**CAPSTONE PROJECT – 05**

**Problem Scope And Objective:**

It is quite evident that in P2P lending industry, there are definitely huge advantages of earning higher rate of interest by the investors, whereas borrower can spend lower amount of interest as compared to the conventional banking system. However, two most critical questions faced by this industry by any other lending industries are-

a) How risky is the borrower &

b) Given the borrowers risks, should we lend him/her or not

As the lending is done via online mode & there is no direct connect between the borrowers & the investor, this industry faces huge risk, which is a risk of default. Therefore, the challenge is to identify which customers, the investors should offer the loan & avoid the risk of defaults.

Two of the most important objectives which we would like to work upon are as below -

To develop the credit scorecard using a regression model, where the past data of the existing loans & default cases can be used to enable the investor to predict the probability of default for a potential loan to be given to the new loan applications from the borrowers and based on the risk categorization / risk bucketing suggest suitable interest rates to be charged to hedge the risk involved.

Data:

<https://www.lendingclub.com/info/download-data.action>