

Lending club case study: Credit policy

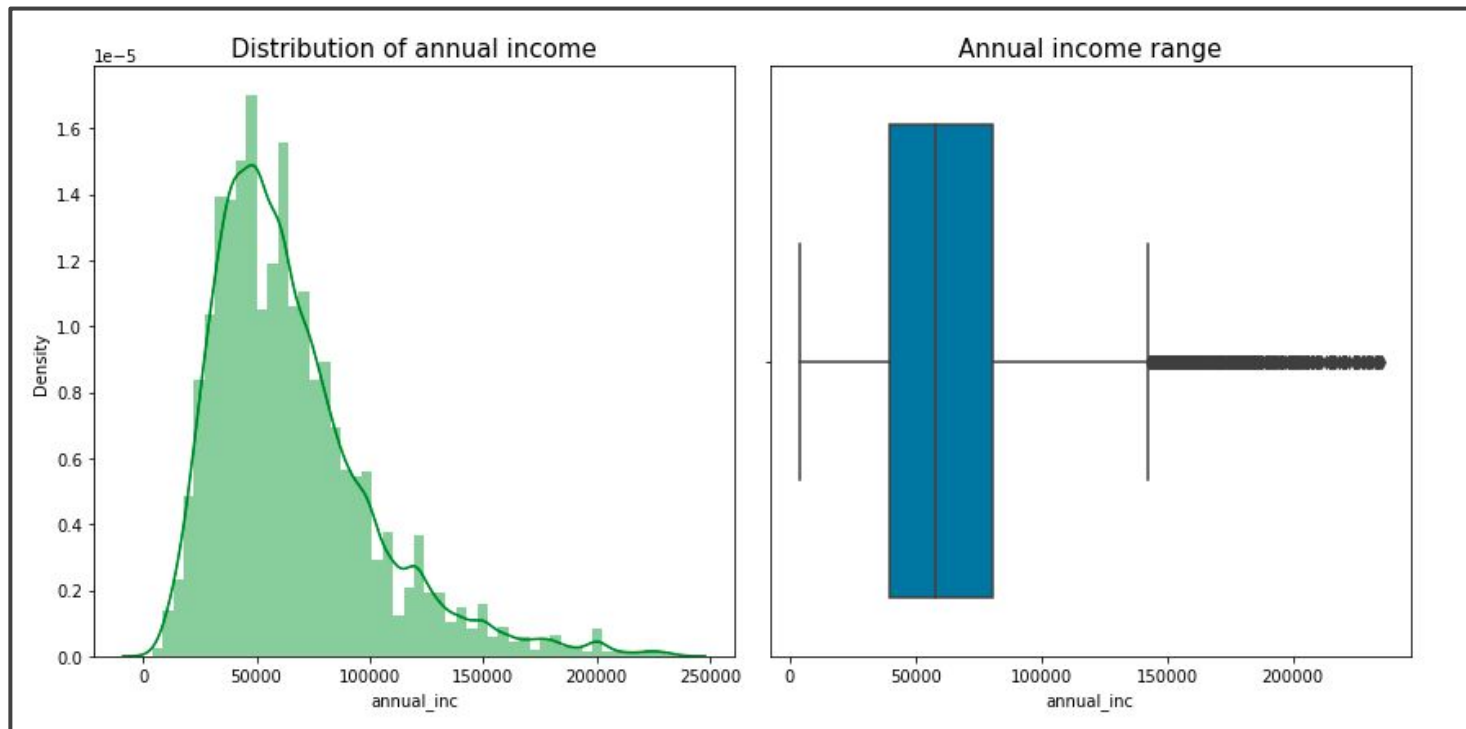
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Motive behind credit policy assessment:

Sanctioning loans to any individuals or group of peoples have been critical decisions all together. Either there is chance of capturing business or exposure to financial losses after defaulting by particular stakeholders.

Aim of the study is to determine the factors which can be acts as striking sensors for loan approver and he or she may have clear cut indications in making decisions.

