

## What will we cover?







Background & Objective

**Data Analysis** 

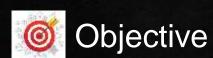
Recommendations

## Background & Objective



Lending Club is the largest online loan marketplace, facilitating personal loans, business loans, and financing of medical procedures. Like most other lending companies, lending loans to 'risky' applicants is the largest source of financial loss (called credit loss). Credit loss is the amount of money lost by the lender when the borrower refuses to pay or runs away with the money owed. By using the given dataset we need to identify the risky applicants and minimize the risk of losing money while lending to customers.

- The major goal is to be able to identify these risky loan applicants so that the amount of credit loss can be decreased by reducing such loans. The objective of this case study is to identify such applications using EDA.
- To analyze the variables that are reliable indicators of default in order to comprehend the driving forces (or driver variables) behind loan default. This information can be used by the business for portfolio management and risk analysis.



## Data Analysis

- Without taking into account current customers, approximately 14% of the population are defaulters
- The danger of defaulters grows as the grade value declines from A to G
- If the loan is for a small business, the likelihood of default is higher
- Verified loan segments have a higher probability of going into default
- The relatively large funded loan amount increases the danger of default
- High-interest rates increase the plausibility of defaults
- The risk of default increases with the number of installments
- It's obvious that with low income there are higher probabilities of getting defaults
- Higher the DTI (Debt to Income) Ratio, the higher the risk of getting defaults

## Recommendations

- Avoid taking the huge loan amount to persons falling in the lower Grade (i.e. D, E, F & G) category, or give the less amount with higher interest rates.
- When granting a loan to a small business, be careful to check all of their background information and request collateral to lower the risk to the lender.
- Adopt additional safety precautions for the verification process, including staff training, transparent communication with borrowers, and the utilization of external data sources like credit reports and public records.
- By granting lower interest rates to borrowers with solid credit histories and minimal default risks, lenders can lessen the chance of default. Borrowers may find it simpler to repay loans and have fewer defaults if interest rates are lower.
- Before approving a loan, lenders should evaluate the risk posed by the borrower. The borrower's capacity to repay the loan can be assessed by looking at their credit history, debt-to-income ratio, and other financial aspects.

Thank you ©