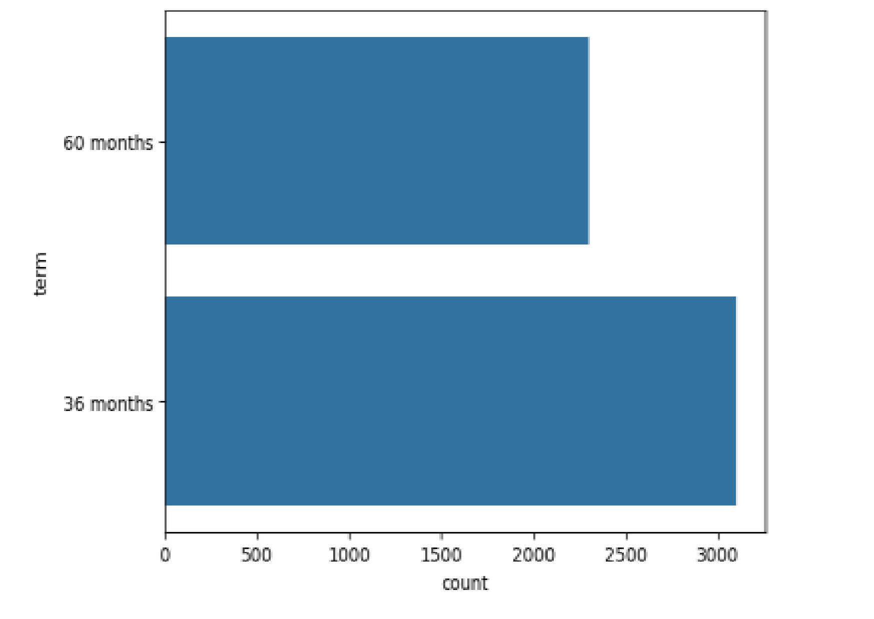
The above plot looks cleaner after removing the outlier

Plot across different Categorical variables









FINAL OBSERVATION

- We don't see any considerable difference in the customers getting defaulted on the basis of the home ownership
- Surprisingly not seeing difference on the purpose of the loan as well
- 36 months loans are more risk to getting charged off compared to 60 months