Lending Club - Case Study

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Lending club case study:-

Problem Statement:

- A consumer finance lending company gains profit by lending different kinds of loans to the consumers.

- When the consumer applies for a loan in the company, the company has to make a decision on lending based on the consumer's profile.

- Wrong decision can lead to loss of business:
    1. If the loan is not approved for a person who can repay the loan, it can result to a loss in the company.
    2. If the loan is approved to a person who can not repay the loan, it can result in a financial loss to the company.

- The case study focusses on identifying the patterns of defaulters and can be used for taking business decisions like denying the loan, reducing the amount of loan to be granted, etc.
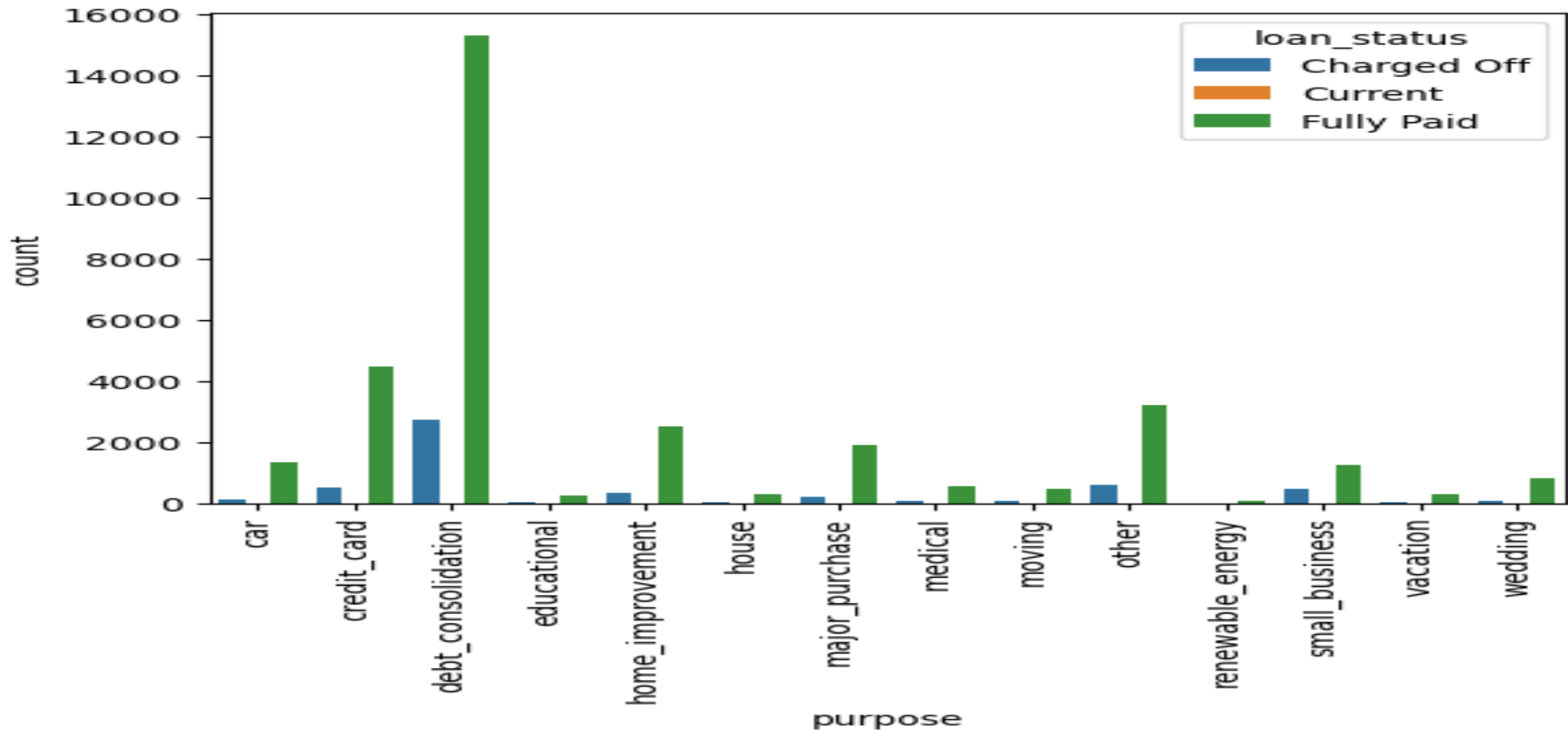
Lending club case study:-

- When the consumer applies for a loan, the company can take two types of decisions:

- Loan accepted – If the company approves the loan, there are three possible scenarios.