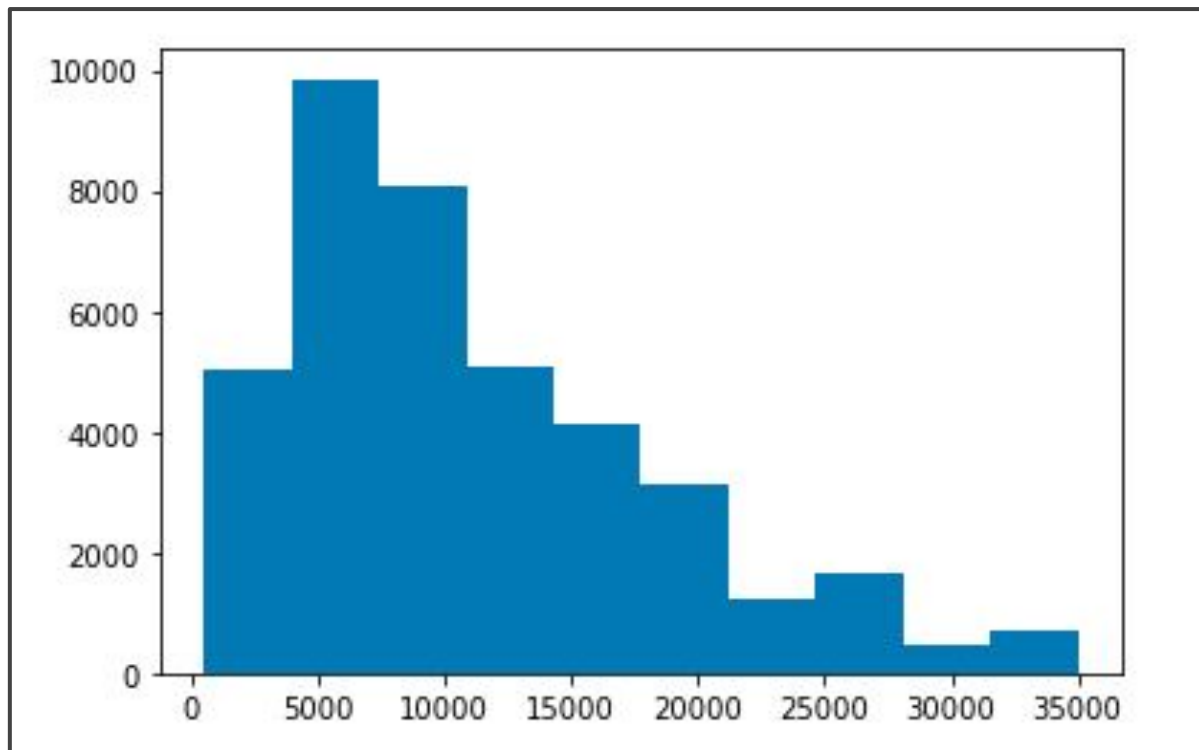
Observations based on univariate analysis:



