

LENDING CLUB CASE STUDY

Lending Club is the largest platform for facilitating personal loans, business loans etc. This platform give various types of loans to urban customers. Borrowers have various options to choose from the lending club as per their need.

So solving this assignment will give you an idea about how real business problems are solved using EDA.

In this case study, apart from applying the techniques you have learnt in EDA, you will also develop a basic understanding of risk analytics in banking and financing services and understand how the data is used to minimise the risk of losing money while lending to customers.

Two types of risks are associated with the bank's decision:

- If the applicant is likely to repay the loan, then not approving the loan results in a loss of business to the company.
- If the applicant is not likely to repay the loan, I.e. he/she is likely to default, then approving the loan may lead to a financial loss for the company.

The PPT contains the following contents:-

1. Data Cleaning
2. Data Exploration / data transformation
3. Observations
4. Conclusion
5. Suggestion.

Conclusion:-

1. Annual income with DTI is negatively correlated.

This means higher the income, lesser the chances of getting charged off. So, eligibility criteria should be modified. The minimum salary required for the approval of loan should be increased.

2. Also it would be better to ask for bank statement of around 3 years.

Usually, for approving loans, balance sheet of 1 year is taken by lenders. This will not give insights of how stable the source of income is,

and how much exponential growth the particular borrower gets each year in his/her job/career.

Eg. If a borrower had monthly income of 25k in first year and he had income of 30k in second and 35k in third year, it shows that the growth is less and he/she gets less increments. It can be predicted that in fourth year, he will likely have 40k .

Now consider somebody had monthly income of 5k in first year, 25k in second year, 35-40k in third year, it implies that he/she has high growth and increment is high. And it can be predicted that the borrower will likely have salary of 50+k in fourth year.

So, it can be determined who is likely to get higher salary in future through this bank statement of around three years.

3. It is observed that higher the interest rate, higher is the chances of getting charged-off.

So it is better to lower the rate of interest so that chances of getting charged off gets reduced to a little extent.

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