

LENDING CLUB CASE STUDY

GROUP MEMBERS:

- JAYA SRIVASTAVA
- AKASH RAJ

BUSINESS OVERVIEW :

Lending Club a consumer finance company which specialises in lending various types of loans to urban customers. When the company receives a loan application, the company has to make a decision for loan approval based on the applicant's profile.

BUSINESS OBJECTIVE:

The aim is to identify patterns which indicate if a person is likely to default, which may be used for taking actions such as denying the loan, reducing the amount of loan, lending (to risky applicants) at a higher interest rate, etc.

ANALYSIS:

Below Analysis have been performed:

- Univariate Analysis
- Segmented Univariate Analysis
- Bivariate Analysis

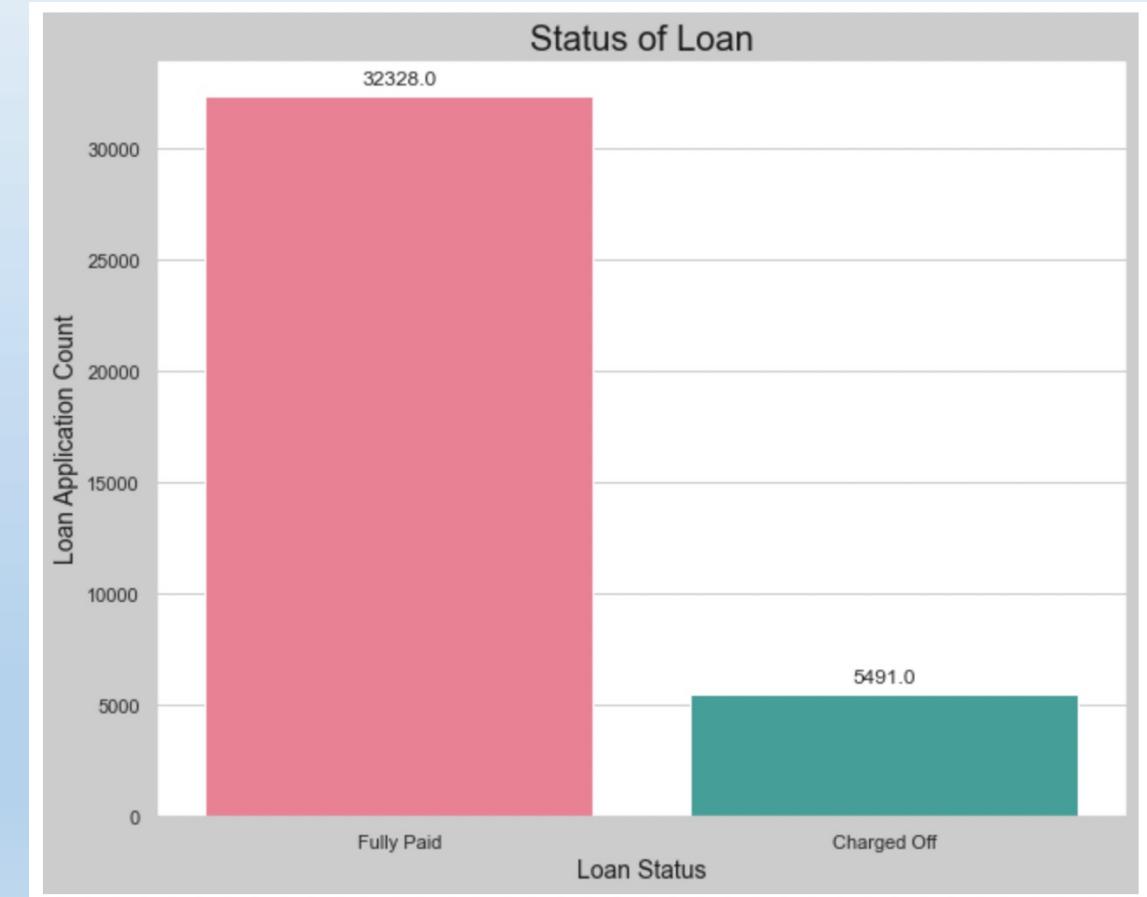
PROBLEM SOLVING METHODOLOGY

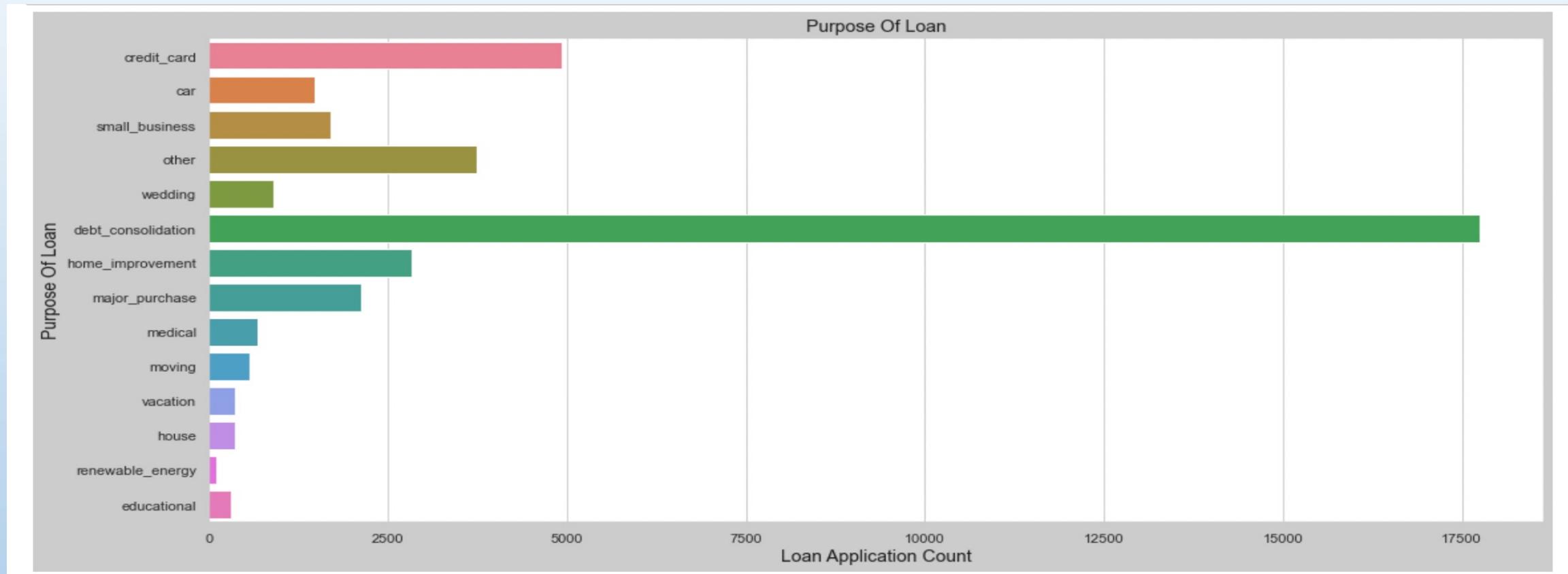


LOAN STATUS ANALYSIS

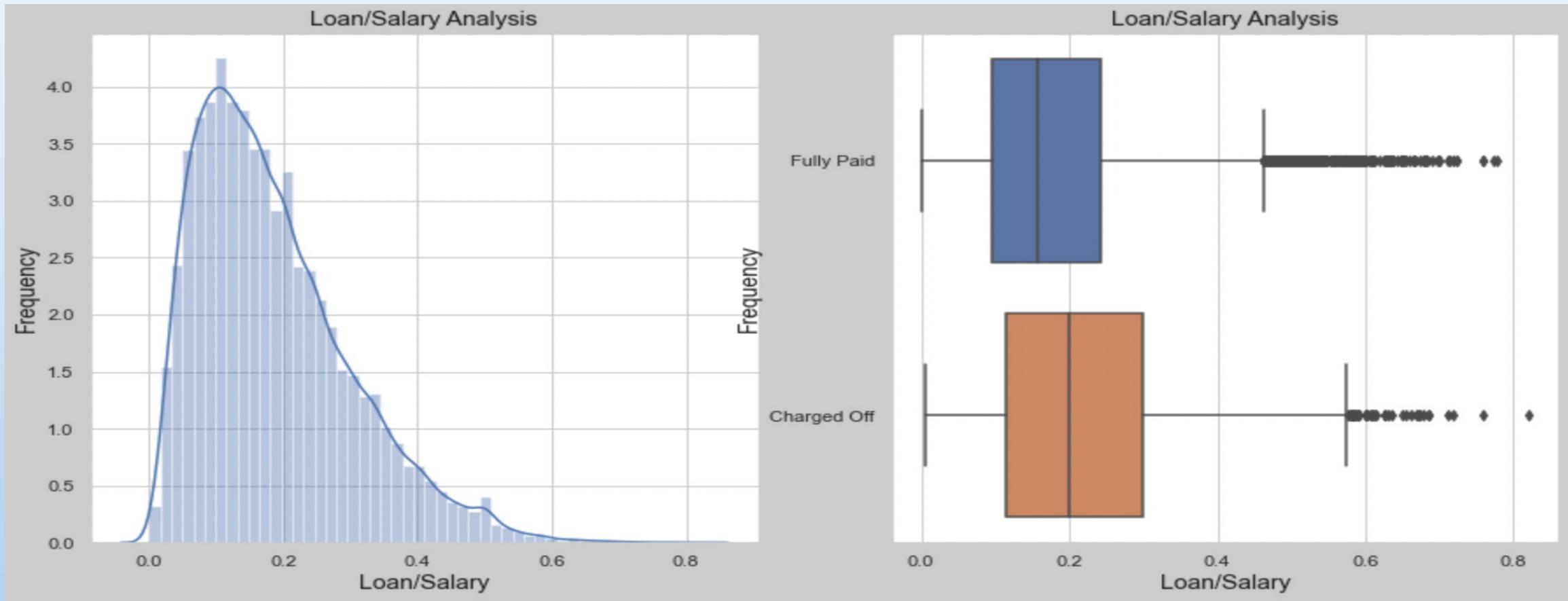
- 32328 loans were fully paid which is about 85.5% of the total loans

- 5491 loans were charged off which is about 14.5% of the total loans





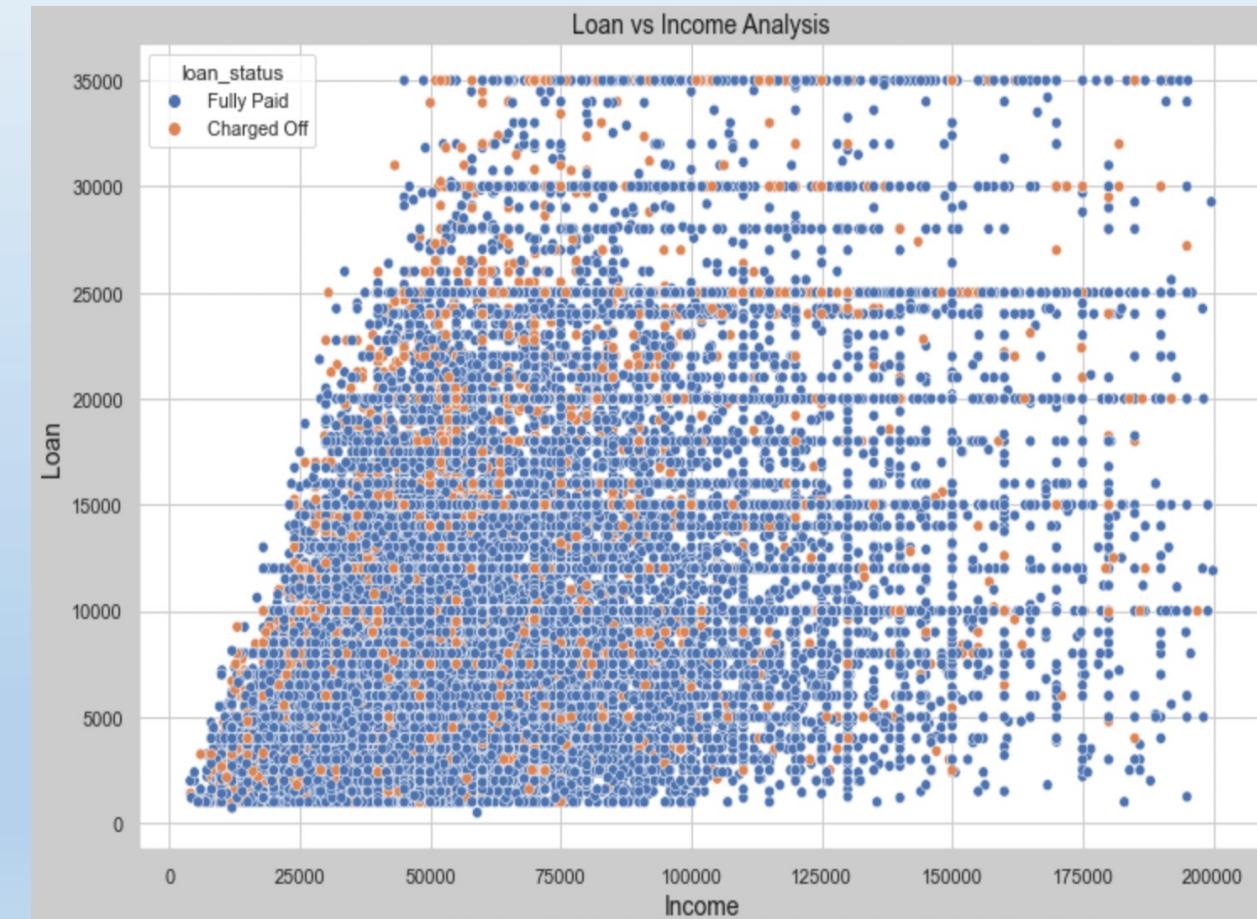
- Most of the loans were taken for the purpose of debt consolidation & paying credit card bill.