  1. Fully paid: Consumer has fully paid the loan.
  2. Current: Consumer is in the process of paying the instalment.
  3. Charged-off: Consumer has not paid the instalments in due time for a long time and can be considered to be defaulted.

- Loan rejected – The company had rejected the loan and there is no transaction of the applicant with the company.
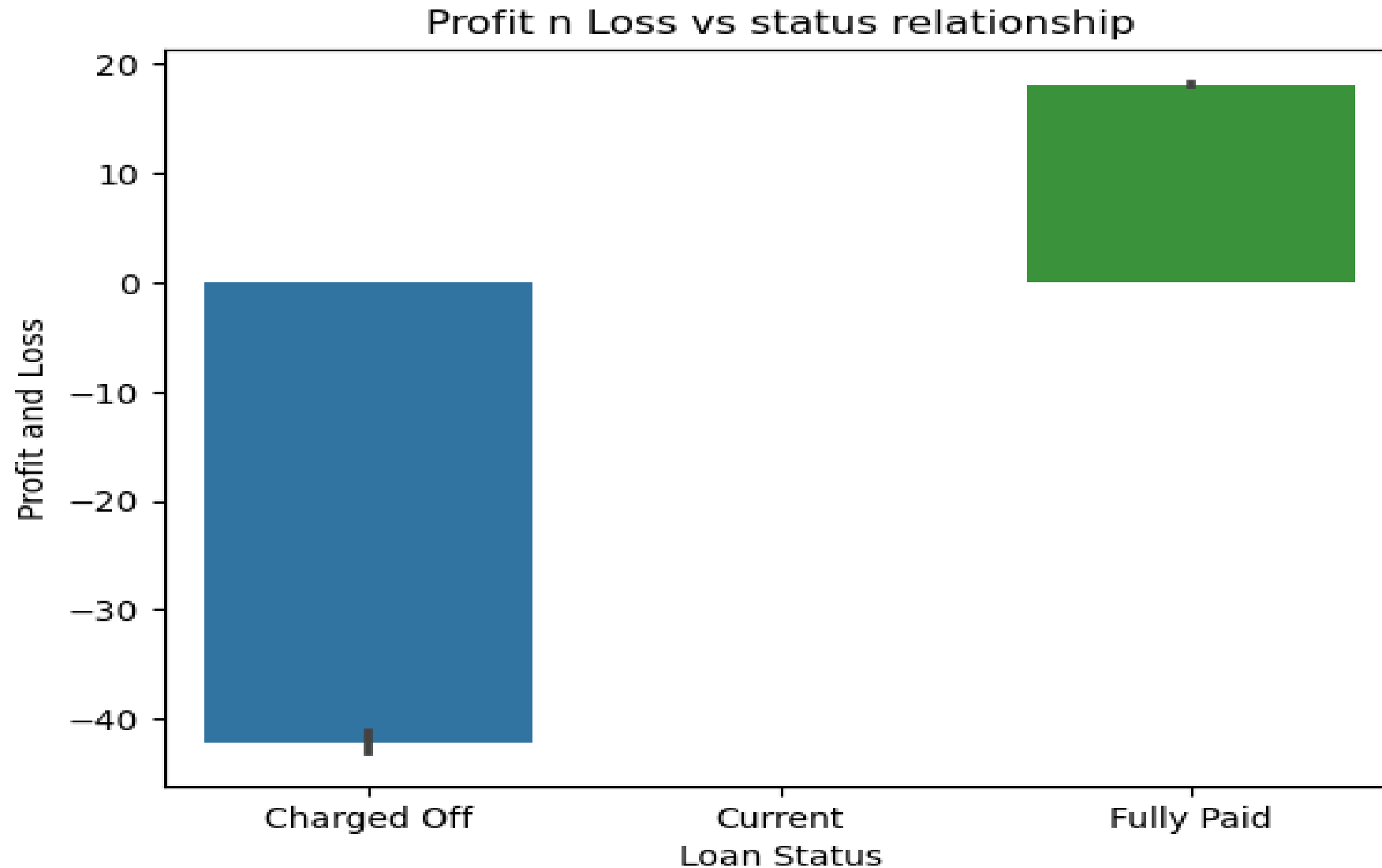
Data cleaning steps:-

