

Lending Club Case



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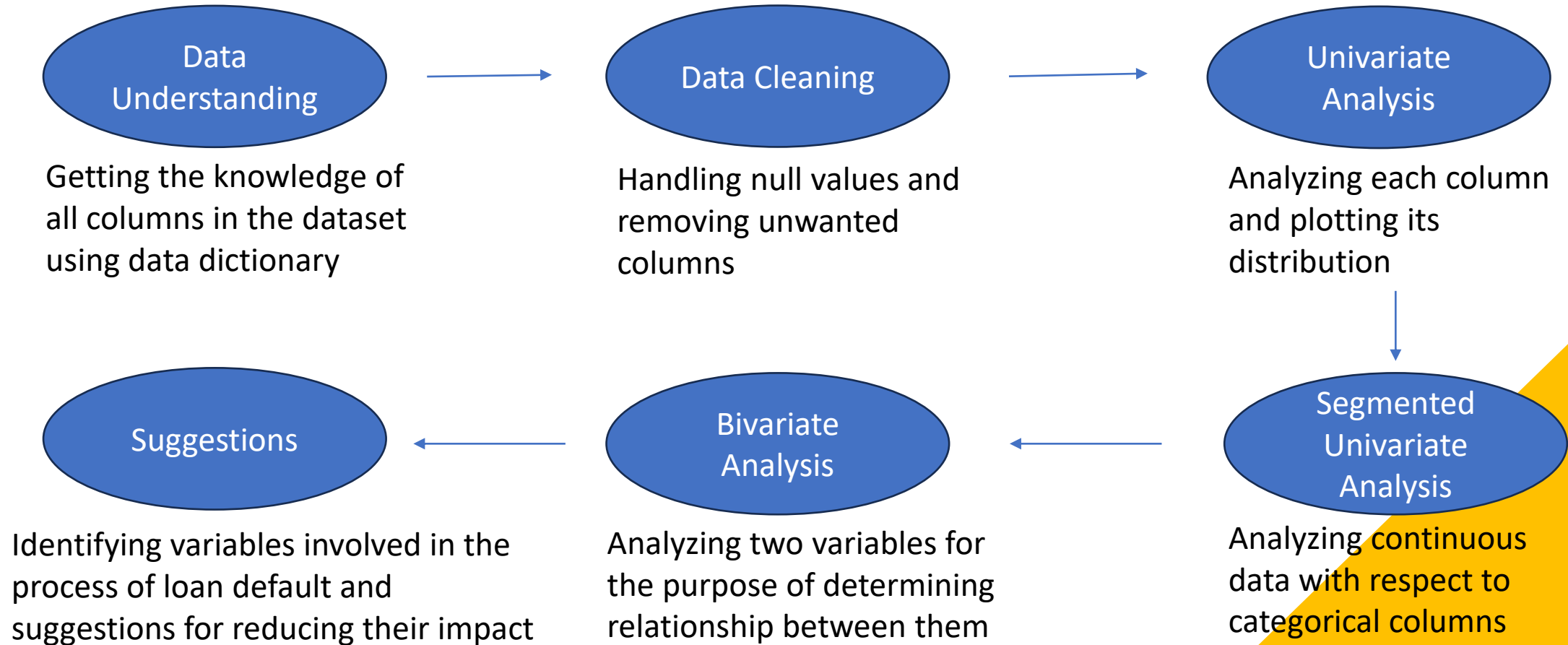
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Objective

