

USER REQUIREMENTS:

LOAN PERFORMANCE DASHBOARD

Objective:

Provide a clear visualization of key performance metrics, identify emerging risk trends, and recommend data-driven decision-making to optimize loan portfolio management and mitigate potential risks.

Problems Identified:

1. **Lack of Visibility into Loan Performance:** Currently, stakeholders lack a centralized platform to visualize and assess loan performance data in a meaningful way, making it difficult to spot trends or risks early.
2. **Inability to Identify High-Risk Customers:** The current system lacks the ability to effectively identify customers who are at high risk of default. Without a clear, data-driven approach to flagging high-risk individuals based on factors such as credit history, loan behavior, and financial standing, it becomes difficult to prioritize interventions and take proactive steps to mitigate potential losses.
3. **Inconsistent Data Reporting:** Different teams use varying definitions and methods for assessing loan risk, leading to discrepancies in how loan performance is evaluated and complicating cross-team collaboration.
4. **Complexity in Identifying Patterns and Trends:** Without a clear and visual representation of loan performance data, it is challenging to identify patterns and behaviors that could indicate risk or opportunities.

Target Audience:

- **Credit Risk Analysts:** Responsible for analyzing loan data, identifying risk trends, and proposing strategies to minimize defaults.
- **Portfolio Managers:** Oversee the entire loan portfolio and need tools to assess performance, track KPIs, and adjust strategies accordingly.
- **Loan Originators:** Need to understand patterns of loan performance to optimize the loan approval process and mitigate risks upfront.

Success Criteria

1. The dashboard delivers accurate key metrics and visualizations, enabling users to make informed, data-driven decisions.
2. Users can effortlessly navigate the dashboard's interface and interact with its data visualization features.
3. The dashboard provides sufficient customization options, such as filtering loan types or loan grades, allowing users to tailor views to specific needs.
4. The dashboard offers a concise summary with actionable recommendations.

Key Metrics:

- Total Loan Amount (GBP)
- Average Interest Rate (%)
- Total Number of Loans
- Total Number of Defaulted Loans
- Default Rate (%)

Key Requirements/Questions

1. **Risk and Loan Grade Correlation**
Analyze the correlation between loan grade and risk. Are higher loan grades associated with lower default rates, and vice versa?
2. **Interest Rate and Default Rate Relationship**
Investigate the link between higher interest rates and default rates. Does the interest rate significantly impact the likelihood of loan default or delinquency?
3. **Loan Performance by Term**
How does the default rate differ between short-term, medium-term, and long-term loans?
4. **Characteristics of High-Risk Borrowers**
Identify key characteristics (e.g., historical default status, loan grade, income level) that differentiate high-risk borrowers from low-risk ones.
5. **Common Causes of Loan Defaults**
Determine the most common factors contributing to loan defaults (e.g., loan amount, grade, income level).
6. **Historical Default Status and Current Loan Risk**
Analyze the relationship between a borrower's historical default status and their current loan performance. Are borrowers with previous defaults more likely to default again?