

Lending Club Case Study

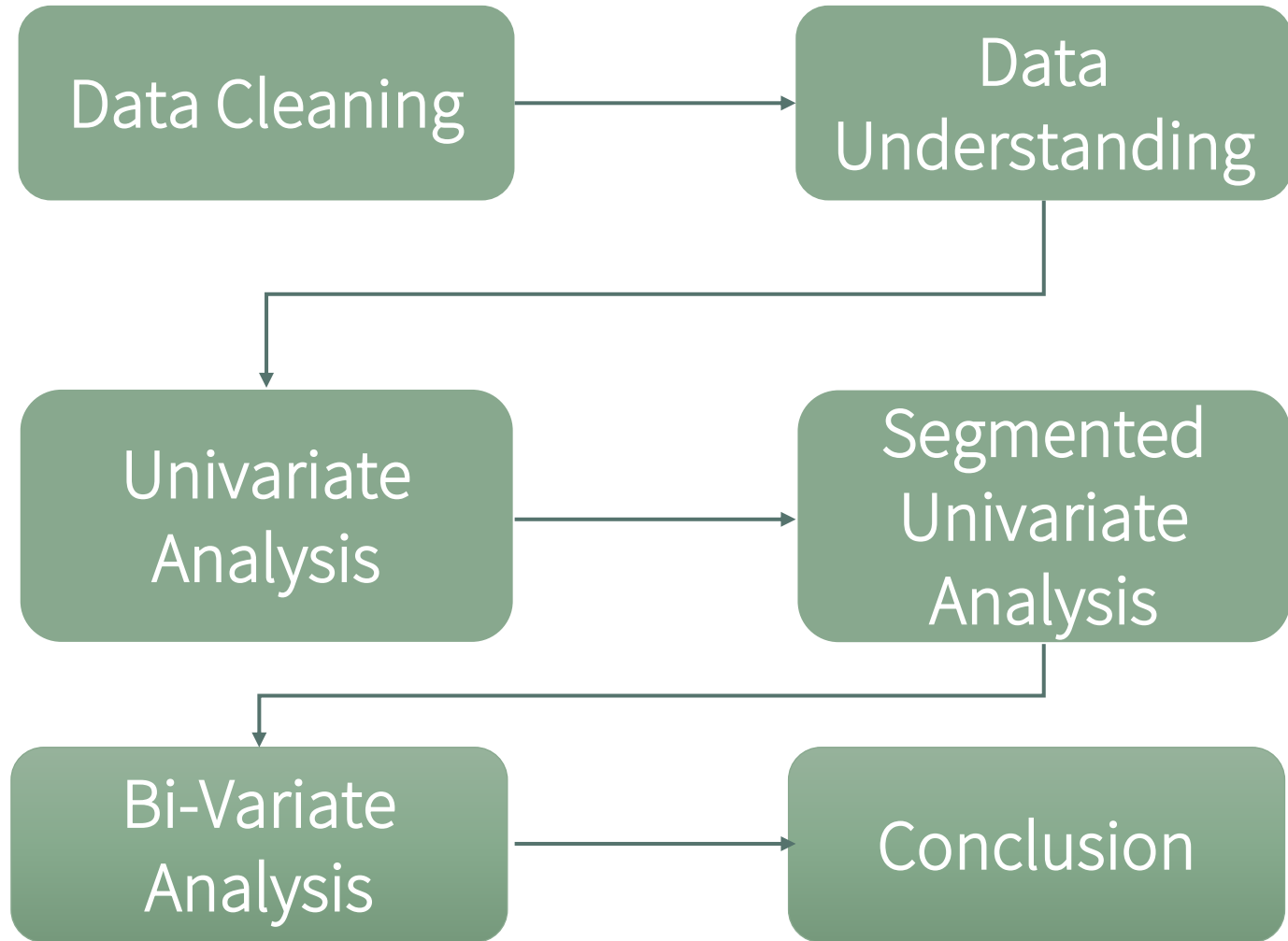
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