- Delete the unnecessary columns.
- Fix the missing values
- Remove duplicate data
- Consider only required columns and rows; filter the data
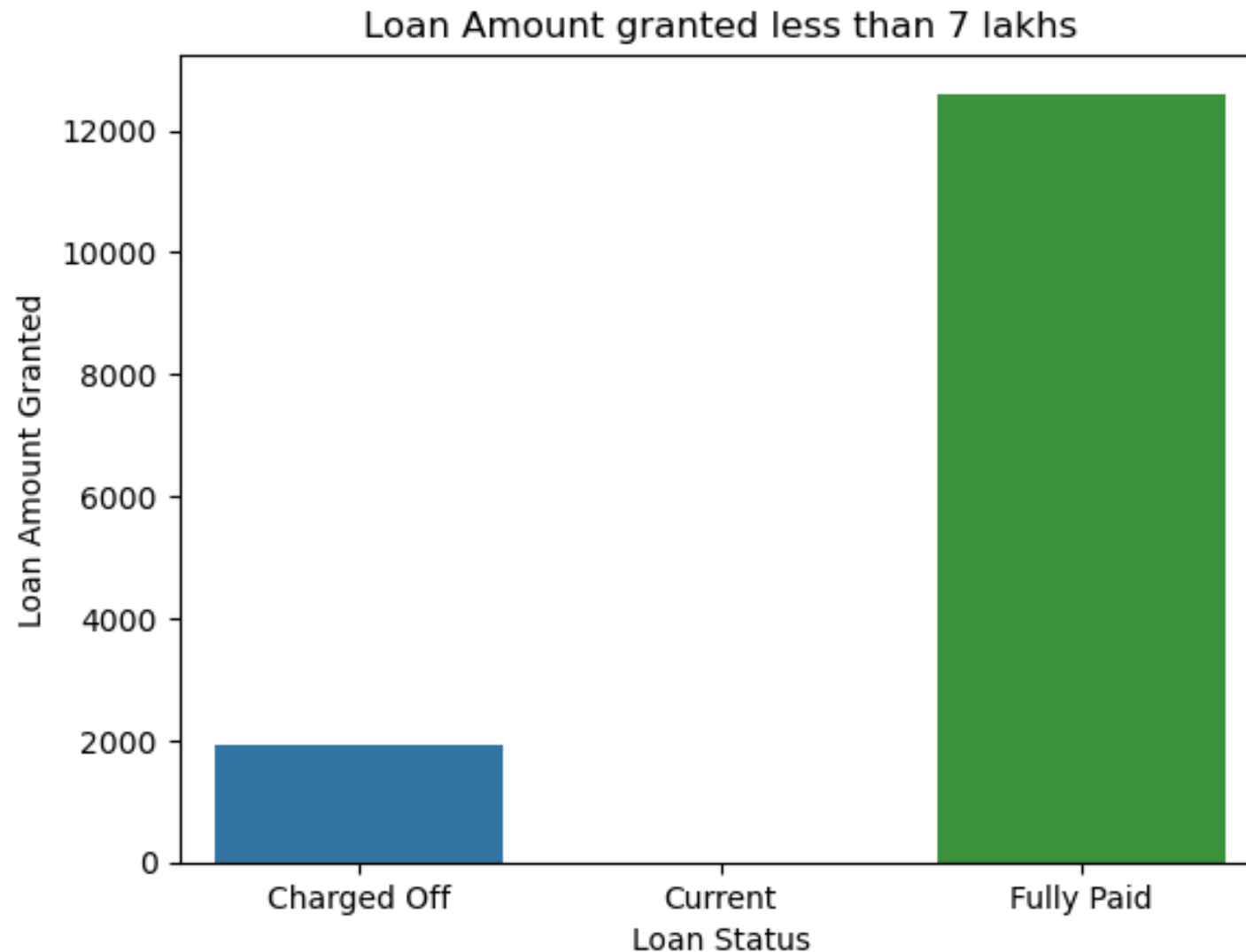- Fixing rows and columns

