

Lending Club Case Study

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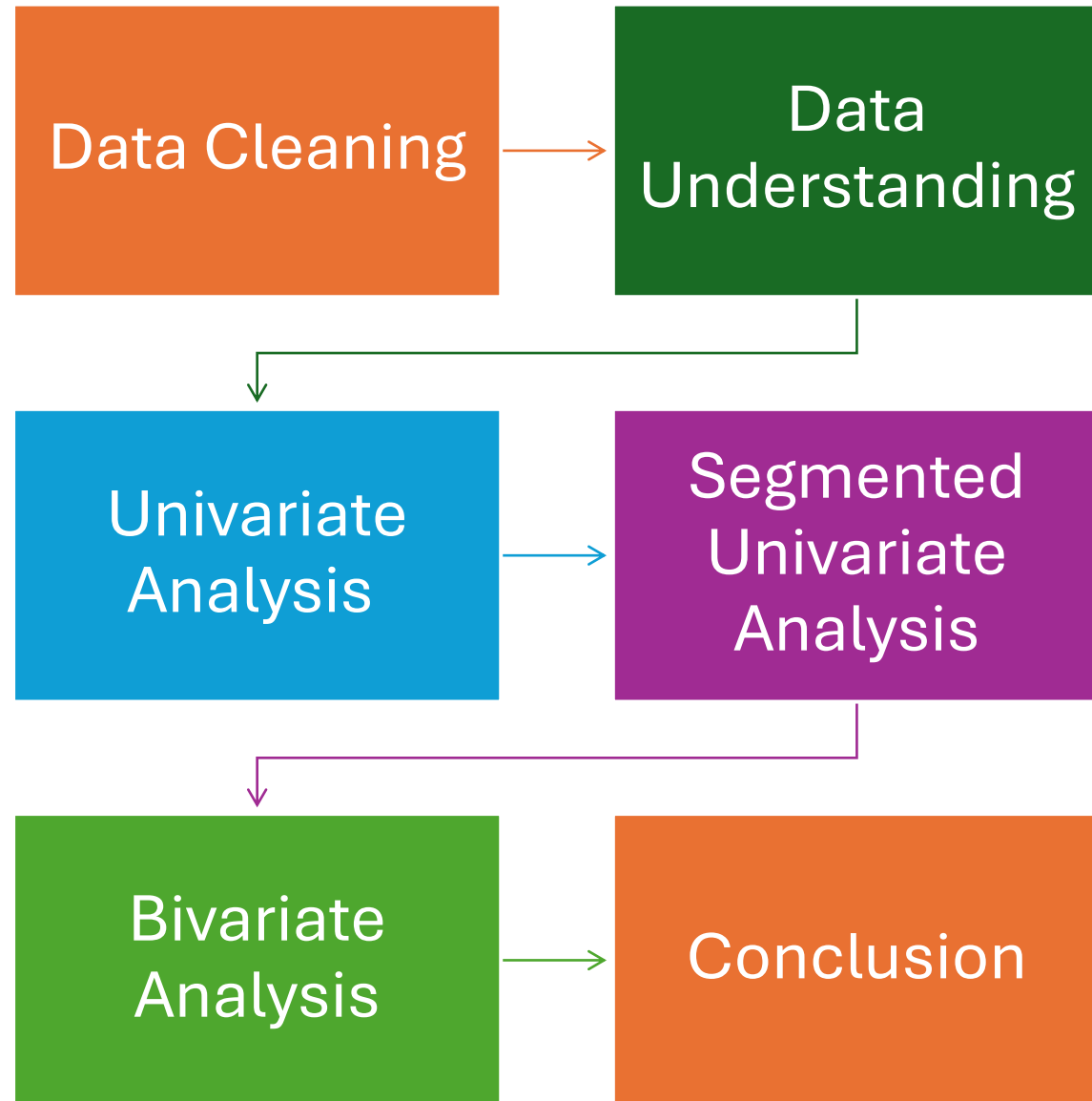
Abstract

Lending Club, the leading online loan marketplace, enables individuals to obtain personal loans, business loans, and financing for medical procedures.

Through a seamless online platform, borrowers can effortlessly secure loans at reduced interest rates.