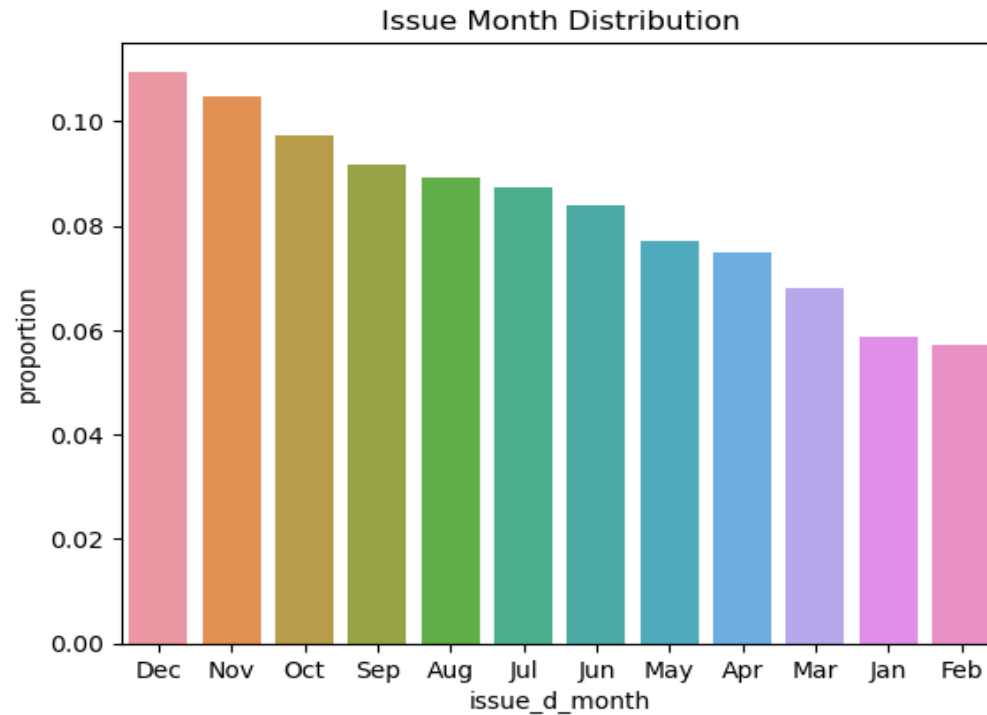
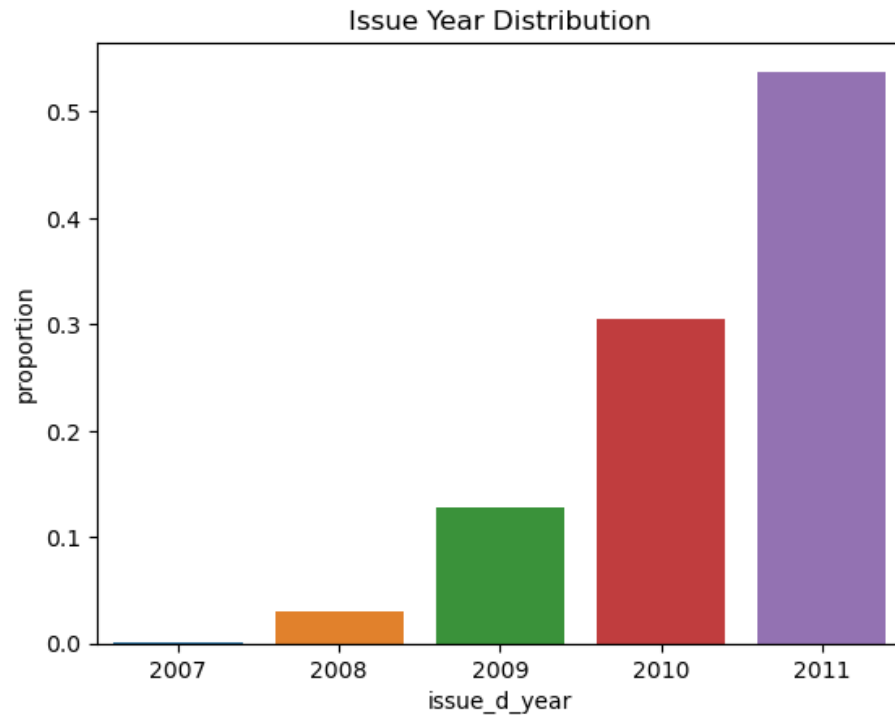
Abstract