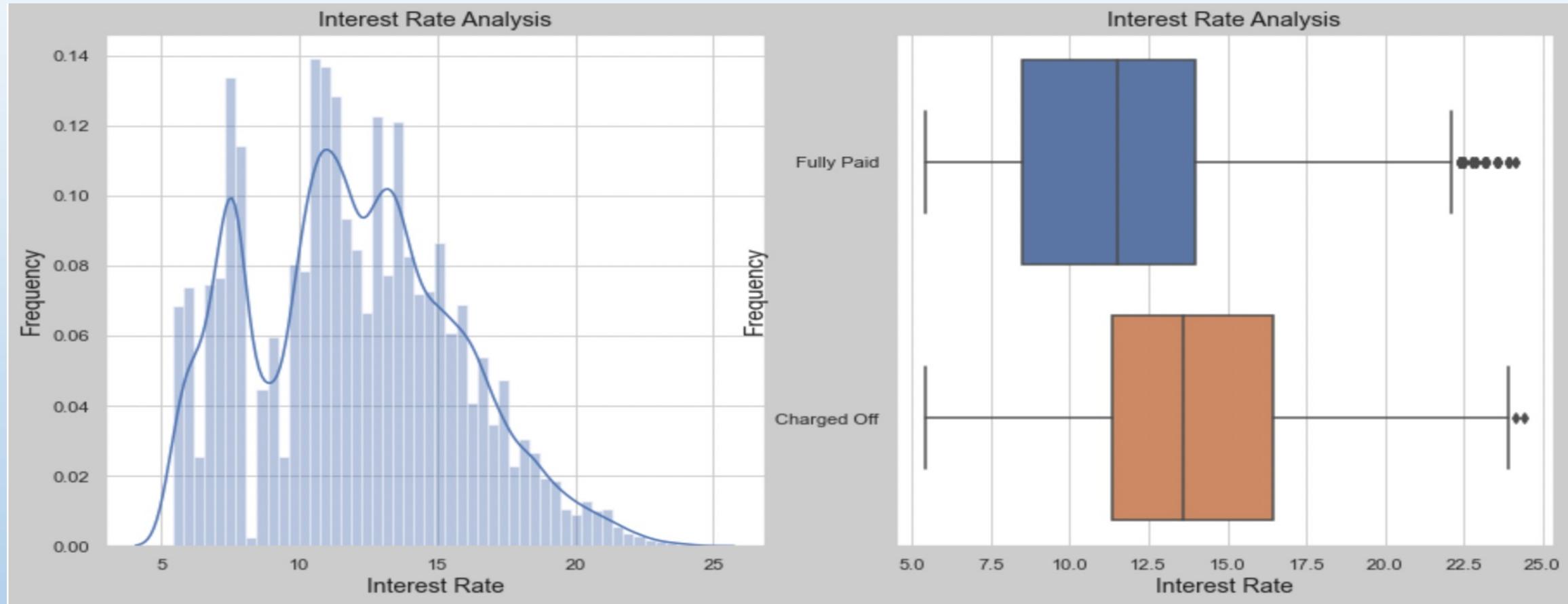


➤ Higher the Loan/Salary Ratio, more the numbers of defaulters.

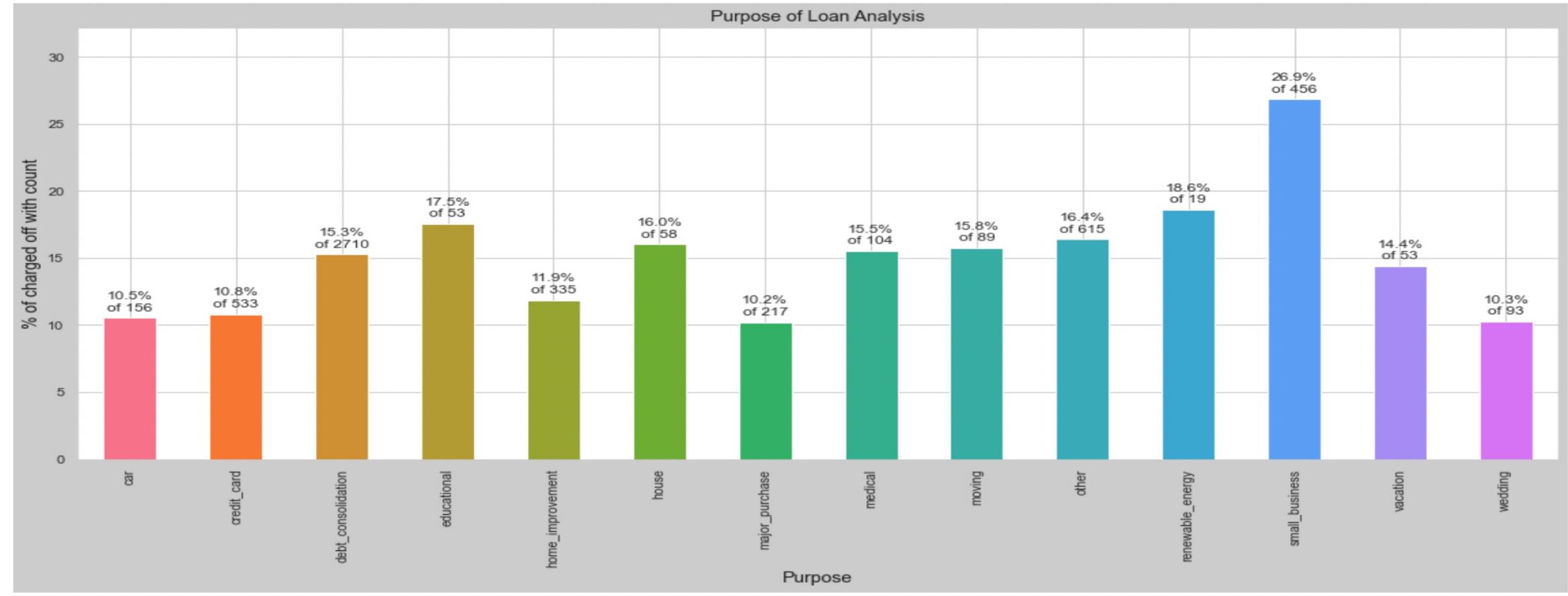
LOAN - INCOME ANALYSIS

- People with higher Income had taken higher loan amount
- There are high loans passed to low-income people also which is a potential risk.

