Capstone Two Proposal

My second proposal is to develop a model that will predict default rate in current credit card holders. This project is a variant of a classic churn model; only that this project will focus on the credit card industry. A credit card company strongly relies on its customers to pay the balance it is owed. This balance depends on the agreement between customer and the company. Churn rate, also known as attrition rate, is the rate at which customers stop doing business with a company. Customers who default on their payments cannot continue to do business with that company. It would be in the interest of a prospective company to predict which of its current customers would default on its payments. Knowing which customers will default and what features lead to such an outcome could help a company retain its customers. High retention rates involve more that knowing which customers who are less likely to default. Features that influence default rates among customers can be used to inform strategic decisions, which could leave to increased customer loyalty, service, and satisfaction.

The datasets that could be used for this project comes from <https://archive-beta.ics.uci.edu/ml/datasets/default+of+credit+card+clients>. The data covers default rates from a commercial bank in Taiwan, who were trying to find out which of its clients would default on its payments.