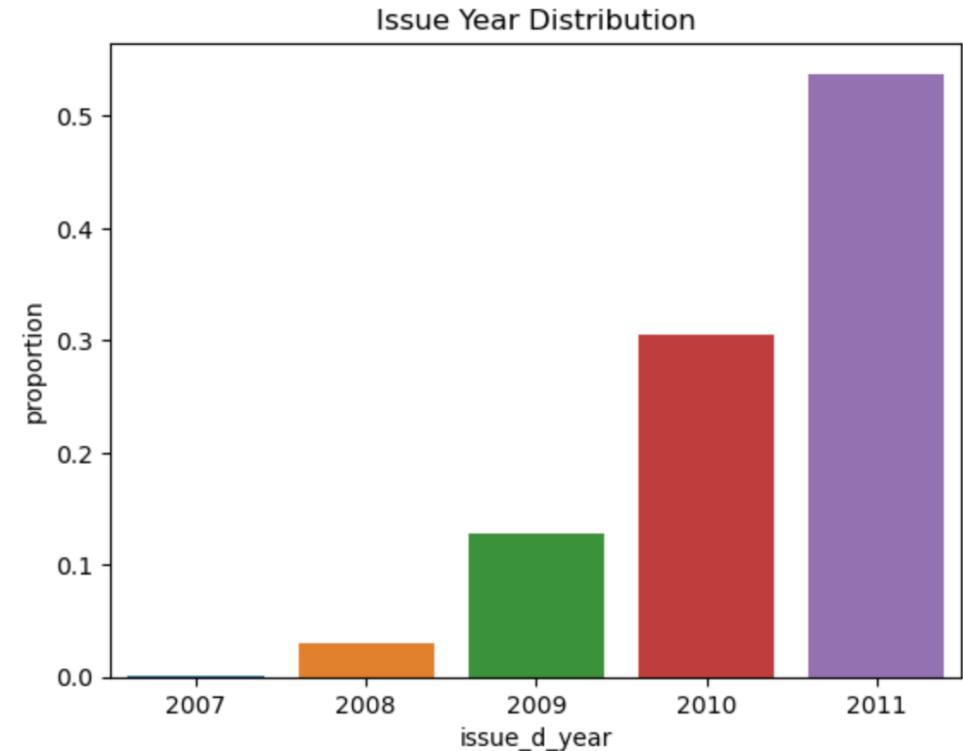
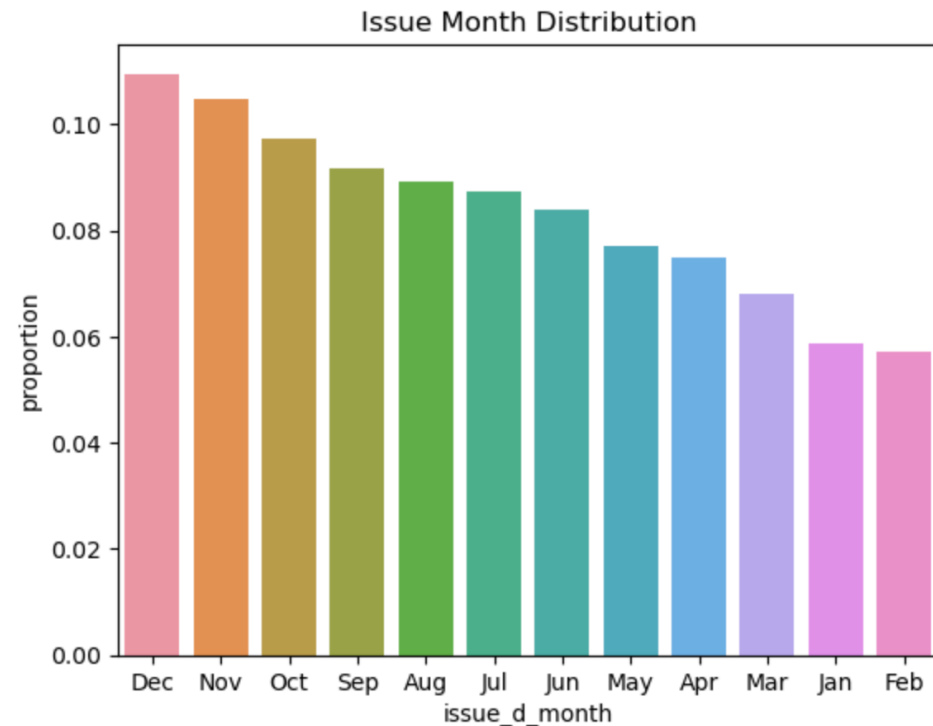
The aim of the analysis is to utilize data on previous loan applicants to determine their repayment behavior, specifically whether they defaulted or not.