**Income of
loan
applicants**

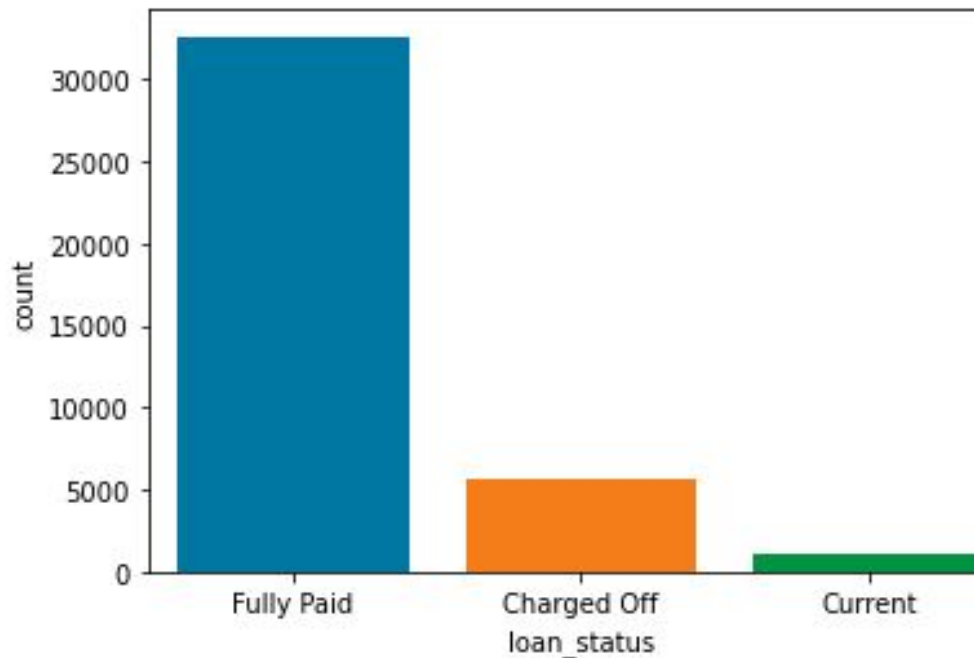
- **Annual income varies from 4000\$ to 6000000\$**
- **75 % loan applicants having annual income below 82300\$**
- **Average income of applied applicants coming in range of 60000\$**

Loan Amount



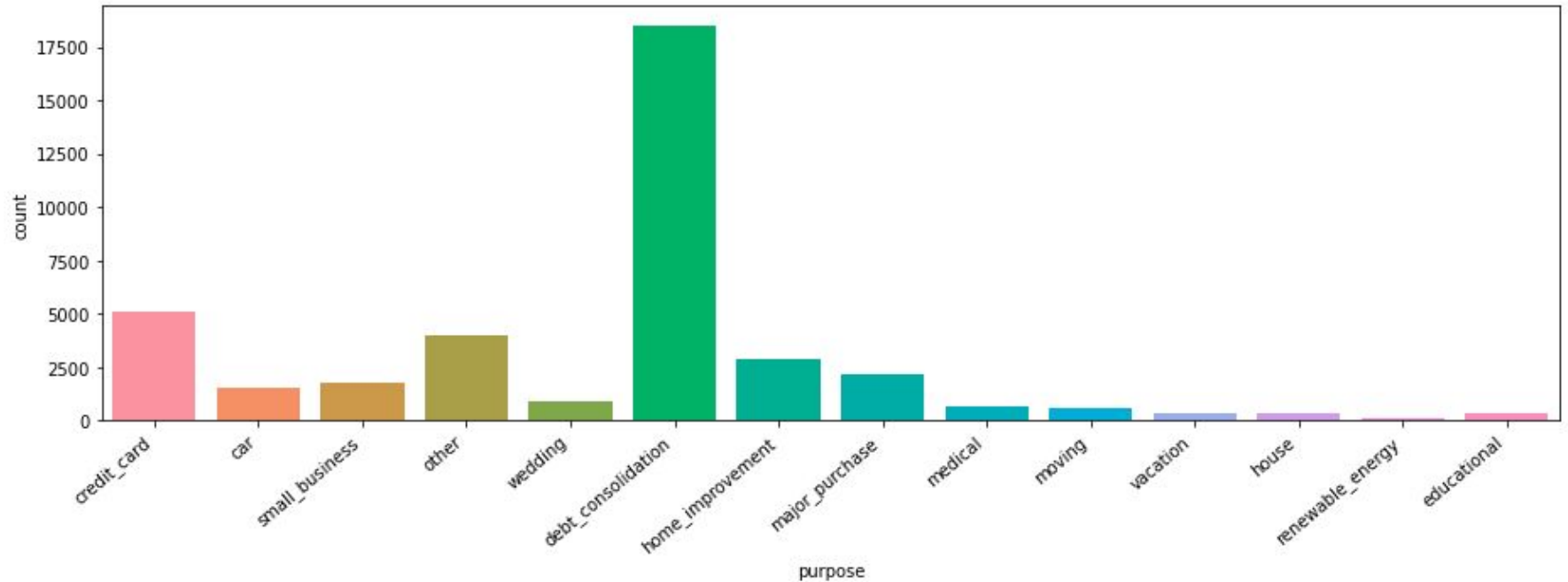
**Loan amount
varying from 500\$
to 35000\$**