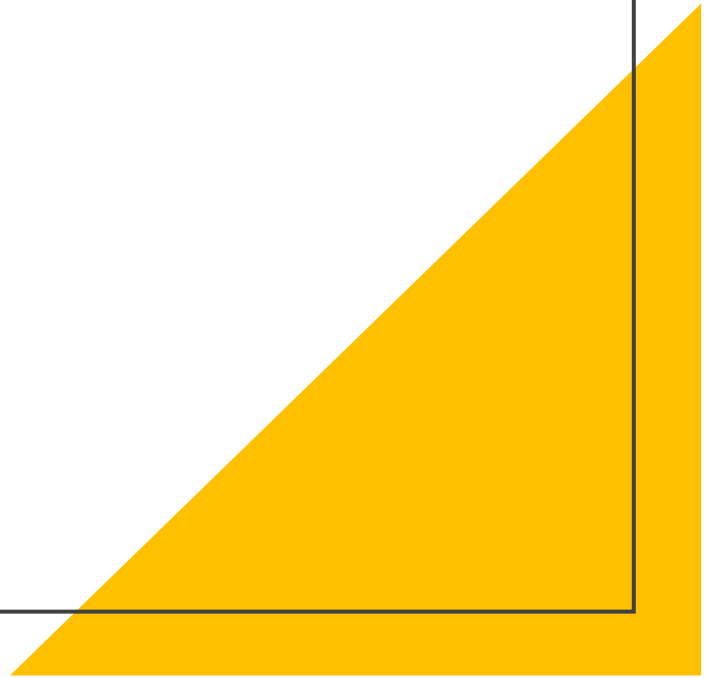
Lending Club is the largest online loan marketplace, facilitating personal loans, business loans, and financing of medical procedures. Borrowers can easily access lower interest rate loans through a fast online interface.

Objective is to identify risky borrowers and the driving factors behind loan default

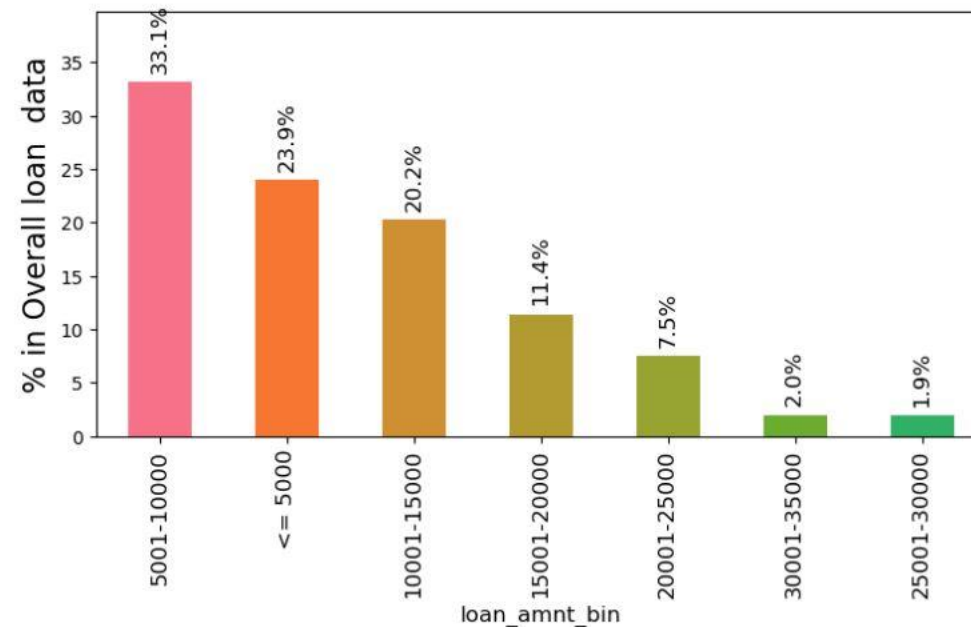
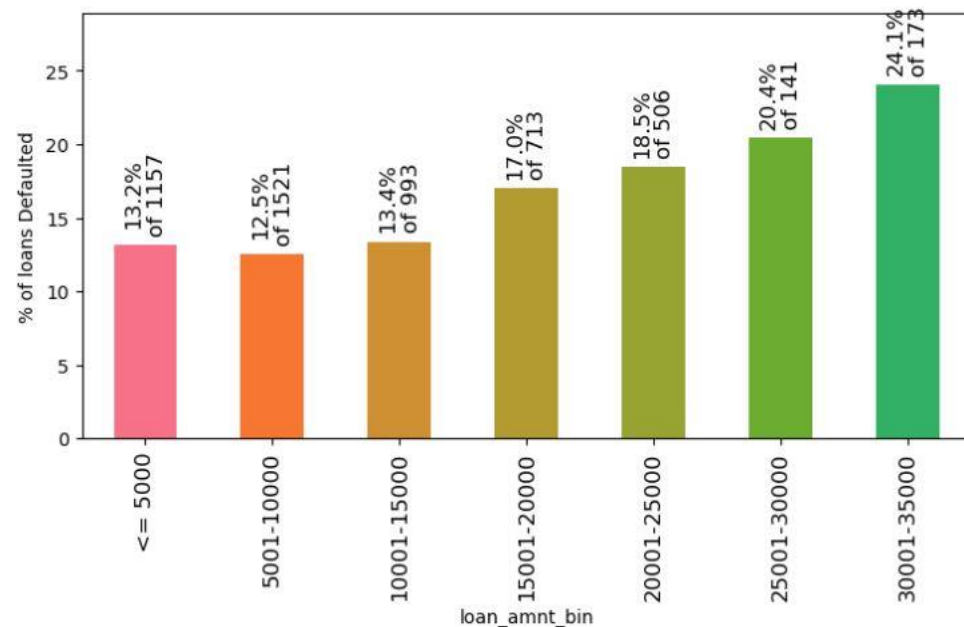
Approach