- Lending Club, the leading online loan marketplace, enables individuals to obtain personal loans, business loans, home loans and loans 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

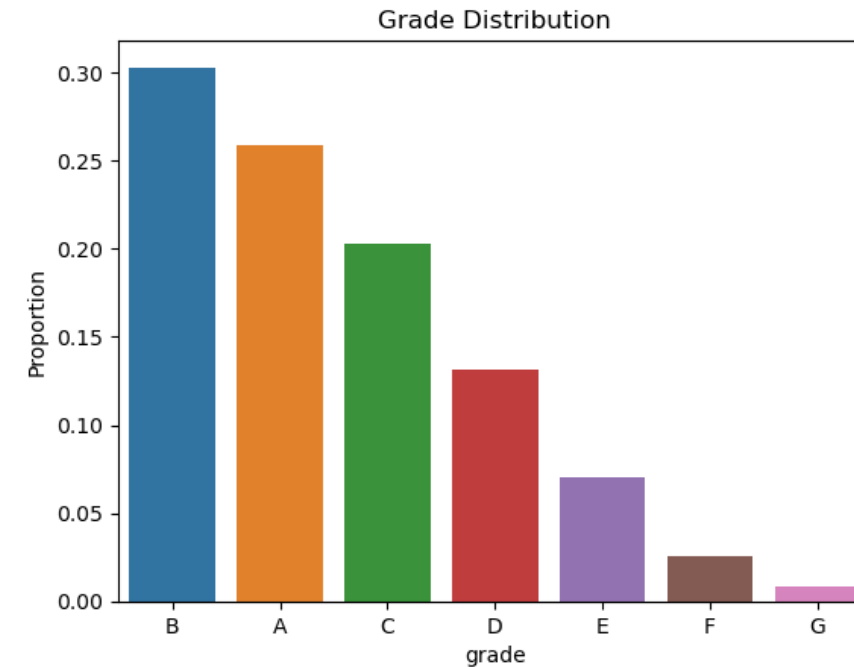
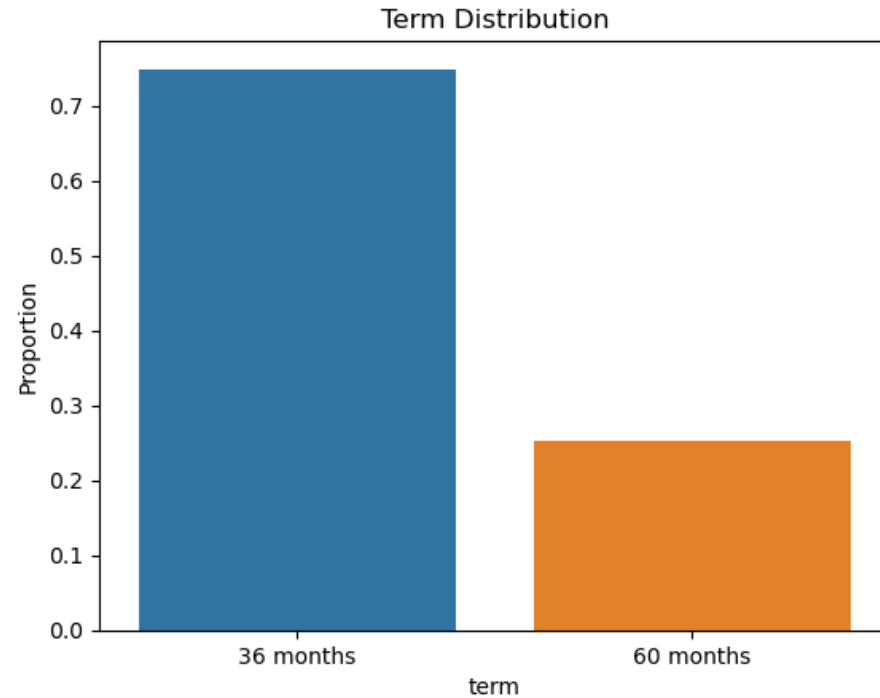


Analysis



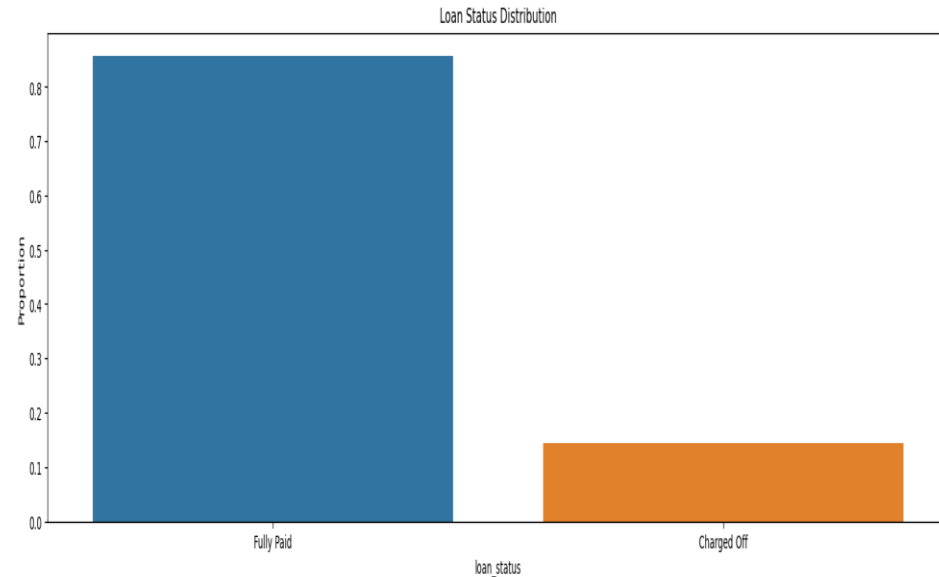
- Lending club has really expanded year by year, the number of loan issued has doubled every year.
- Most of the loans have been approved during the months of October, November and December.