Overall defaulted number



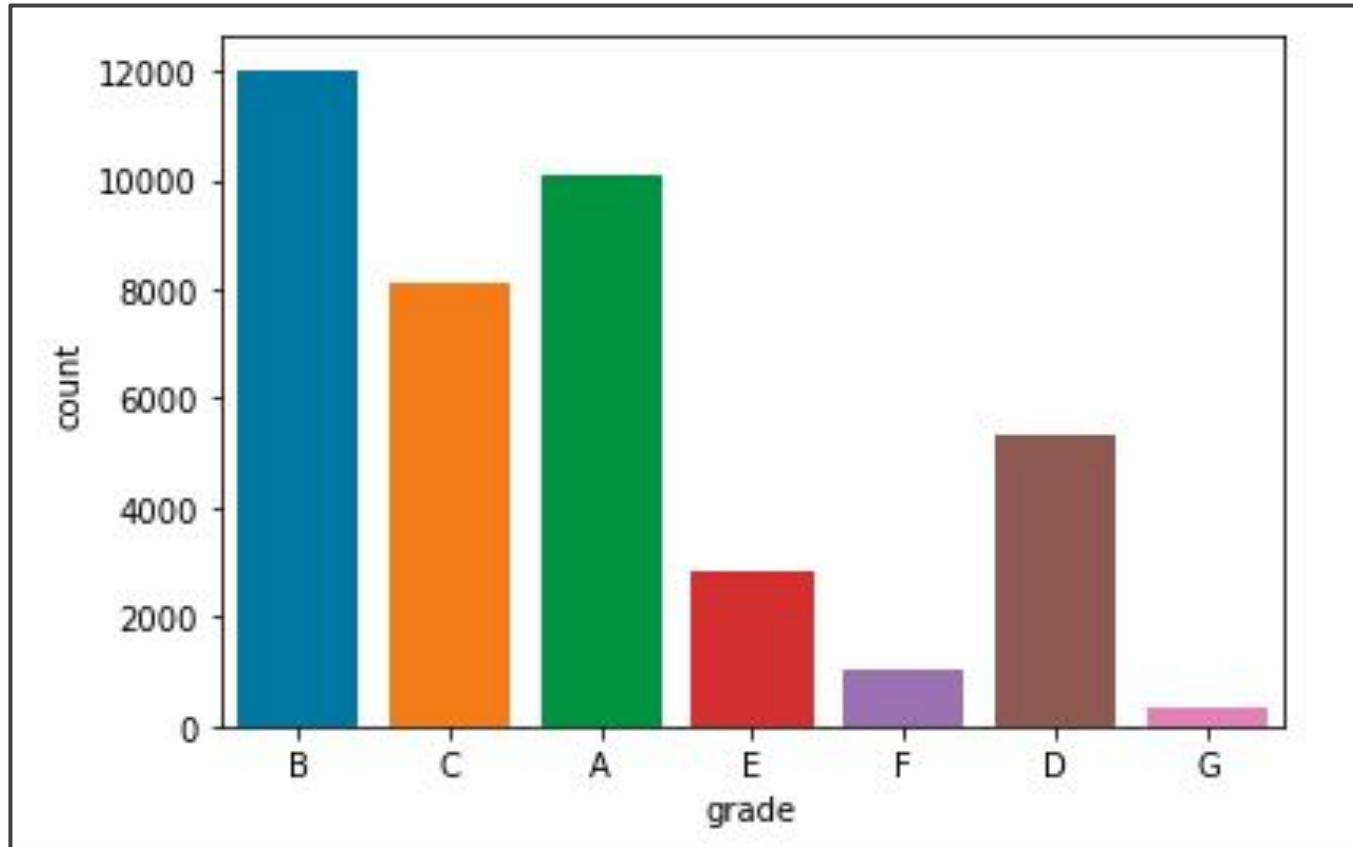
**5000
applicants
have defaulted
loans**