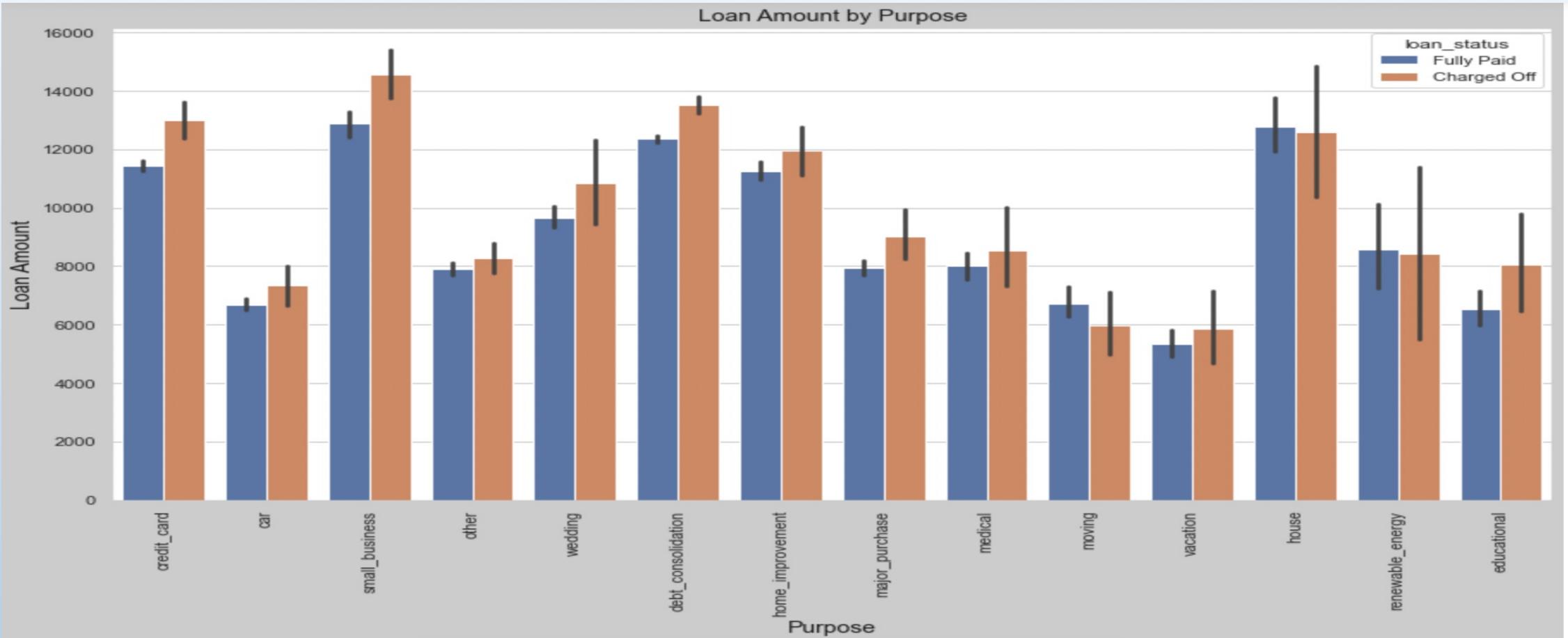




➤ Higher the Interest rate, more the numbers of defaulters.



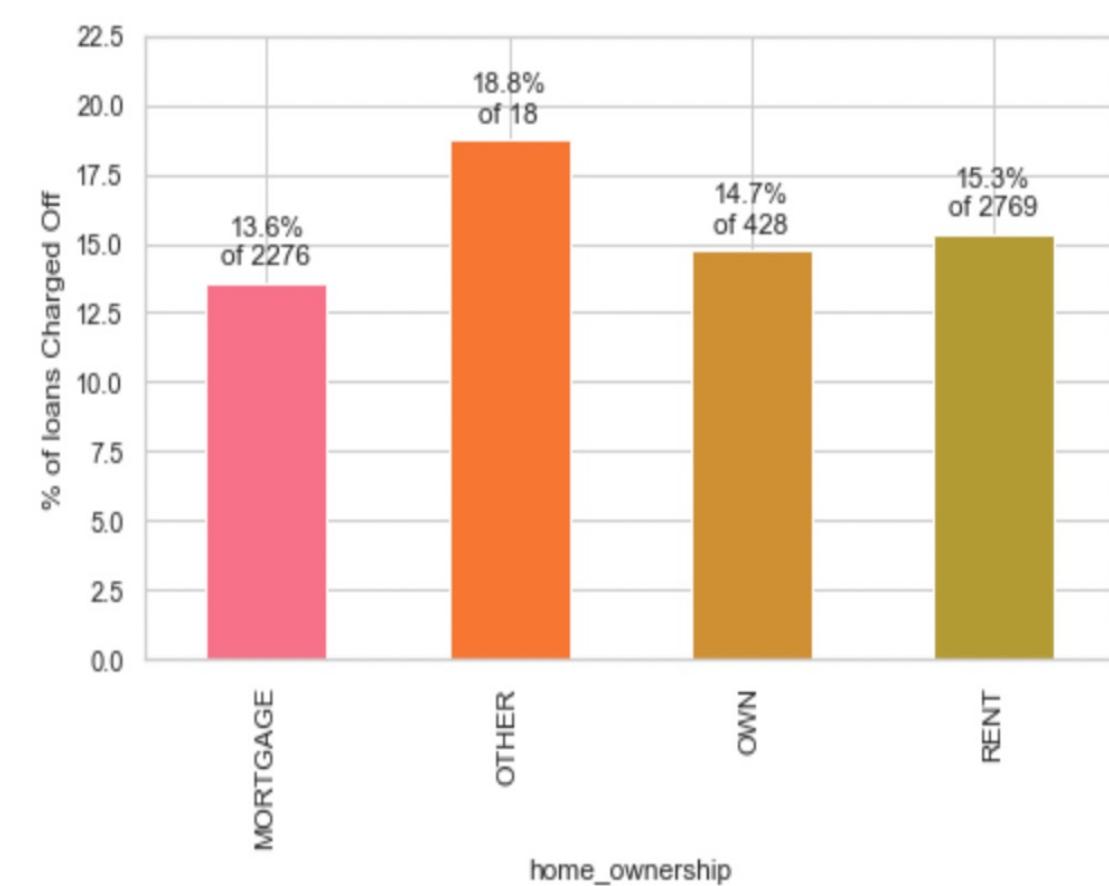
- Most of the defaulters took loan with the purpose of small business.