Analysis



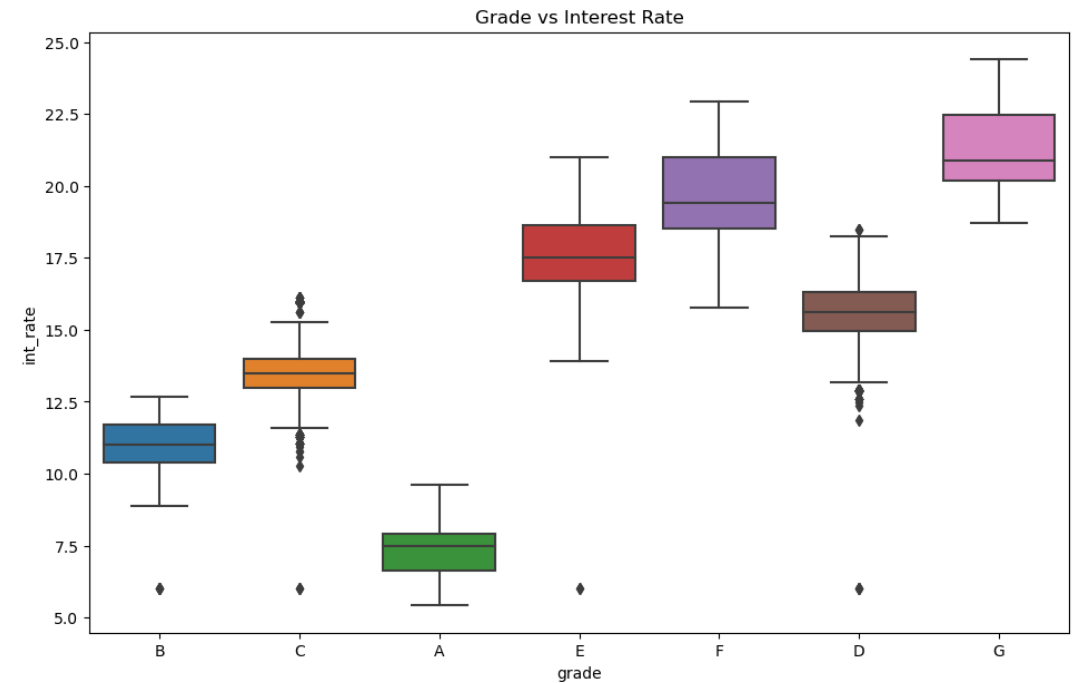
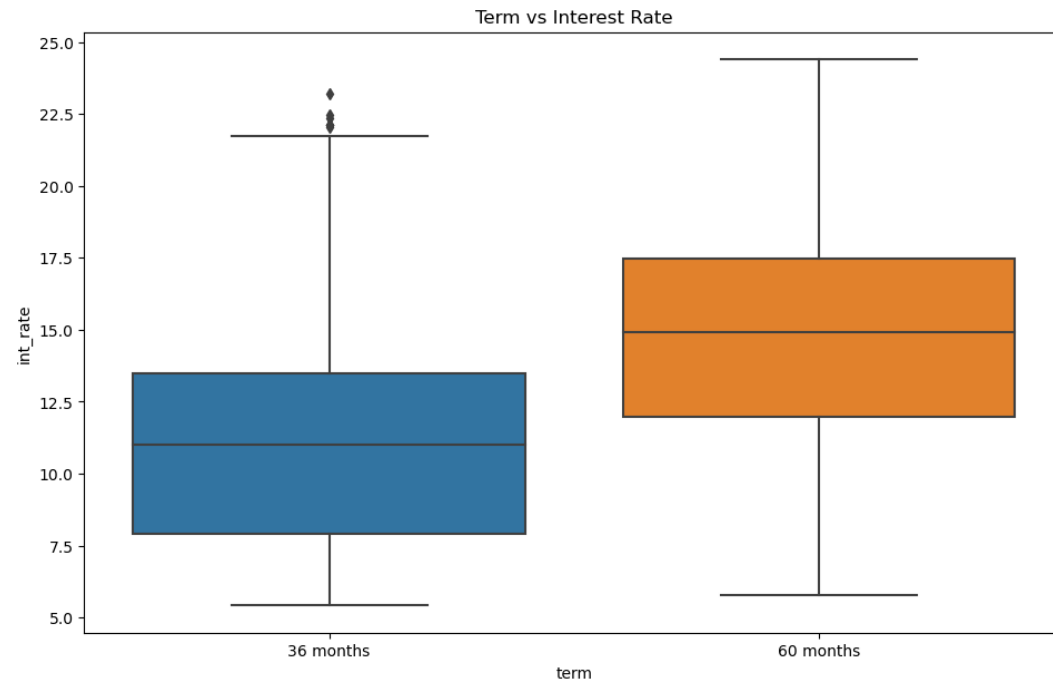
- Borrowers have opted for a tenure of 36 months, over 60-month.
- Most borrowers fall under grade of 'A' and 'B'.