Driving factors behind loan default

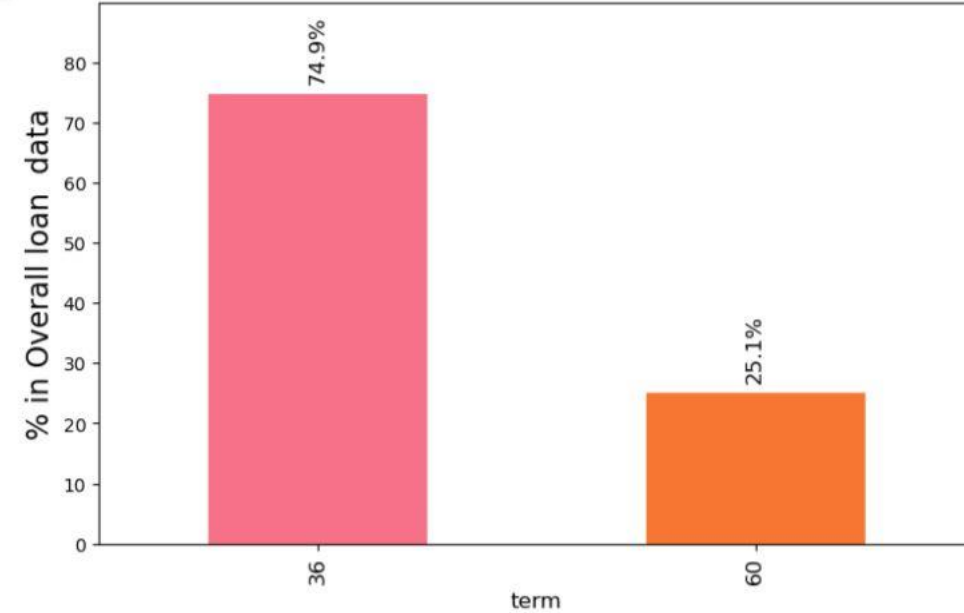
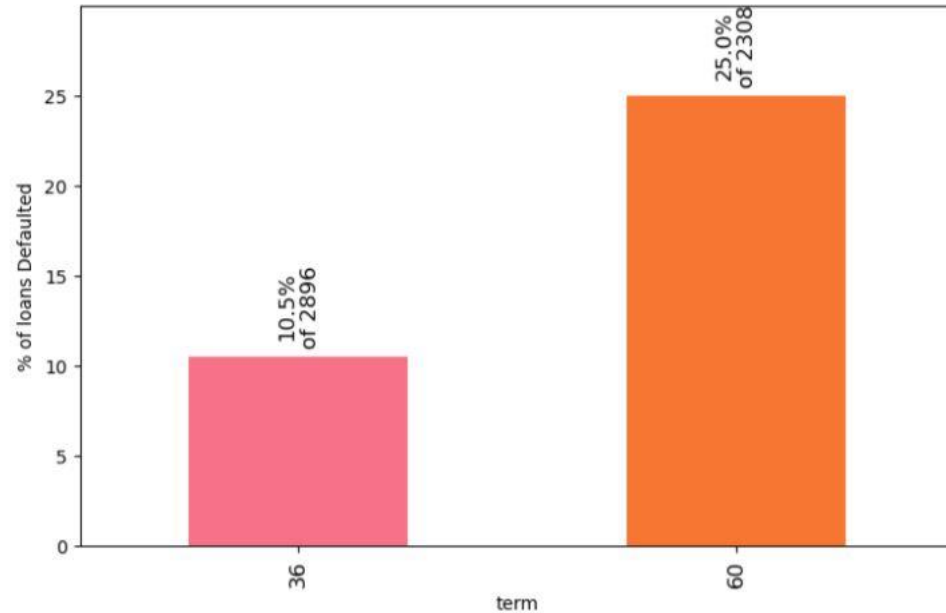


