

LOAN REPORT

DOMAIN KNOWLEDGE

Loan Applications: Submitted by individuals or businesses, these include detailed personal and financial information, collected electronically or on paper.

Credit Reports: Accessed from credit bureaus to assess a borrower's creditworthiness, these contain credit history, existing loans, and payment behaviour.

Internal Records: Maintain records of loan transactions, including disbursements, repayments, and status changes, stored in the institution's database.

Online Portals: Platforms where borrowers can apply for loans, make payments, and access account information. Data from these portals is stored for analysis.

Third-party Data Sources: External data sources, such as income verification services, provide additional borrower information.

Process of Granting a Loan

1. **Loan Application:** The process starts when a customer submits a loan application, either in person, online, or through other channels.
2. **Application Review:** The institution reviews the application and collects necessary documents like income statements, credit reports, and IDs.
3. **Identity Verification:** Verifies the applicant's identity to prevent identity theft.
4. **Credit Check:** Accesses the applicant's credit report from credit bureaus to evaluate credit history, score, and past delinquencies.
5. **Income Verification:** Assesses the applicant's repayment ability by reviewing income documents like pay stubs or tax returns.
6. **Debt-to-Income Ratio (DTI) Check:** Calculates the DTI ratio to gauge repayment capacity.
7. **Employment Verification:** Verifies the applicant's employment status and history.
8. **Collateral Assessment (if applicable):** Evaluates the value and condition of collateral, like a home or car.
9. **Risk Assessment:** Assesses the overall risk, considering the applicant's credit risk, income stability, and loan purpose.
10. **Loan Approval or Denial:** Based on the gathered information and risk assessment, the institution decides to approve or deny the loan application and determines loan terms if approved.
11. **Loan Agreement:** Provides the applicant with an agreement outlining terms, interest rate, repayment schedule, and fees.
12. **Disbursement of Funds:** Once the agreement is signed, funds are disbursed to the borrower for the specified purpose.
13. **Repayment:** The borrower makes regular payments as specified, including principal and interest.

14. **Ongoing Monitoring:** Institutions monitor the loan throughout its term, tracking payments, assessing financial health, and managing delinquencies or defaults.

Reasons for Analysing Loan Data

1. **Risk Assessment:** Evaluates lending risk, predicts default probabilities, and determines interest rates and terms.
2. **Decision-making:** Supports the evaluation of loan applications using data-driven models.
3. **Portfolio Management:** Monitors the health of loan portfolios, identifies underperforming loans, and optimizes terms and pricing.
4. **Fraud Detection:** Detects fraudulent applications and activities through data analysis.
5. **Regulatory Compliance:** Complies with regulations requiring data collection and reporting.
6. **Customer Insights:** Provides insights into customer behaviour, preferences, and needs to tailor loan products and marketing strategies.
7. **Profitability Analysis:** Assesses profitability by analysing interest income, origination costs, default rates, and collection efforts.
8. **Market Research:** Understands market trends, competitive landscape, and customer demand to guide product development and expansion strategies.
9. **Credit Risk Management:** Continuously monitors and manages credit risk, setting strategies, provisioning for losses, and stress testing loan portfolios.
10. **Customer Retention:** Identifies opportunities for retaining existing customers through options like loan refinancing or additional financial products.