Analysis



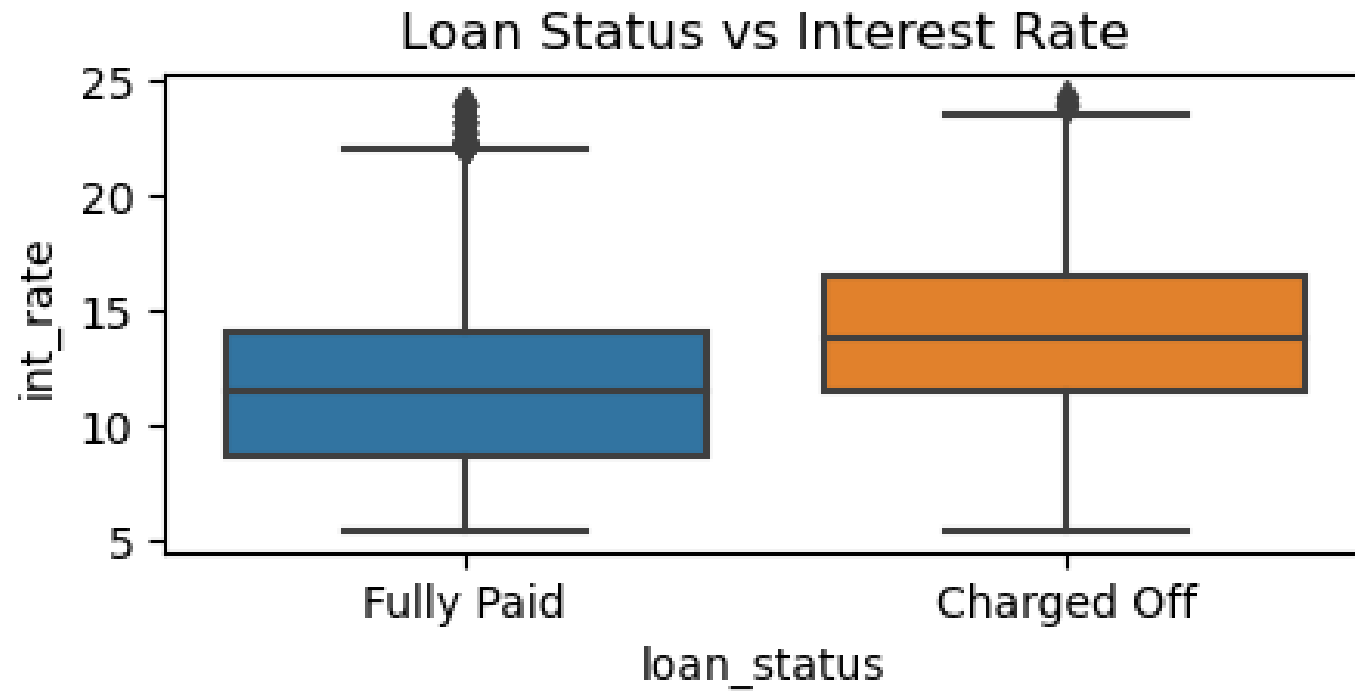
- More than 80% of borrowers have paid the loan completely.