Methodology



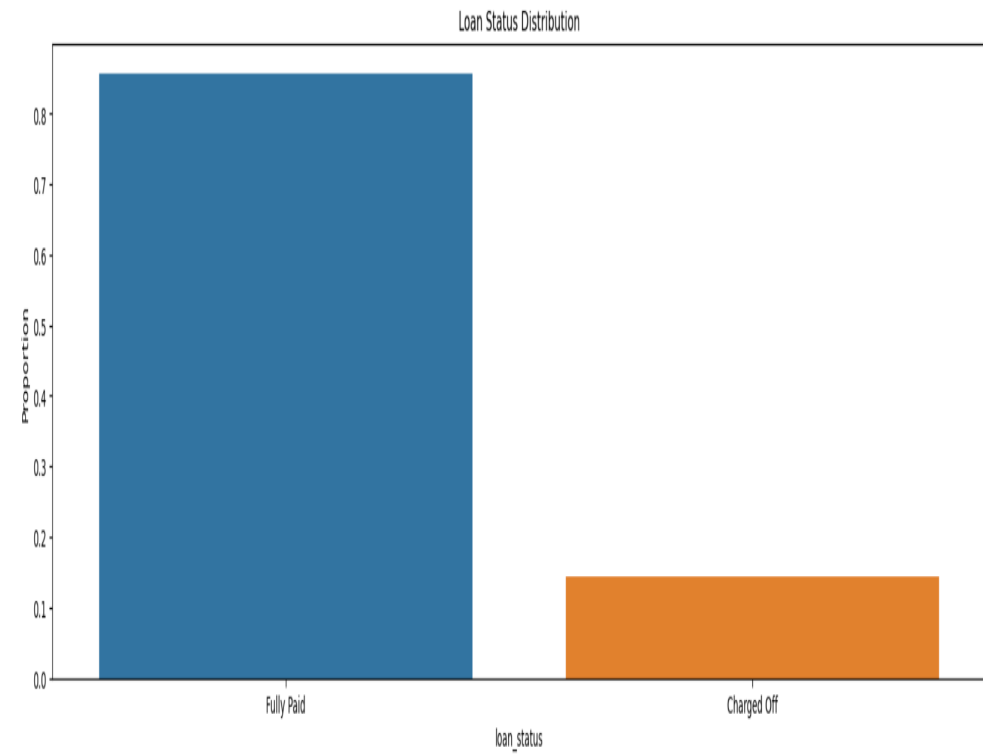
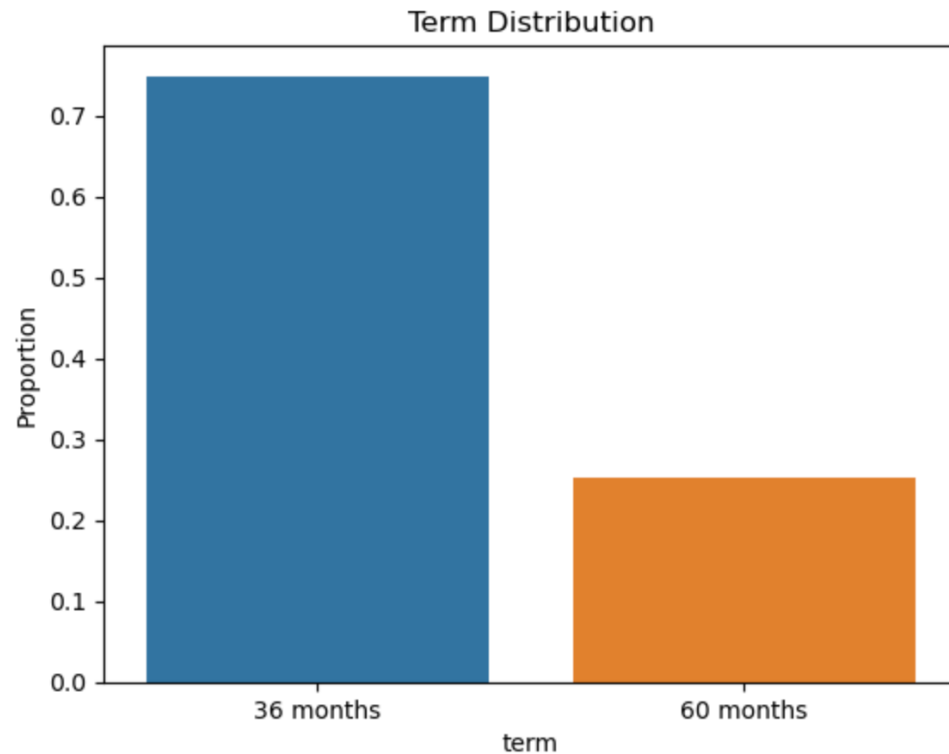
Analysis

- The lending club experiences a doubling of loan issues annually.
- The majority of loans have been approved during the months of October, November, and December.