Loan purpose



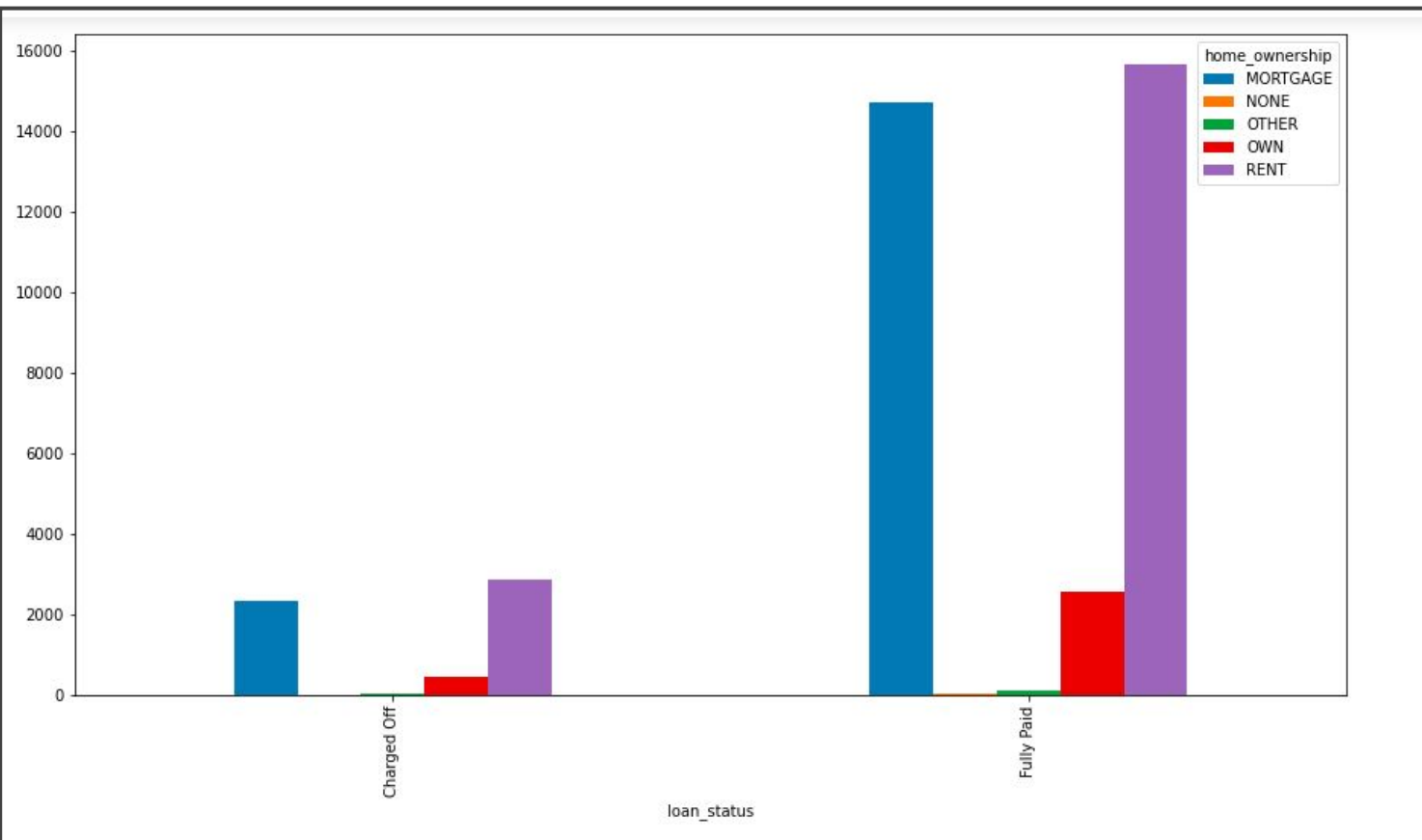
Debt consolidation have been main purpose of applicants, apart from that credit card and home improvement are keys reasons mentioned by applicants.

