

BANK LOAN REPORT

TERMINOLOGIES USED IN DATA

This section outlines key terminologies used in the analysis and management of bank loan data. Understanding these terms is crucial for effective loan management, risk assessment, and decision-making.

Fields Used in Data

Loan ID

- **Purpose:** The Loan ID is a unique identifier assigned to each loan application or loan account. It acts as a primary key for tracking and managing loans.
- **Use for Banks:** Banks rely on the Loan ID to efficiently manage loan records, monitor repayments, and address customer inquiries throughout the loan's lifecycle.

Address State:

- **Purpose:** The Address State represents the borrower's location. It helps in assessing regional risk factors, complying with state regulations, and estimating default probabilities.
- **Use for Banks:** Banks use this information to analyze regional trends in loan demand, adjust marketing strategies, and manage risk portfolios by geographic region.

Employee Length:

- **Purpose:** Employee Length provides insights into the borrower's job stability, as longer employment durations often signal greater job security.
- **Use for Banks:** Banks use this field to evaluate a borrower's repayment capability, as stable employment is generally associated with lower default risk.

Employee Title:

- **Purpose:** This field specifies the borrower's occupation or job title, giving lenders a clearer picture of the borrower's income source.
- **Use for Banks:** Banks use this information to verify income sources, assess financial capacity, and tailor loan offers to specific professional groups.

Grade:

- **Purpose:** The Grade represents a risk classification assigned to the loan based on the borrower's creditworthiness. Higher grades indicate lower risk.
- **Use for Banks:** Banks use the Grade to set interest rates and manage loan risks. Loans with higher grades typically have lower interest rates and attract more favourable terms for investors.

Sub Grade:

- **Purpose:** The Sub Grade refines the risk assessment within a given grade, offering more detailed risk differentiation.
- **Use for Banks:** Sub Grades provide finer distinctions in risk profiles, helping banks set more tailored loan terms and interest rates according to the borrower's specific risk level.

Home Ownership:

- **Purpose:** Home Ownership indicates the borrower's housing status, providing insight into their financial stability.
- **Use for Banks:** Banks consider this field when evaluating collateral availability and assessing overall borrower stability, as homeowners often represent a lower risk.
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Issue Date:

- **Purpose:** The Issue Date marks the date when the loan was originated. It is vital for tracking loan ageing and calculating maturity.
- **Use for Banks:** Banks use the Issue Date to monitor loan ageing, calculate interest accruals, and manage loan portfolios effectively.

Last Credit Pull Date:

- **Purpose:** This field records when the borrower's credit report was last accessed, helping monitor ongoing creditworthiness.
- **Use for Banks:** Banks use this date to stay updated on the borrower's credit history and assess their current credit risk when making lending decisions.

Last Payment Date:

- **Purpose:** The Last Payment Date marks the most recent payment made towards the loan. It helps track the borrower's payment history.
- **Use for Banks:** Banks use this date to assess payment behavior, identify potential delinquencies, and forecast future payments.

Loan Status:

- **Purpose:** The Loan Status indicates the current state of the loan (e.g., fully paid, current, default). It helps monitor loan performance.
- **Use for Banks:** Banks track Loan Status to evaluate the health of loans, categorize them for risk analysis, and determine the necessary provisions for potential losses.

Next Payment Date:

- **Purpose:** The Next Payment Date estimates when the borrower will make their next payment. It assists in cash flow forecasting.
- **Use for Banks:** Banks use this date for liquidity management and to predict revenue streams from their loan portfolios.

Purpose:

- **Purpose:** This field indicates the reason the borrower is requesting the loan (e.g., debt consolidation, education). It provides insights into borrower intentions.
- **Use for Banks:** Banks use this information to segment borrowers and customize loan offerings, ensuring that terms align with the borrower's needs.

Term:

- **Purpose:** The Term defines the duration of the loan in months, specifying the repayment period.
- **Use for Banks:** Banks use this field to structure loan agreements, calculate interest payments, and manage loan maturities effectively.

Verification Status:

- **Purpose:** Verification Status indicates whether the borrower's financial information has been validated. It ensures data accuracy.
- **Use for Banks:** Banks use this field to assess the reliability of loan applications, verify income sources, and evaluate the credibility of the loan request.

Annual Income:

- **Purpose:** Annual Income reflects the borrower's total earnings over a year. It is used to assess repayment capacity.
- **Use for Banks:** Banks rely on this field to evaluate loan eligibility, calculate debt-to-income ratios, and determine the borrower's overall financial health.

DTI (Debt-to-Income Ratio):

- **Purpose:** The Debt-to-Income Ratio (DTI) compares the borrower's monthly debt payments to their monthly income, helping assess their ability to manage additional debt.
- **Use for Banks:** Banks use DTI to evaluate a borrower's repayment capacity, ensuring that they can manage loan payments without overextending their finances.

Instalment:

- **Purpose:** Instalment is the fixed monthly payment amount for repaying the loan, including both principal and interest.
- **Use for Banks:** Banks use this field to structure the loan repayment schedule, calculate amortization, and assess affordability for the borrower.

Interest Rate:

- **Purpose:** The Interest Rate represents the annual cost of borrowing, expressed as a percentage. It dictates the overall cost of the loan.
- **Use for Banks:** Banks use the interest rate to price loans, manage profit margins, and attract potential investors.

Loan Amount:

- **Purpose:** The Loan Amount is the total sum borrowed by the borrower, which defines the principal amount.
- **Use for Banks:** Banks use this field to determine the loan size, set repayment schedules, and evaluate financial viability.