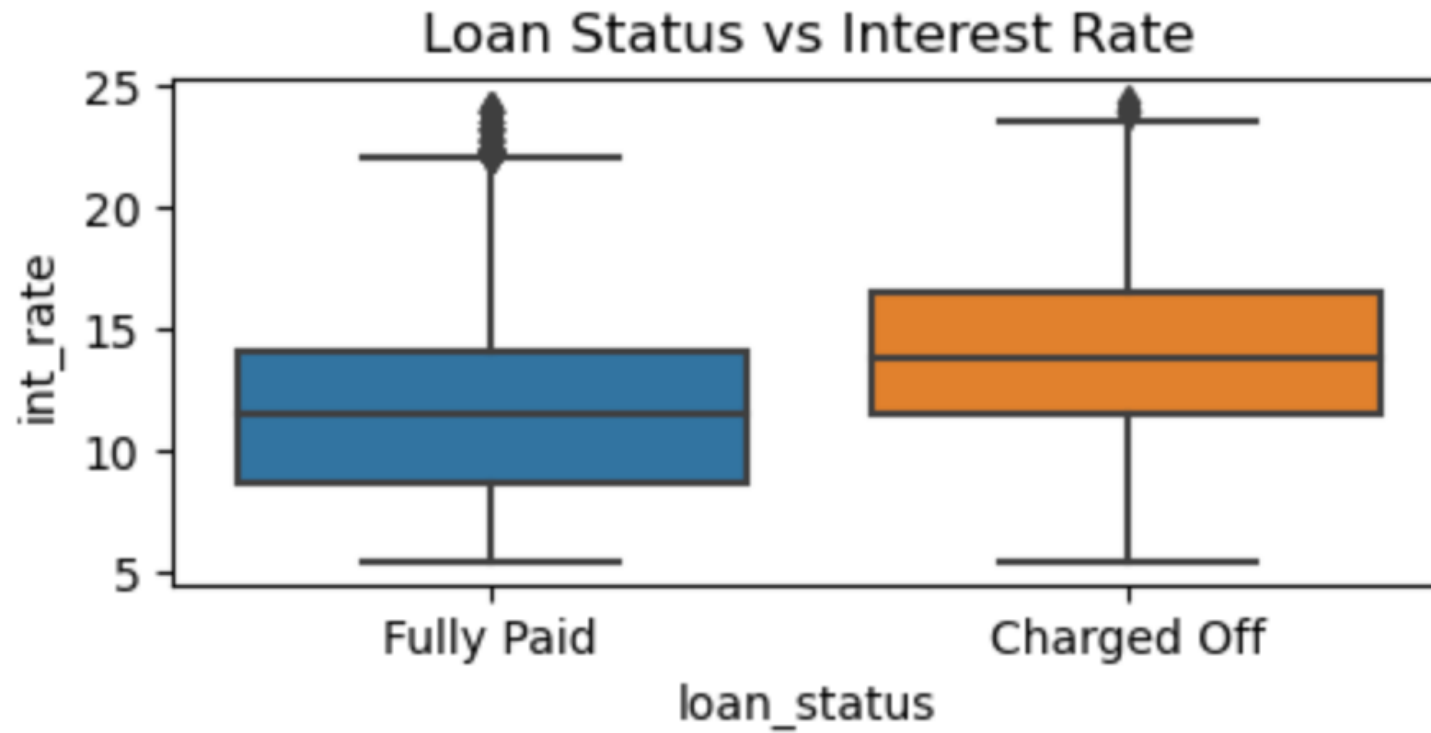
Analysis

- More borrowers have opted for a tenure of 36 months, than the 60-month tenure.
- More than 80% of borrowers has paid the loan fully.