Applicant grade categories



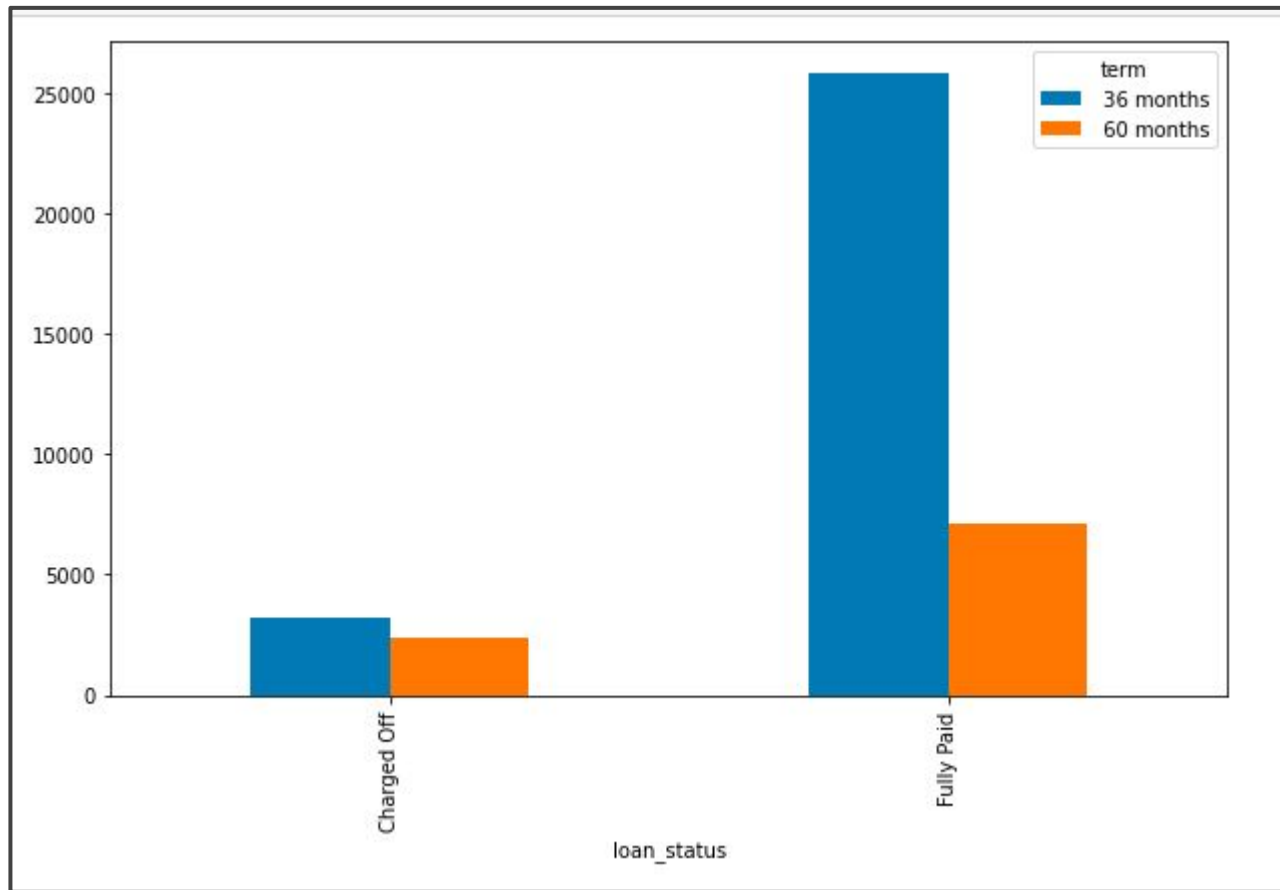
Most of applicants have been assigned A to C grading class.