Analysis



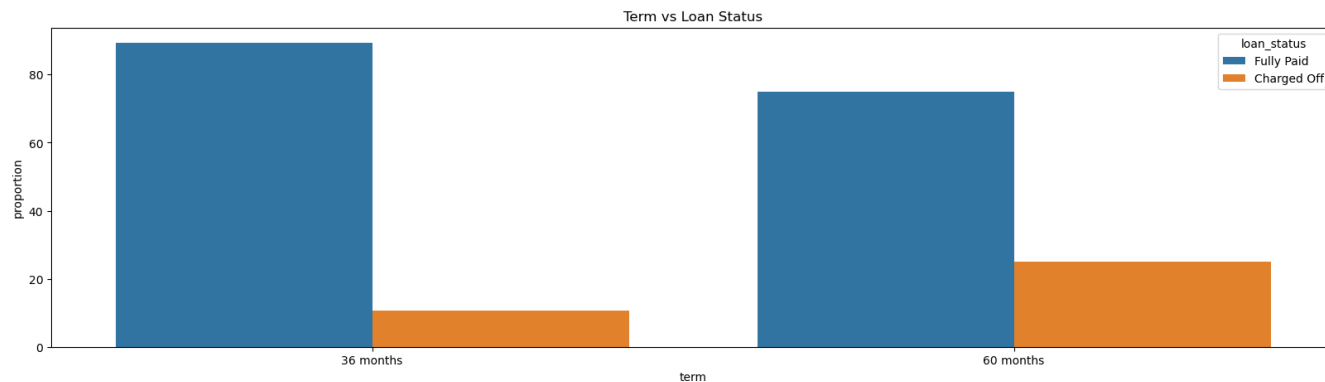
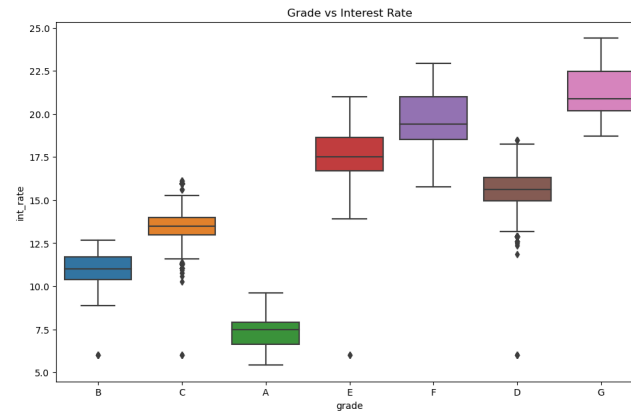
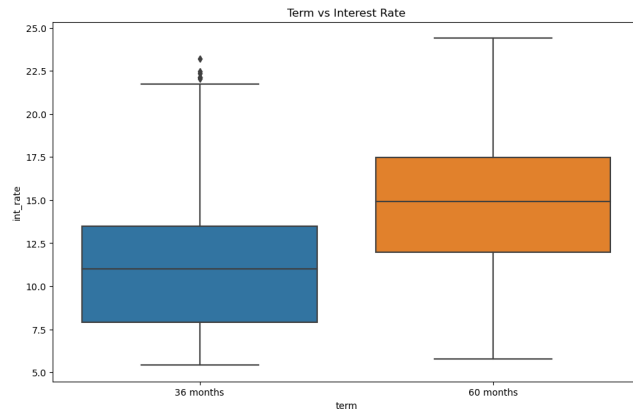
- The interest rates for loans with longer tenures are higher.
- The lower grades has higher interest rate

Analysis



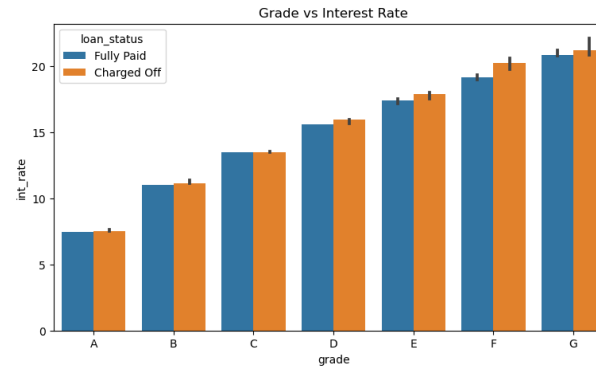
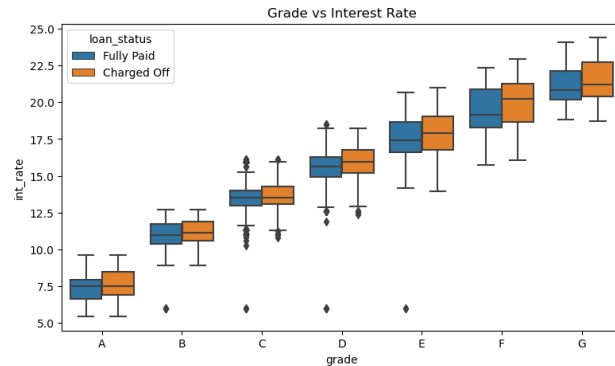
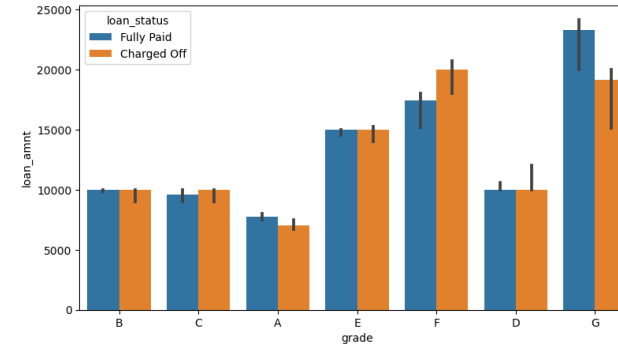
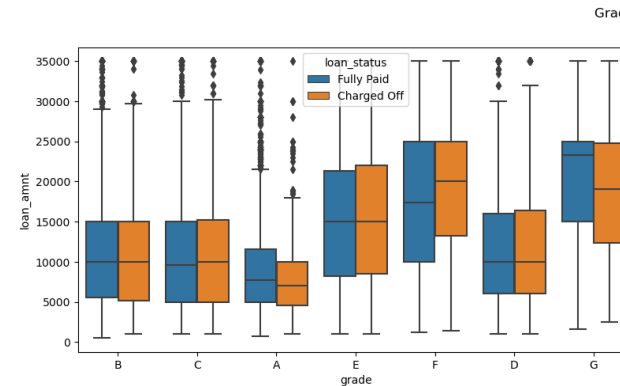
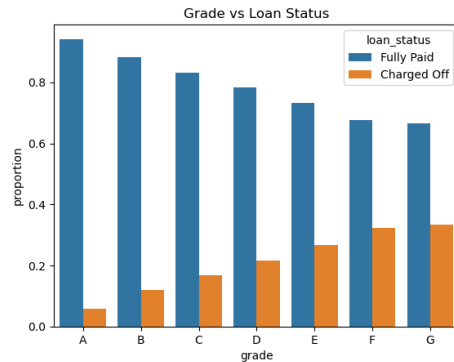
- Higher the interest rates, greater the chance of loan default