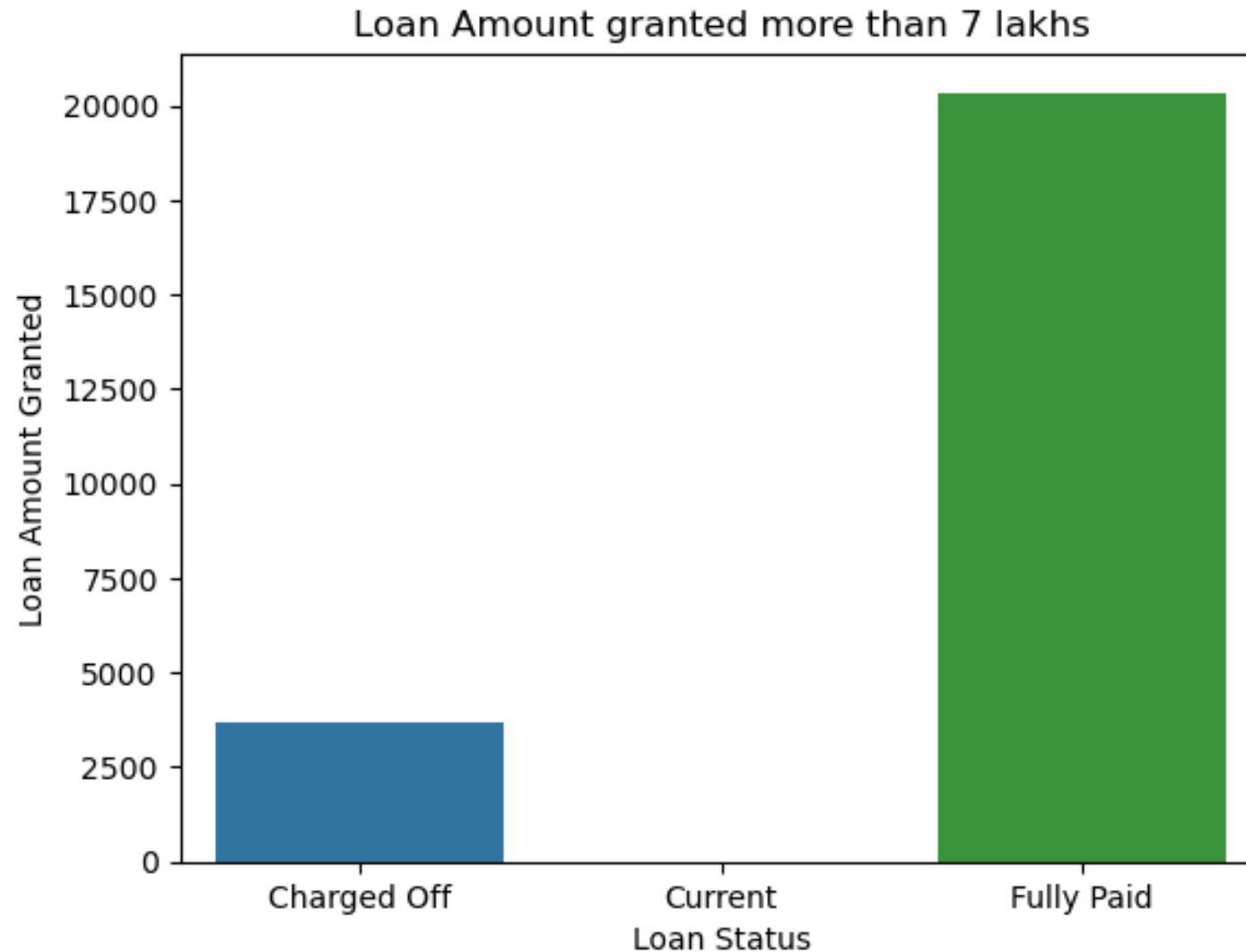# Possibilities of loan acceptance status:-

Profit & Loss X Status relationship:-

Loan granted < 7lakhs:-

Loan granted > 7lakhs:-

Analysis:-

- Loans having higher interest rate have more defaulters.

- Lower grade loans have higher tendency to default.

- Most of the consumers of CA are becoming defaulters we need to be more strict.