Loan Amount



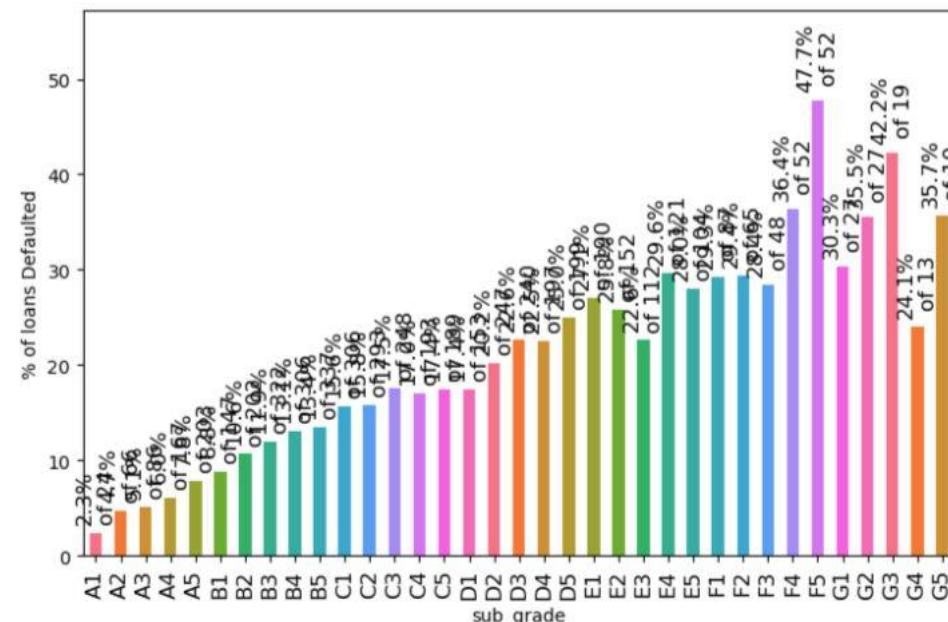
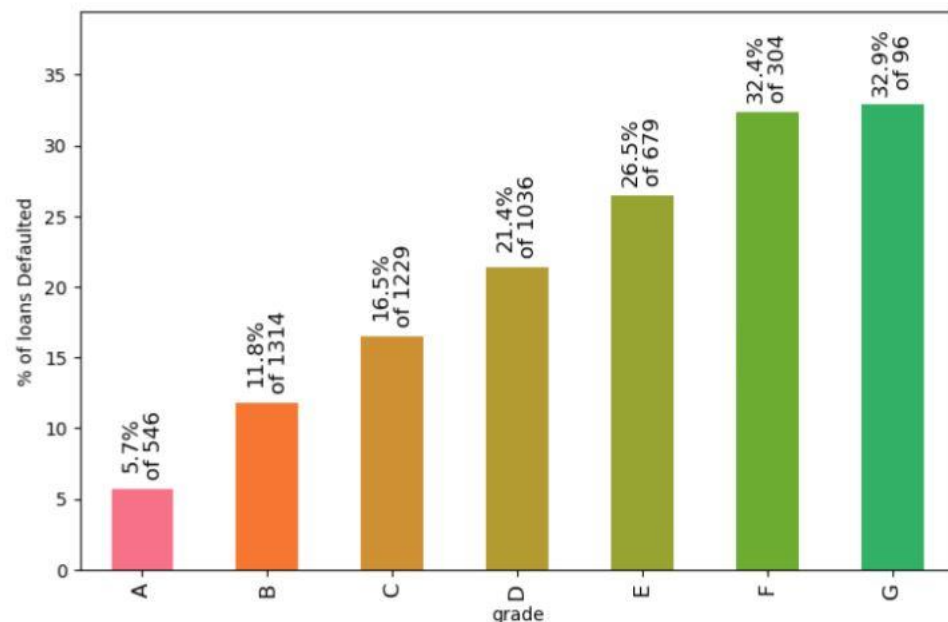
With increase in loan amount, default percentage also increase. Thus, the company is giving high amount of loans to low number of borrowers and should follow the same in future.