Observations based on Segmented analysis:



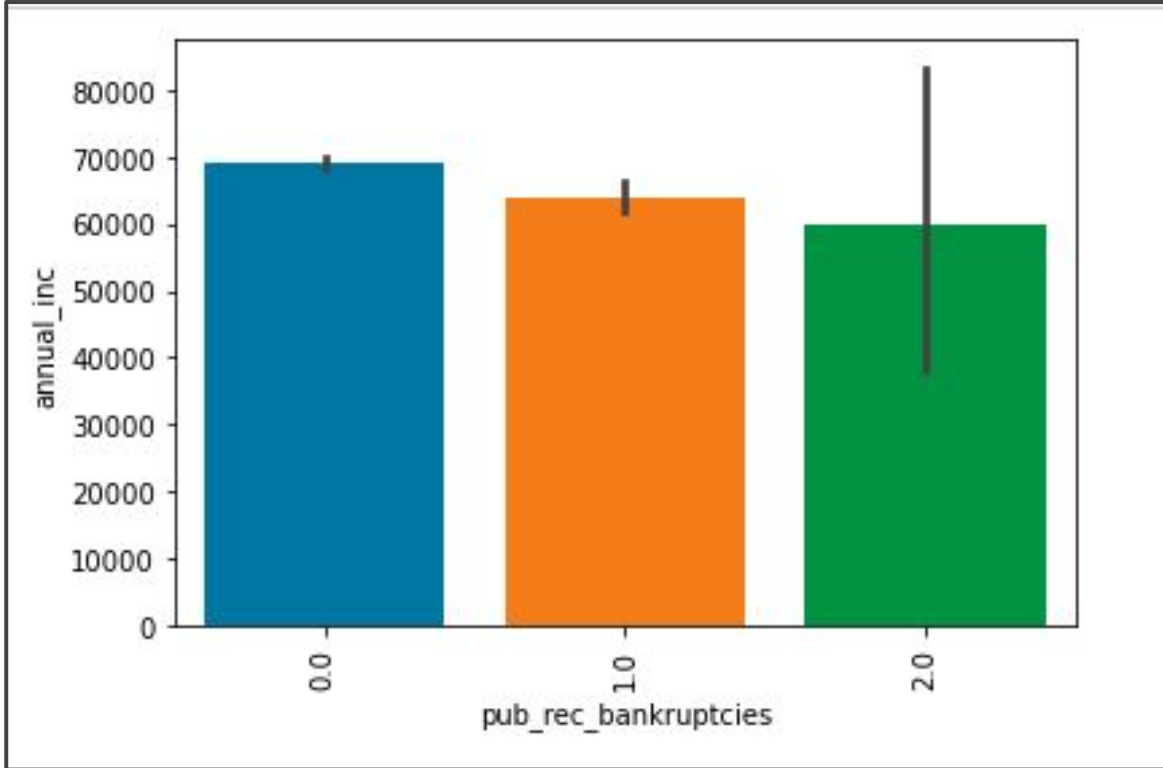
Most of applicants having home ownership on rental and mortgage basis