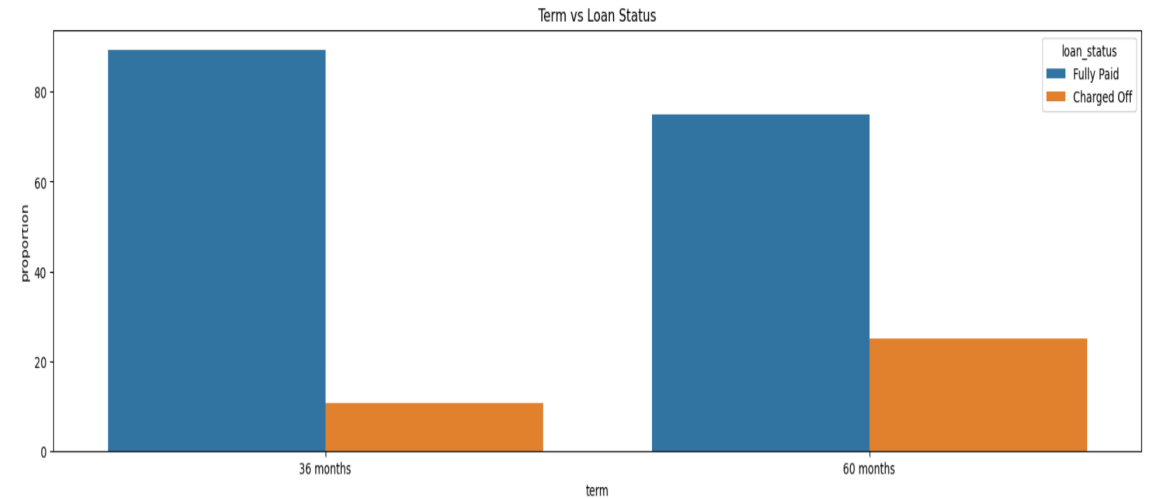
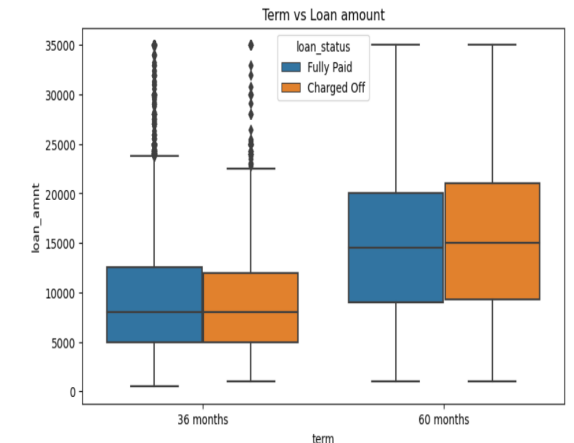
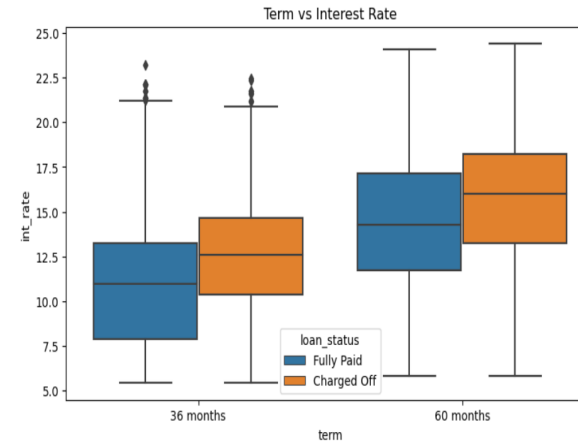
Analysis

- It indicates that the higher the interest rate, the greater the chance of loan default.