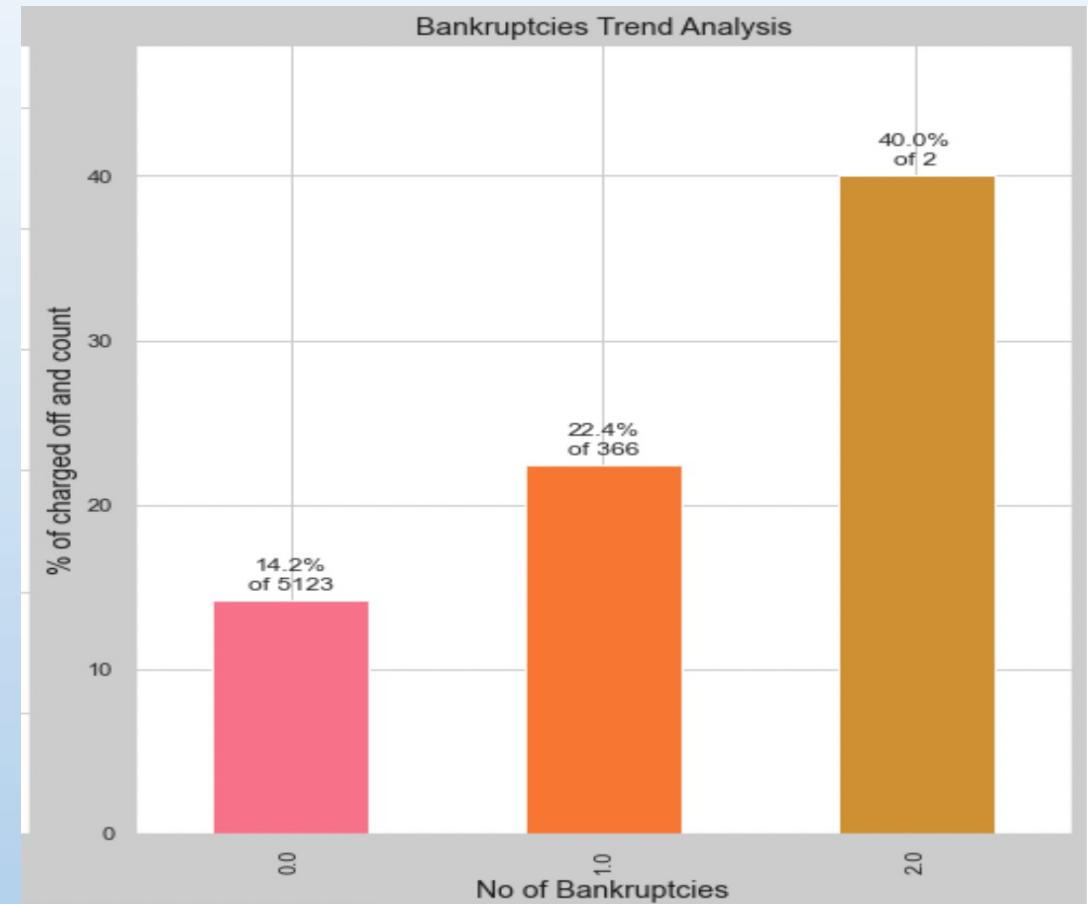
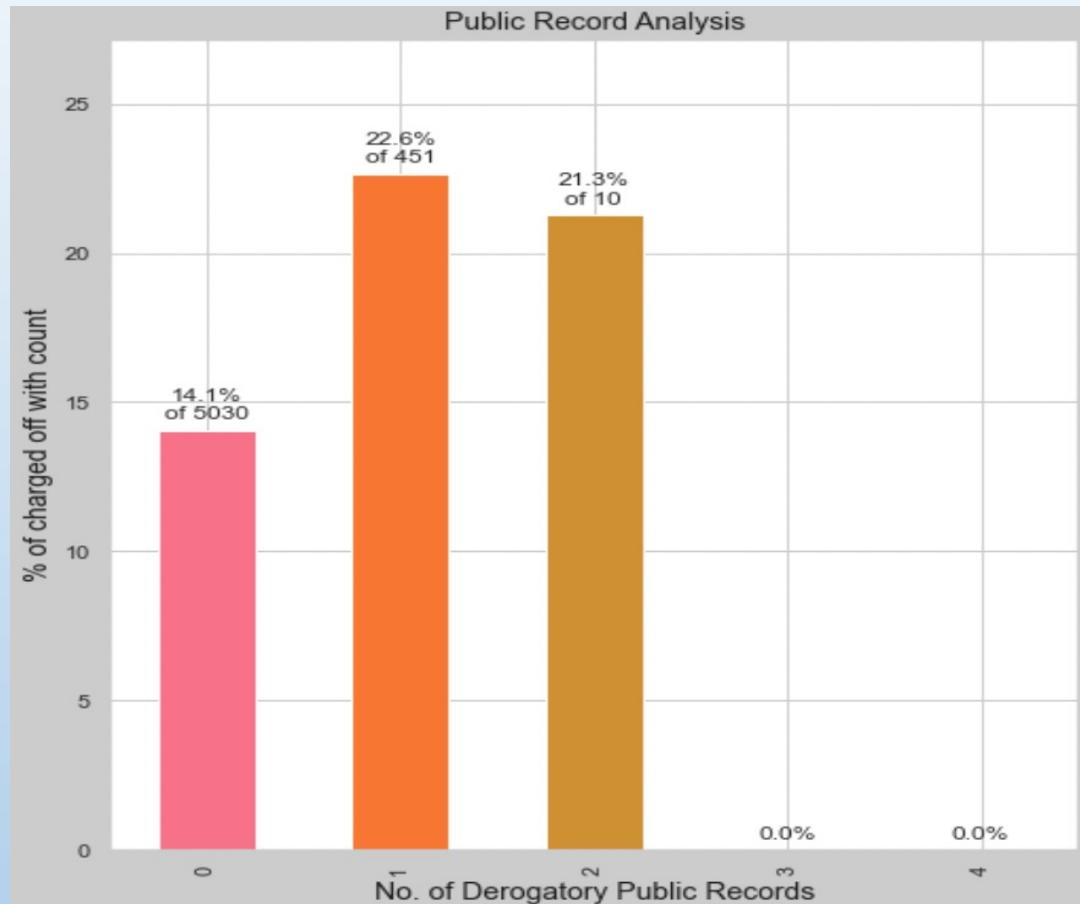


➤ Also, loan amount for small business is higher resulting more defaulters.