Term of loan



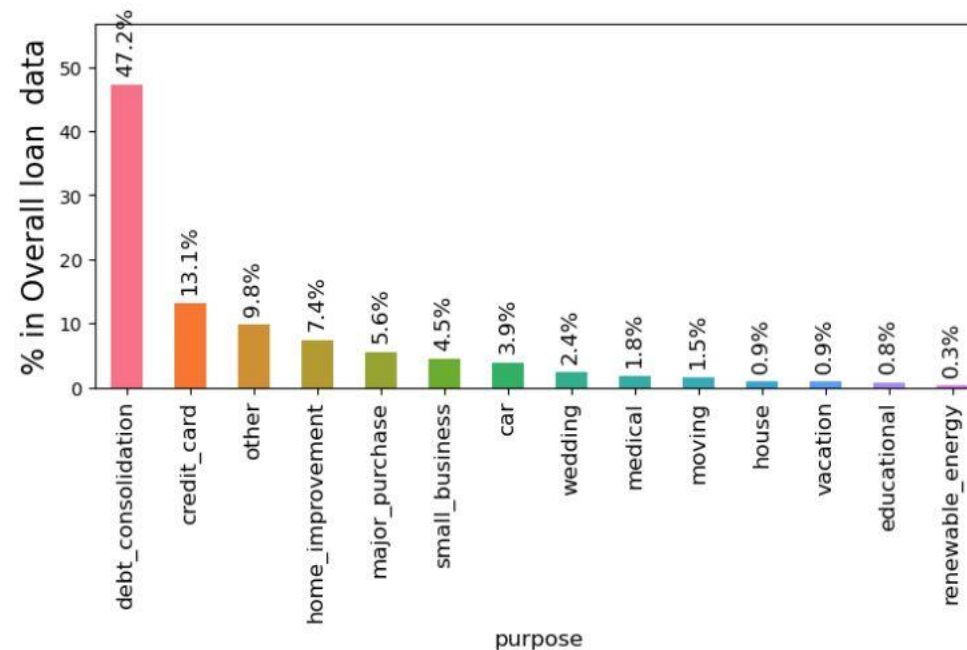
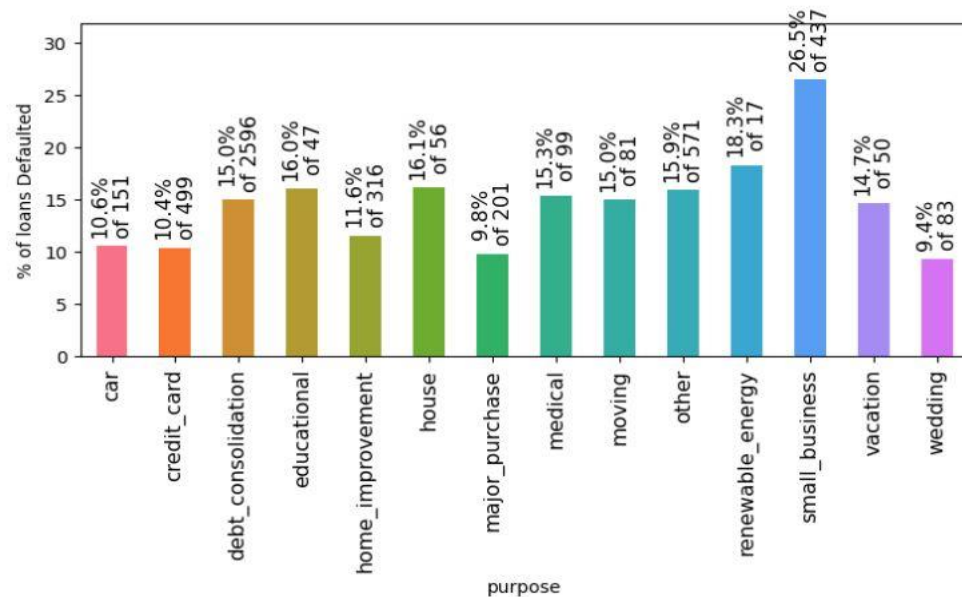
Loans given for 5 years have a high chance of default than loans given for 3 years. Company is already giving loan to low number of borrowers for long term. It should further refrain from giving high term loans.

