Exam Answers

Answer 1: This change could trigger a chain reaction throughout the entire process. Adjusting the threshold could change the model's output and the selected interest rate, potentially altering the end result significantly. For instance, without modifying Converter A, the new threshold might generate a different interest rate, affecting alignment and the risk modification process. This could lead to a higher or lower accurate interest rate after adjustments, impacting Converter B's output and the final pricing score and decision.

Answer 2:

- Data Entry Errors: Mistakes made while inputting data into the application.
- Outdated or Incorrect Information: Use of old or wrong data that affects functionality.
- API Integration Errors: Issues during the interaction between different software systems.
- Missing Data: Important data that is not captured or used.
- Insufficiently Trained Models: Machine learning models that do not perform adequately due to limited training

By the way I know this isn't a good answer because I misunderstood the question at that time but I won't changed it because I feel like it would be like cheating

Answer 3:

The DTI restriction is applied at the end of the flow, after the pricing table, to ensure that the final loan offer is financially manageable for the applicant. This step acts as a final check to assess whether the applicant can comfortably handle the loan payments in relation to their income

Answer 4:

Application #1:

- In the first offer the decision was approved even though the interest rate is higher than 0.5 which is a restriction.
- Offer 3 has a pricing score of 0.43 and a rate of 12 which isn't correct according the pricing score table, it should be 13
- Doesn't make sense that offer 3 has a lower rate than offer 1 when in the alignment process we are supposed to compare offer 3's rate to offer 1's rate

Application #2:

- Offer 2's rate was -1 (declined) while offer 3 was approved and that offer 2 has a lower risk score (higher risk) than offer 3 when then amount of offer 3 is larger

Bonus:

The explanation of the threshold in the rate model and the calculation of the rate score is unclear, but I will try to provide the best answer I can.

Upon examining the rates of the three offers, we observe that they are all set at 10%. However, for offer 1, which has the lowest requested amount of $7,000, the rate was initially higher but was reduced by 1% during the risk modification process. On the other hand, offers 2 and 3 maintained a rate of 10%, with a risk factor of 0, indicating that no modifications were made during the risk modification phase. Thus, it appears that prior to the risk mitigation phase, the rate for the first offer was higher than those for the second and third offers. In this scenario, there should have been an interest rate alignment for offers 2 and 3 based on the rate from offer 1. However, this alignment does not seem to have occurred according to the results presented in application 3