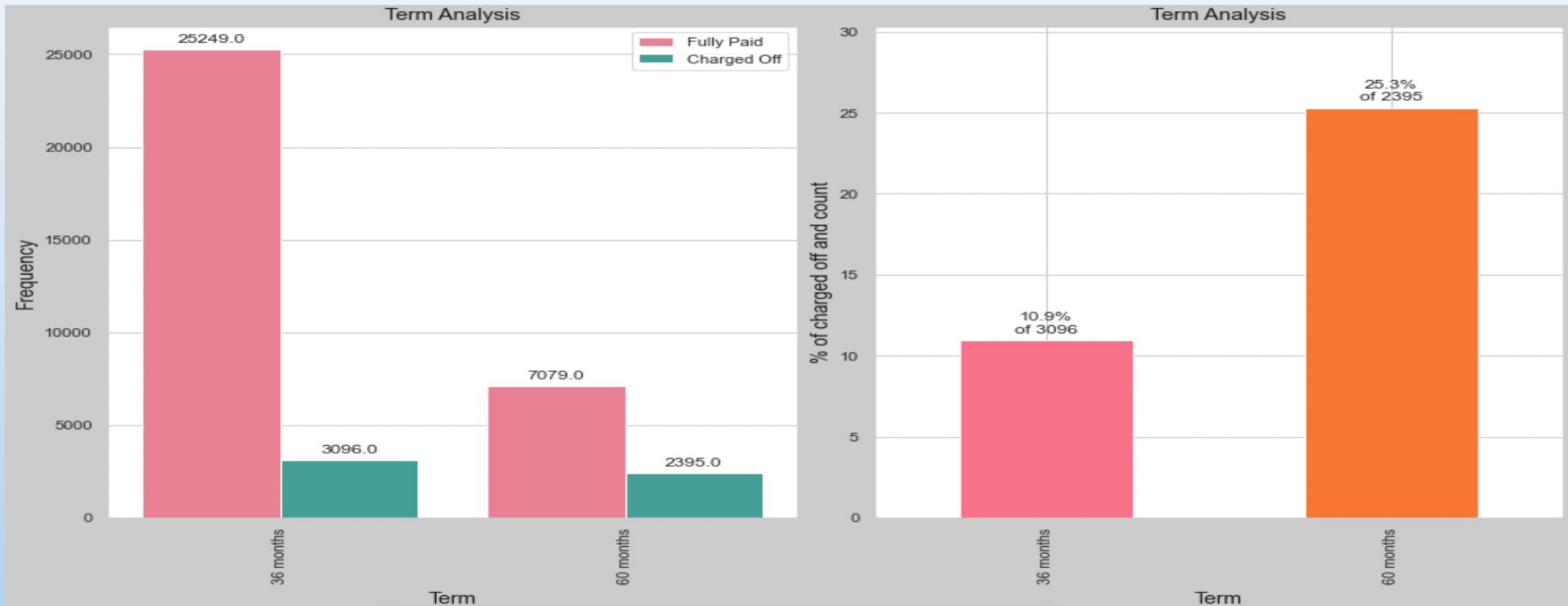
HOME OWNERSHIP ANALYSIS

- There is uniform distribution of defaulters among all categories of Home

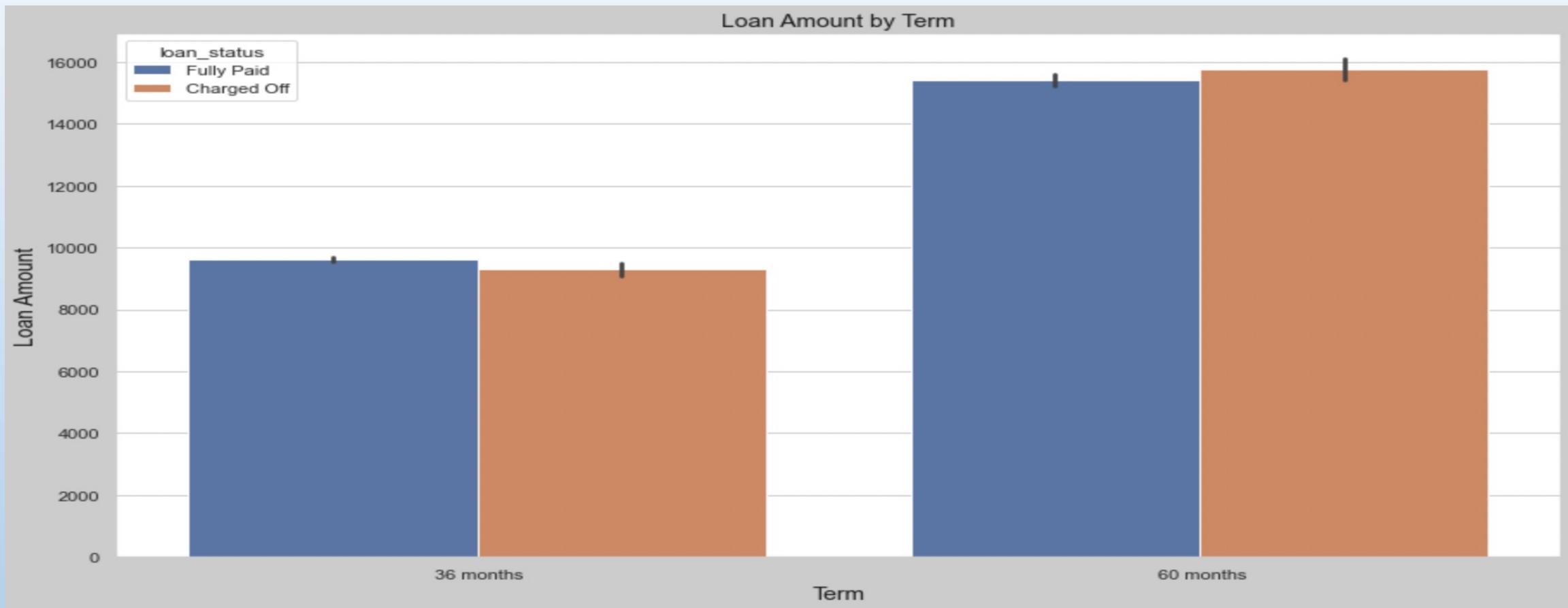




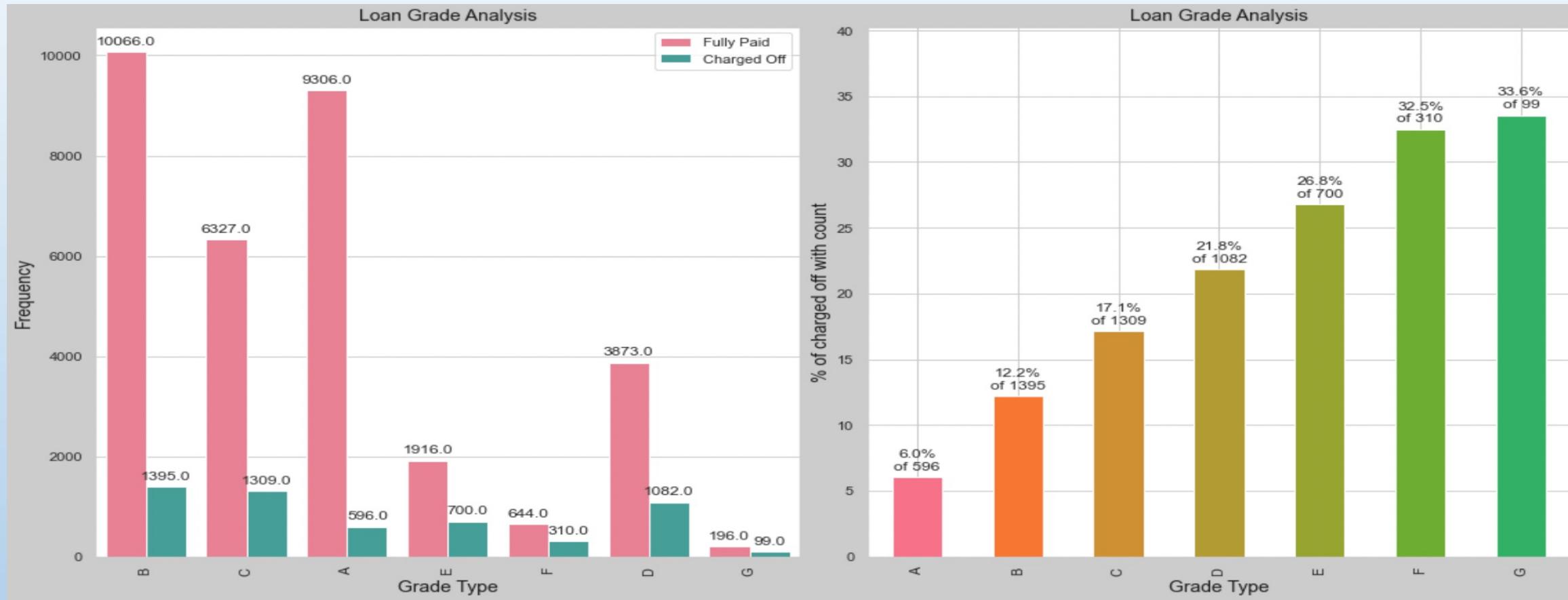