Grades and Sub-Grades



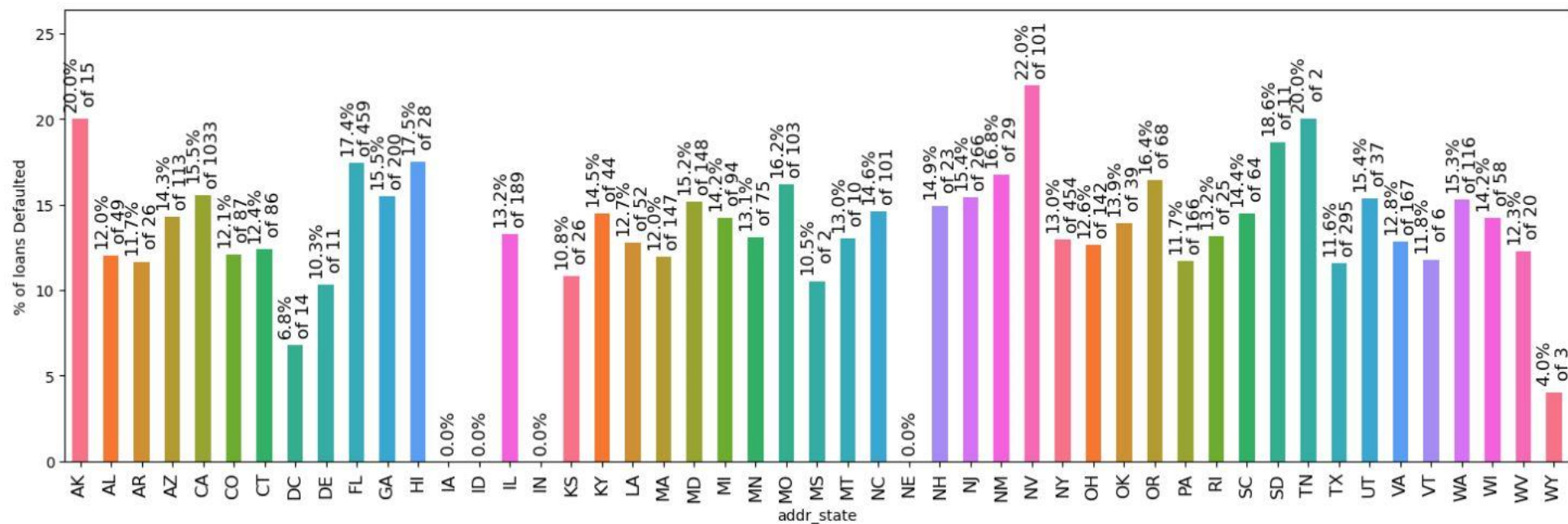
Rate of default is higher in case of lower grades which determines the accuracy of grading system of company. Thus, company should avoid giving loans to borrowers with lower grades and subgrades