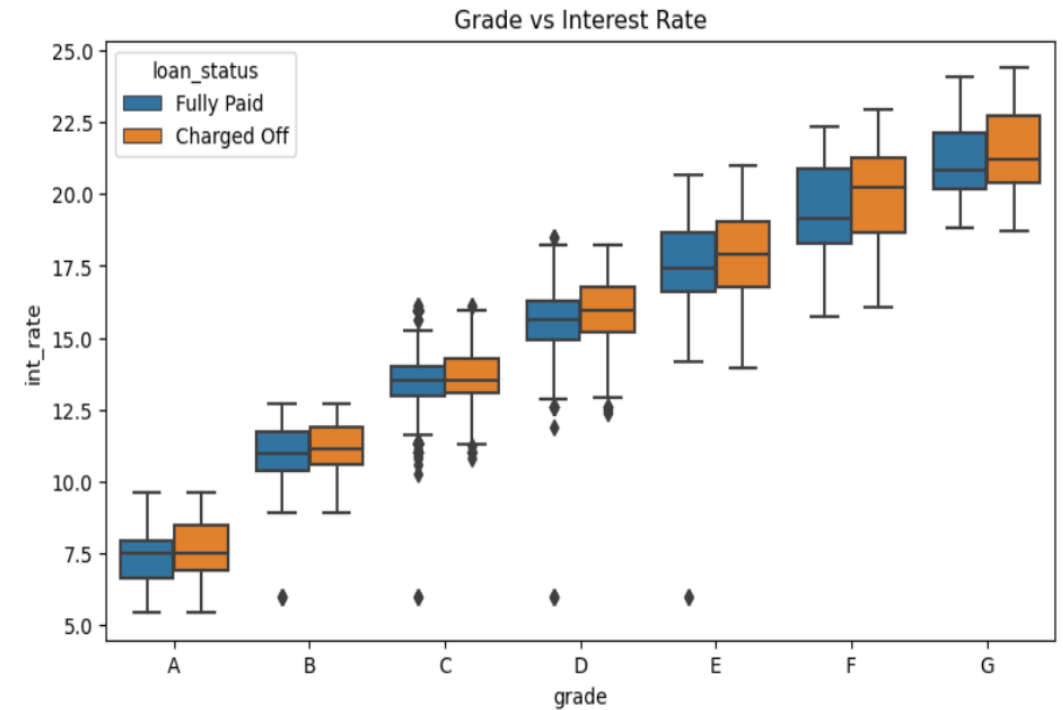
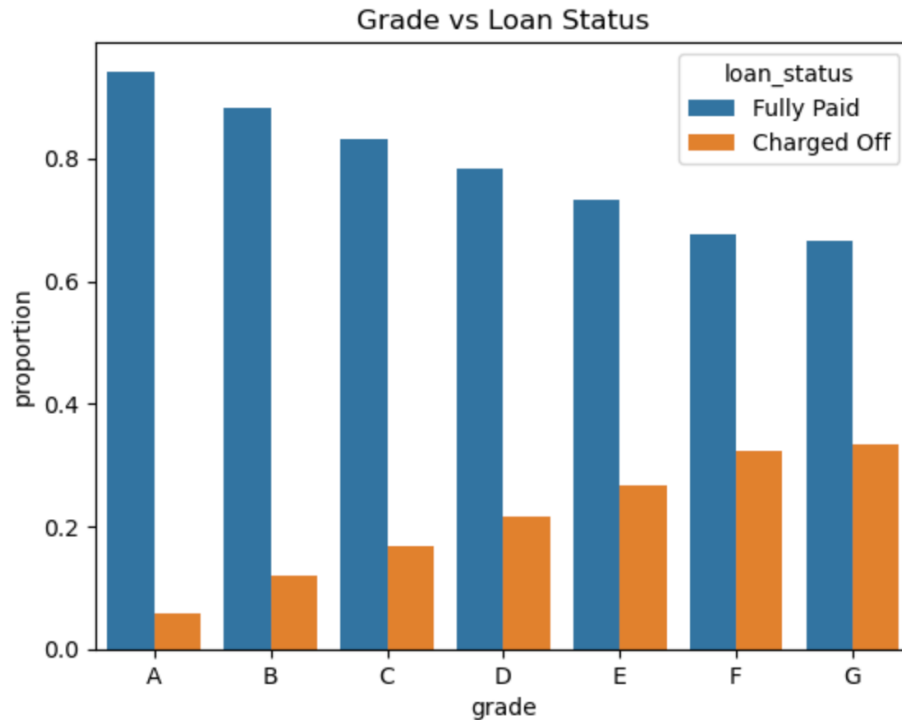
Analysis

- The default rate in a 60-month tenure is elevated due to individuals opting for substantial loan amounts with high interest rates, subsequently encountering challenges in repaying the borrowed sum to the bank.



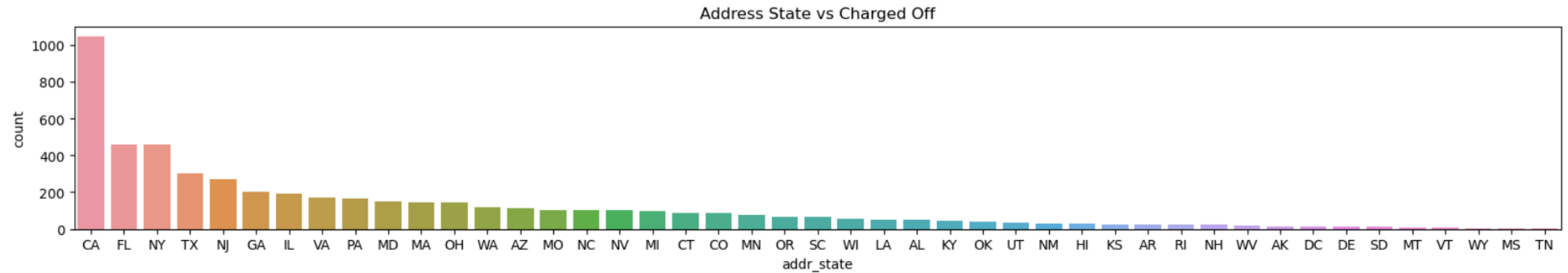
Analysis

- Grades serve as an excellent indicator to assess the likelihood of a borrower defaulting on a loan.
- The likelihood of loan default is higher among the lower grades (E, F, G) compared to the higher grades (A, B).
- Additionally, the lower grade borrowers are obtaining loans at elevated interest rates, potentially leading to an increase in loan defaults.