- There is an increasing trend in the number of defaulters as the number of Bankruptcies and Derogatory records increases.



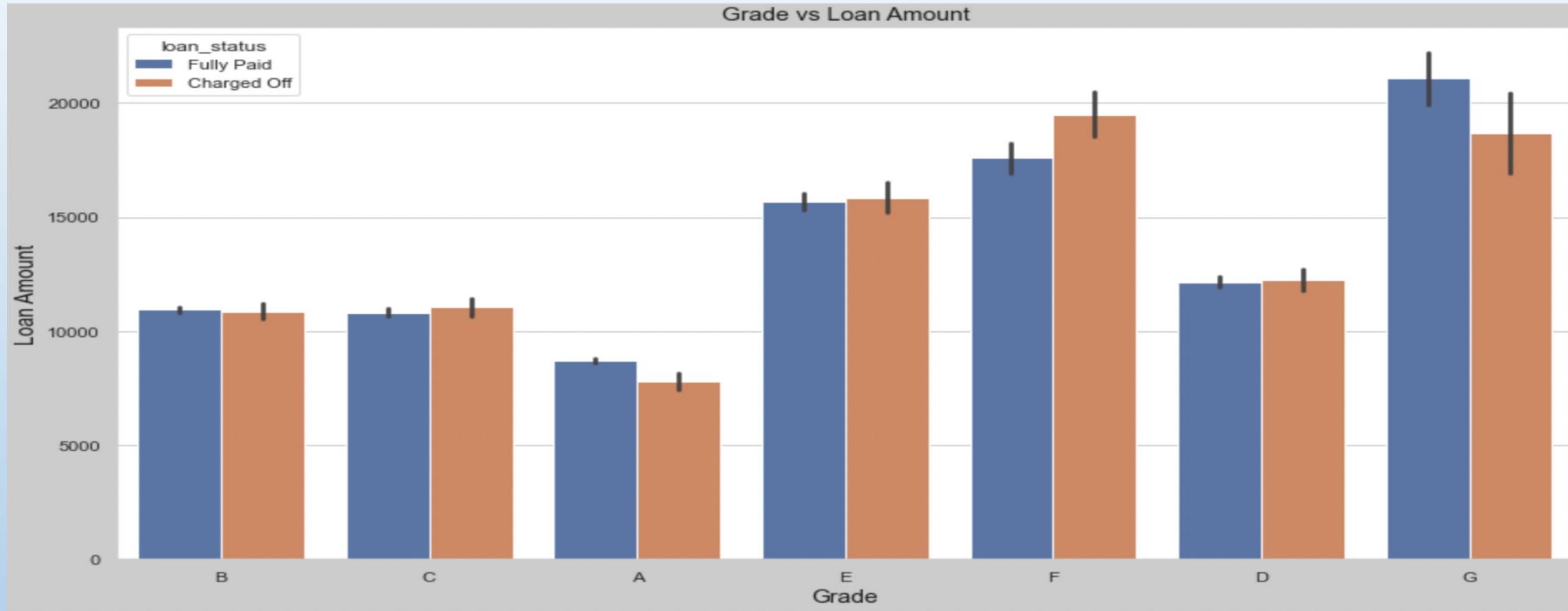
- There is significantly high percentage of defaulters in the category '60 Months' of term.