Purpose of loan



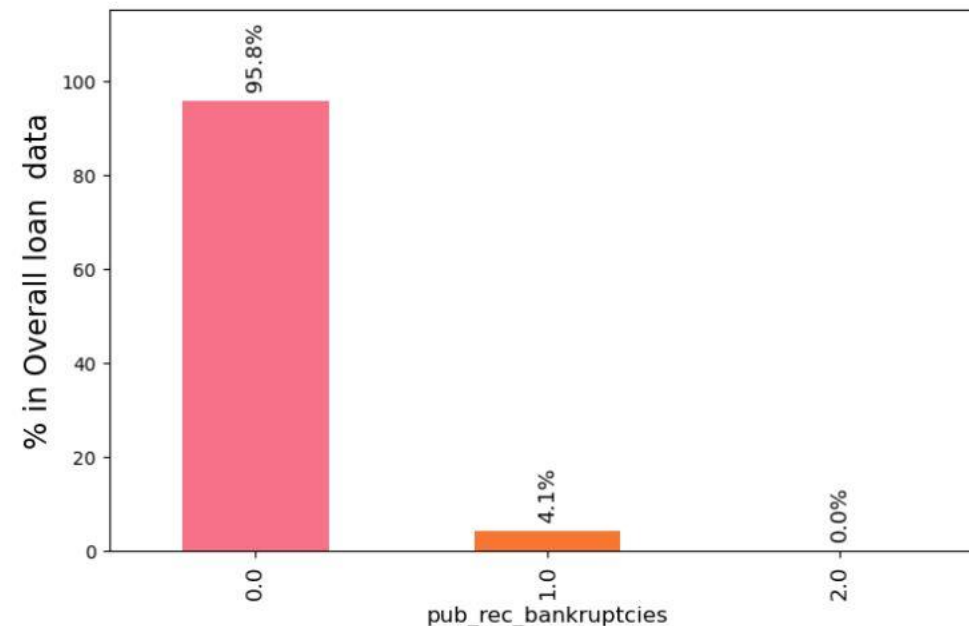
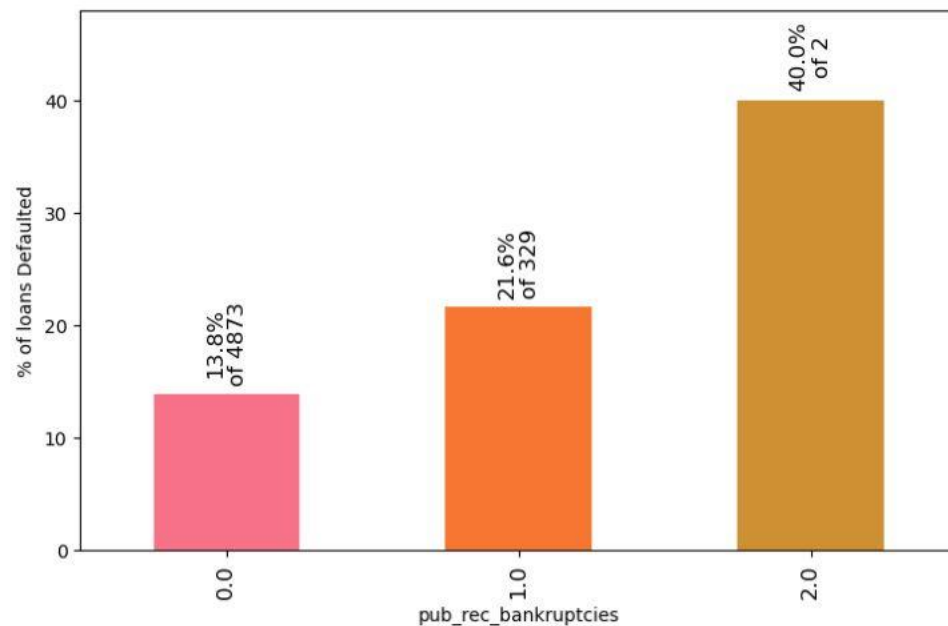
Rate of default is higher in case of loans given for small businesses and renewable energy. Thus, company should refrain giving these type of loans.