Loan tenure

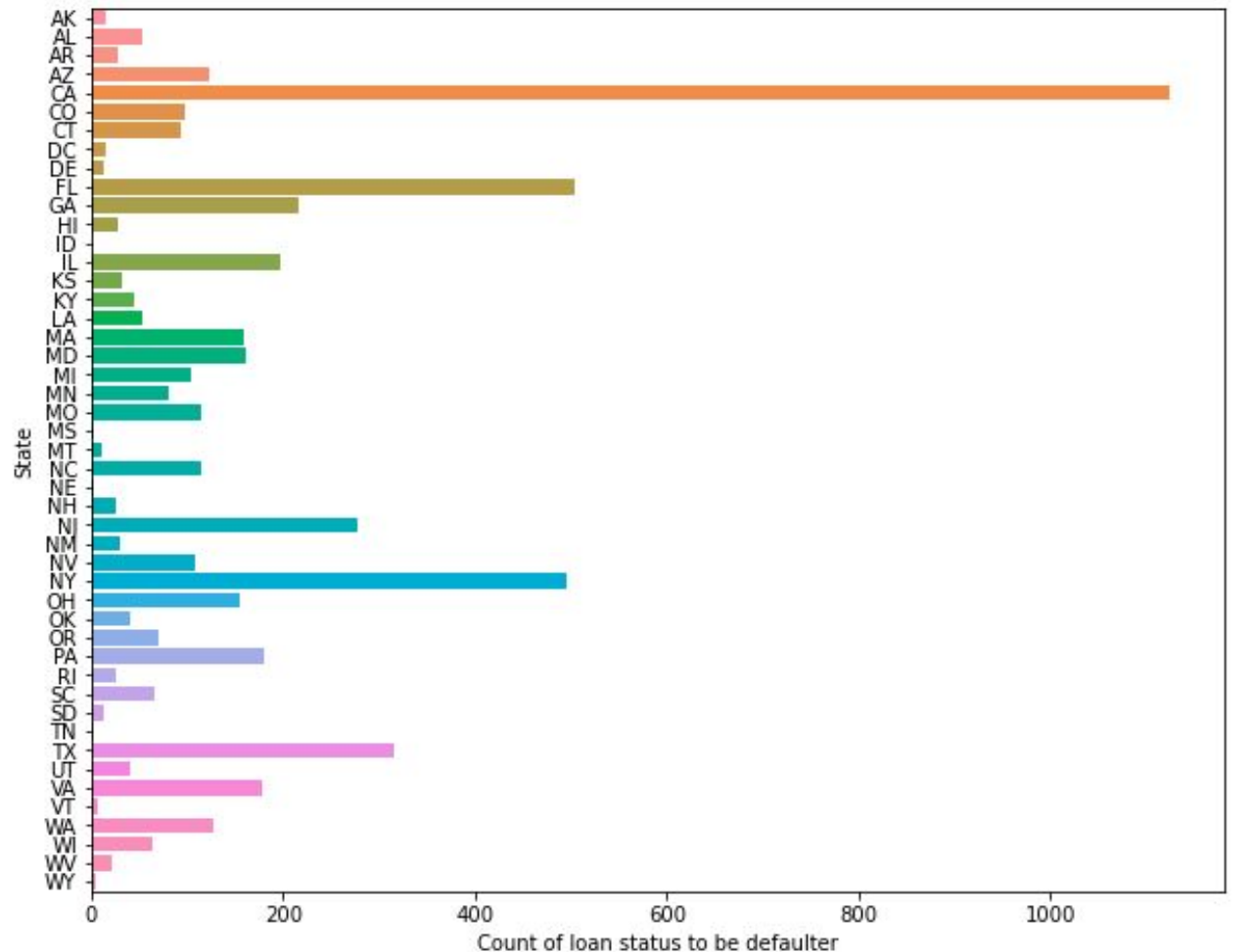


Based on loan tenure one can point out that longer tenure loans have maximum chances of defaulting.

Observations based on Bivariate analysis:



Chances of defaulting is higher for annual income less than 60K



Areawise-defaulting number:

California state having largest number of defaulting applicants.

Below that, In states like New-york and florida defaulting rates have been maximum.

Conclusion:

- 1) Annual income have been key factor so one should assess loan applications thoroughly when there is lower income(less than 60K).**
- 2) Shorter tenure loans have high chances to get paid off.**
- 3) Most of applicants taking loans to settle existing loan**
- 4) If you look at area-wise, California state having largest defaulting rate.**