

# Swift Loan Data Analysis Report

## 1. Introduction

The objective of this analysis was to evaluate the performance and health of a loan portfolio provided by Swift Loan, using several key financial metrics. The dataset includes loan transaction details, including loan amounts, payment status, due dates, and the number of days loans are in arrears. In this report, I have calculated important metrics such as Write-Off Rate, Collections Rate, Gross Yield, and Days in Arrears to assess the portfolio's performance. These metrics provide insights into the effectiveness of loan recovery processes, the risk associated with the loan portfolio, and its overall profitability.

## 2. Key Metrics Calculated

- **Write-Off Rate (WOR):** Measures the proportion of loans written off relative to the total portfolio.

Formula:  $\text{Write-Off Rate} = (\text{Total Amount Written Off} / \text{Total Loan Portfolio Value}) * 100$

Write-Off Rate: 105.99%

- **Collections Rate (CR):** Measures the effectiveness of the collections process.

Formula:  $\text{Collections Rate} = (\text{Total Amount Collected} / \text{Total Outstanding Balance}) * 100$

Collections Rate: 132.17%

- **Gross Yield (GY):** Measures the overall profitability from the interest on loans.

Formula:  $\text{Gross Yield} = (\text{Total Interest Earned} / \text{Total Loan Portfolio}) * 100$

Gross Yield: 34.49%

- **Days in Arrears (DIA):** Measures the average number of days loans are overdue.

Formula: Days in Arrears = (Sum of Days Loan is Overdue / Number of Loans)

Days in Arrears: 854

### 3. Findings and Observations

- **Write-Off Rate:** The Write-Off Rate of 105.99% indicates that a significant proportion of loans are unrecoverable. This suggests that credit risk management might need to be reviewed.
- **Collections Rate:** The Collections Rate of 132.17% is reasonable but could be improved.
- **Gross Yield:** Gross Yield of 34.49% indicates the portfolio is generating a healthy return from interest and fees.
- **Days in Arrears:** The average Days in Arrears of 854 suggests that many loans are overdue by a considerable amount of time, signaling challenges in repayment timeliness.

### 4. Conclusion

Overall Strategy: Swift Loan should focus on improving its collections processes, refining its product offerings, and adjusting interest rates to balance risk and profitability. By implementing targeted strategies for managing high-risk products, optimizing recoveries, and improving customer repayment, Swift Loan can stabilize its cash flow and reduce the overall write-off rate.

### 5. Recommendations

- **Improve Credit Risk Assessment:** Consider revising risk models to reduce the Write-Off Rate.
- **Optimize Collections Strategy:** Implement more automated reminders and flexible payment plans to improve the Collections Rate and reduce Days in Arrears.

- **Regular Portfolio Review:** Conduct periodic reviews of key metrics to monitor the loan portfolio's health.

Investment Recommendation: Not Suitable

Swift Loan is not a suitable investment at this time due to its high-risk portfolio, poor loan performance metrics, and lack of effective recovery mechanisms. While there are opportunities for improvement, realizing these opportunities would require substantial operational changes, stricter credit policies, and enhanced recovery strategies, which may take years to materialize.

If Swift Loan can address these critical issues and demonstrate measurable improvements, reconsidering the investment may be appropriate in the future

End of Report