Analysis



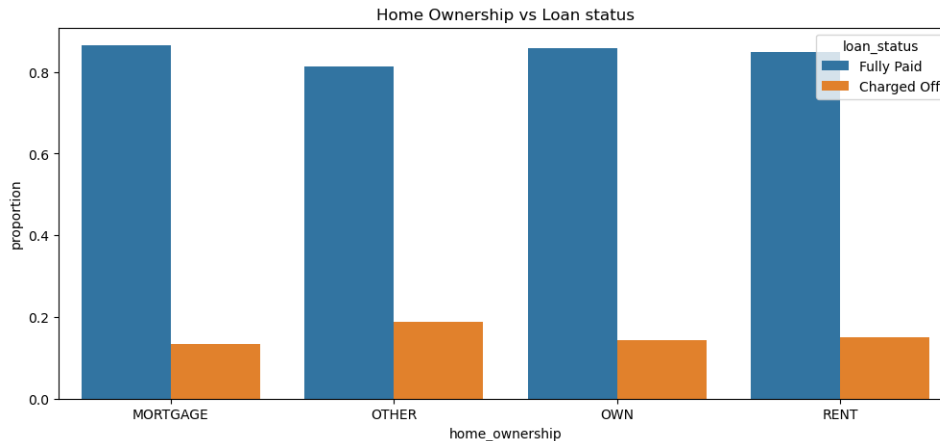
- The defaulter rate is higher for both 36- and 60-months tenure when the interest rates are increased.
- It appears that there is a higher proportion of borrowers who have defaulted on their loans in the 60-month term compared to the 36-month term. Additionally, the rate of loans being fully paid is higher in the 36-month tenure.

Analysis

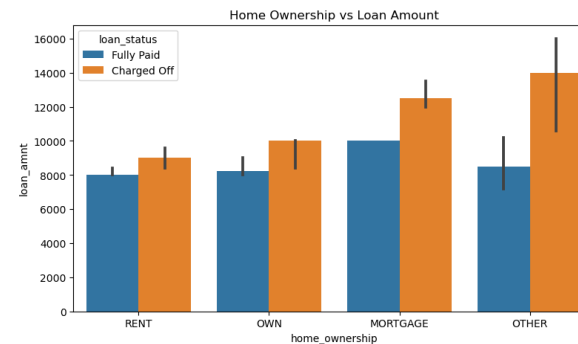
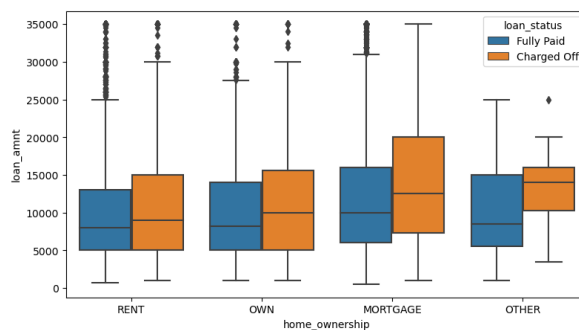


- It is evident that, as the grades decrease, the number of charged off cases increases. People with lower grades tend to take out larger loans and are also more likely to default on them. Also, as the grade decreases, the interest rate gradually goes up, making them more and more likely to default on the loan.