States



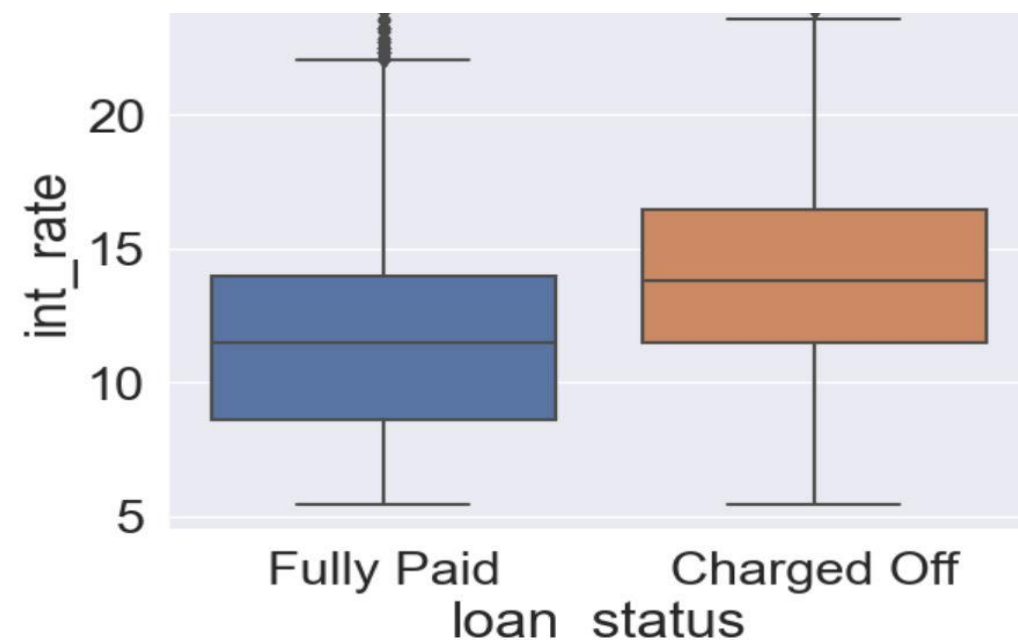
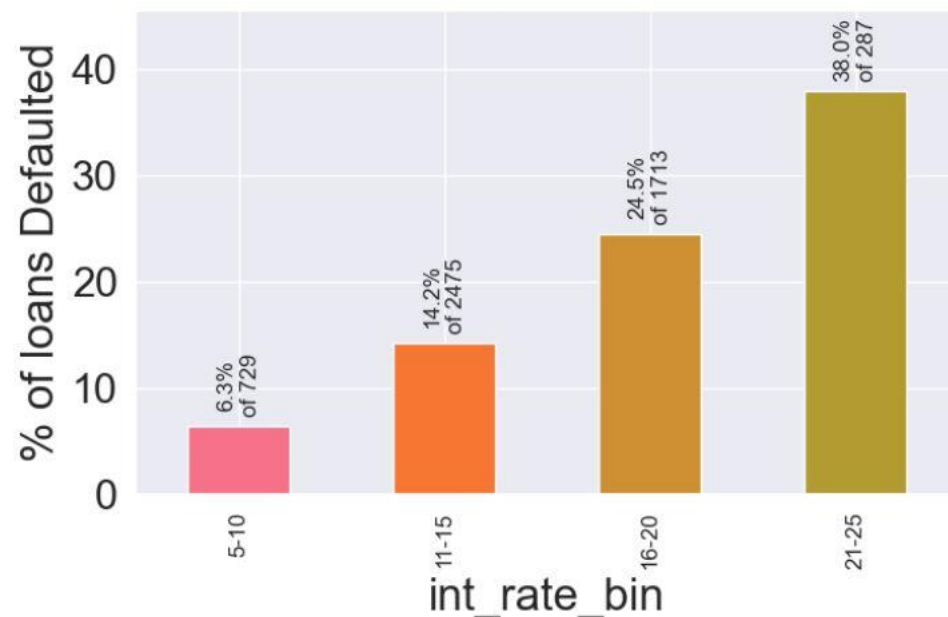
Borrowers from NV, AK, TN has high chance of default whereas borrowers from IA, ID, NE have almost fully repaid their loans.

Number of Bankruptcies



Borrowers who have been declared bankrupt in past have a very high chance of default. Company should not give loans to borrowers with bankruptcy history.

Interest Rate



With an increase in interest rate, rate of default also increases, thus the company should not give loans to customers with bad credit history at high interest rates.

Summary

Factors (loan amount, term of loan, grades, purpose of loan, states, bankruptcy history and interest rates) have high effect on rate of default.

Company should refrain from giving risky loans at high interest rates to borrowers with low credibility.

Loans given for purpose of small businesses, renewable energy should be taken care and proper checks needs to be maintained on such loans.

Loans for small period should be prioritized over long term loans.

Relationship/Credit Managers should give loans as per the grading system of the company.

Borrowers with bankruptcy history should not be given loans.