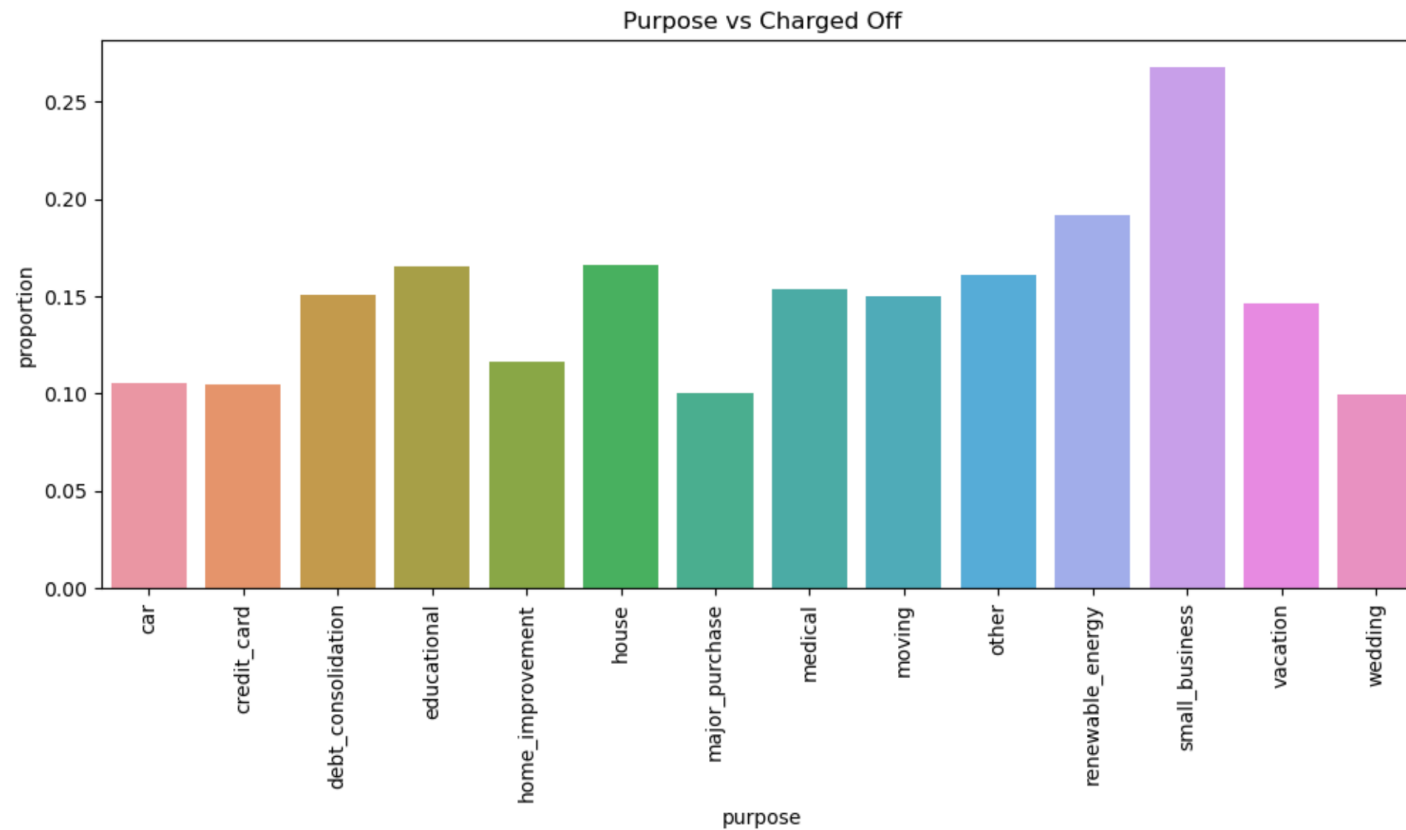
Analysis

- The default rate for borrowers from CA, FL, NY, and TX states is higher compared to borrowers from other states.