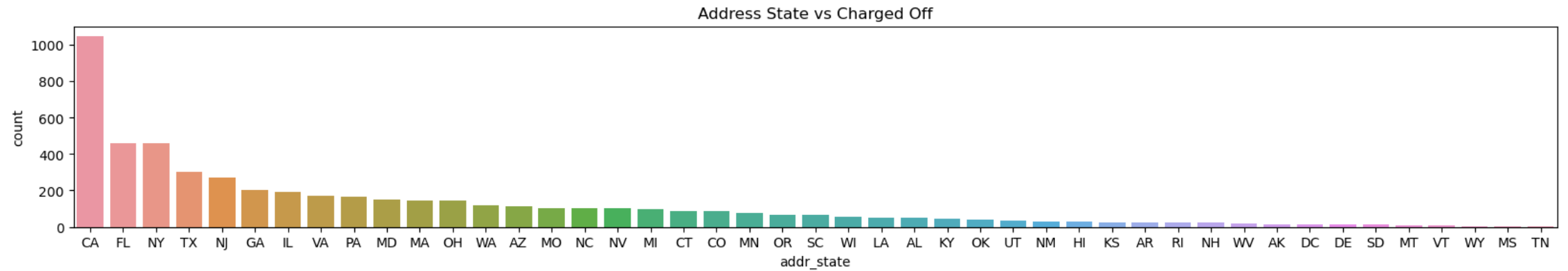
Analysis



- There is a slightly elevated rate of defaults recorded in the other home ownership category.
- In every category of home ownership, there is approximately a 20% probability of loan default.

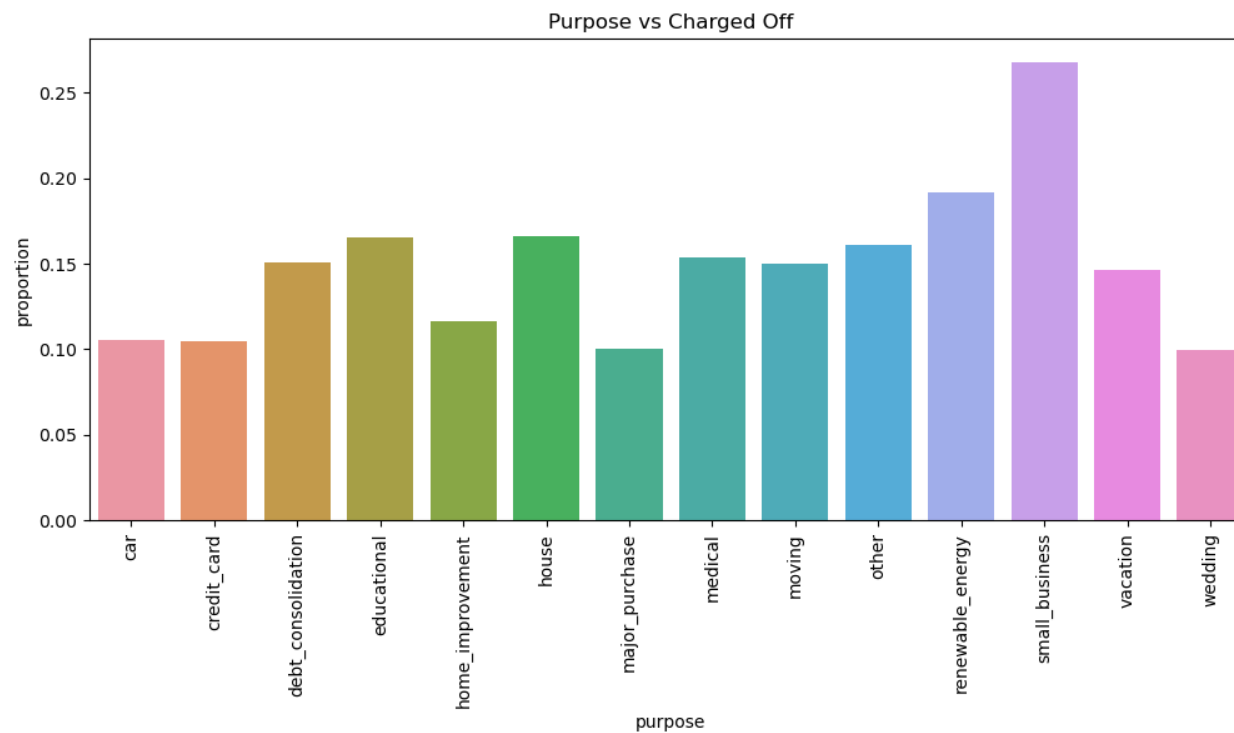


Analysis



- The loans which are given for CA, FL and TX state borrowers are defaulted more than other states.

Analysis



- Borrower's who took loans for small business purpose have defaulted more.

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.
- Borrowers with mortgage home ownership are taking higher loans and defaulting the approved loans. Lending club should stop giving loans to this category when loan amount requested is more than 12000.
- People with a greater number of public derogatory records are having more chance of filing a bankruptcy. Lending club should make sure there are no public derogatory records for borrower.

Thank you