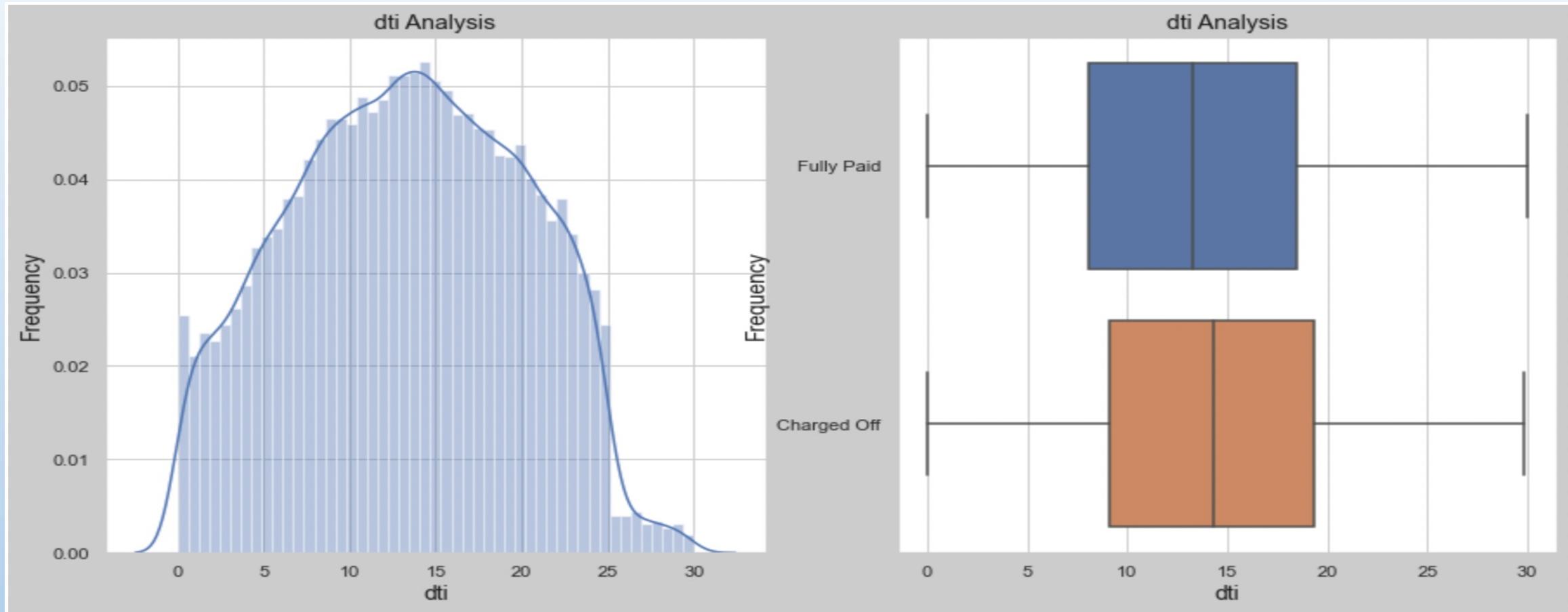
- We can see the loan amount for '60 months' term is much higher resulting higher number of defaulters.



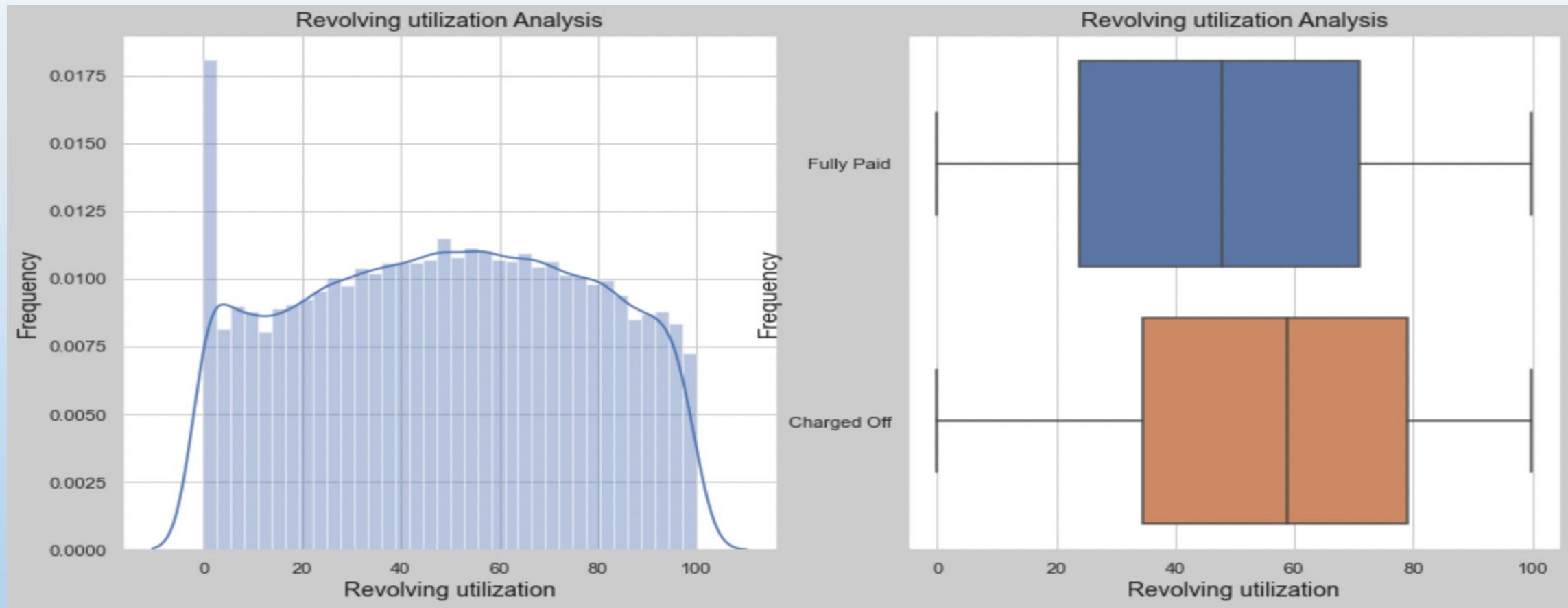
➤ There is an increasing trend of Defaulters observed from A to G Grades.



- Also, more loan amount belong to lower grade resulting higher defaulters.



- There is an increasing trend of Defaulters observed as Debt to income increases.



➤ More the revolving utilization, more the number of defaulters .

CONCLUSIONS:

Verifications needs to be done where Loan/Income or Interest rate is higher.

Approve loans carefully for people with bad derogatory and bankruptcies records.

Check the background thoroughly when the loan tenure is 60 months.

High risk is associated with approving loans for small businesses.

Have to be careful when revolving line of utilization is higher.

People with higher dti should be investigated properly for loan repaying capabilities.