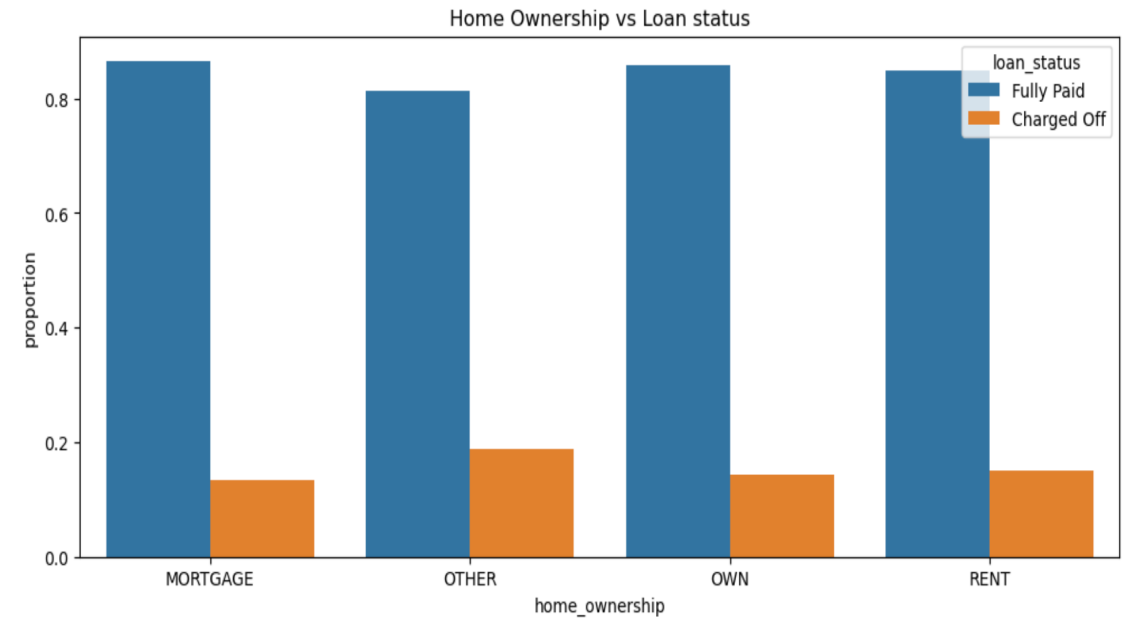
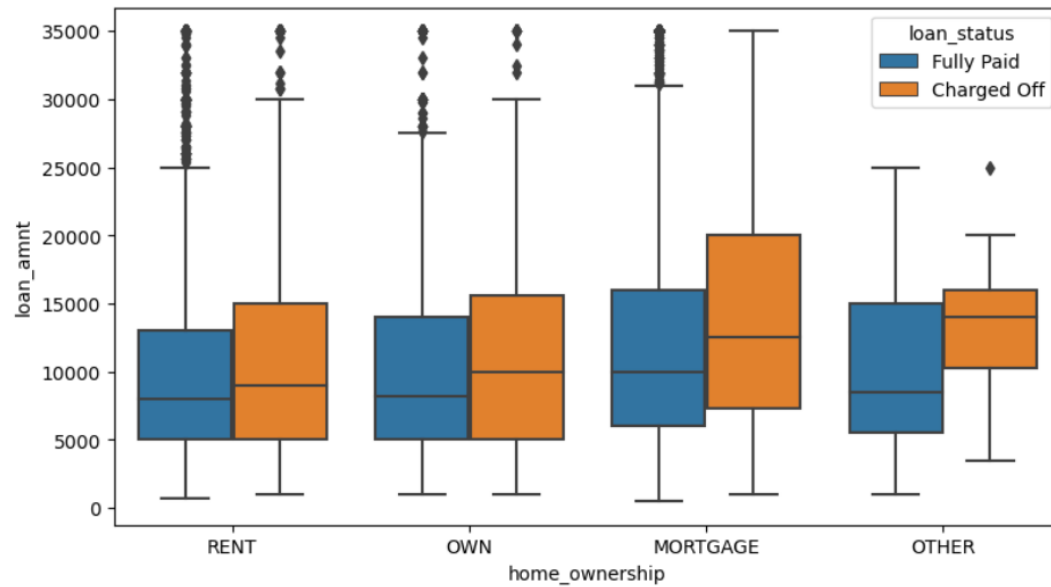
Analysis

- Borrowers who took loans for small business purposes have defaulted more.



Analysis

- In every category of home ownership, there is approximately a 20% probability of loan default.
- The second plot reveals that individuals who have higher loan amounts in mortgage home ownership experience a significantly higher default rate compared to others.



Conclusion

- Lending Club ought to consider lowering the interest rates on loans with a 60-month tenure as they are susceptible to loan defaults.
- Grades serve as an effective measure for identifying defaulters. Lending club should thoroughly evaluate additional borrower information prior to granting loans to individuals with Low grades.
- To maximize profits, Lending Club should control the number of loans issued to borrowers residing in California, Florida, Texas, and New York.
- Small businesses tend to default on their loans more frequently. Therefore, it is advisable for Lending Club to consider reducing or ceasing the issuance of loans to such businesses.
- It is observed that borrowers who own mortgaged homes are obtaining larger loans and subsequently failing to repay them. In light of this, it is recommended that Lending Club ceases providing loans to this particular category of borrowers.