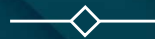


LENDING CLUB CASE STUDY ANALYSIS



Bhavya Kapoor and Balkrishnan Venkiteswaran

LOAN COUNT VS LOAN GRADE

OBSERVATION:

Loan Grade 'B' seems to be the most popular category, where maximum number of loans are disbursed. This is the category where most loans are FULLY-PAID back.

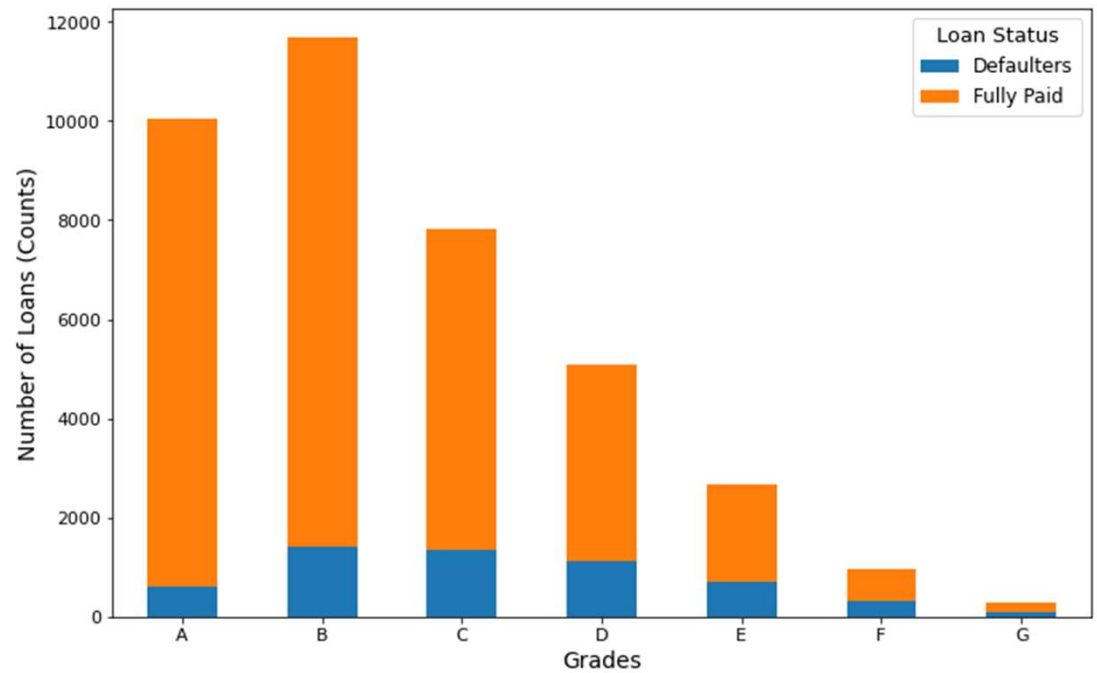
DEFAULTERS seem to be associated with both Grade 'B' and 'C' category of loans.

PROPOSAL:

LC management must review their policies on why Grade 'B' and 'C' loans are mostly defaulted.



Distribution of Loan Grades for Defaulters and Fully Paid



LOAN COUNT VS LOAN SUB-GRADE

OBSERVATION:

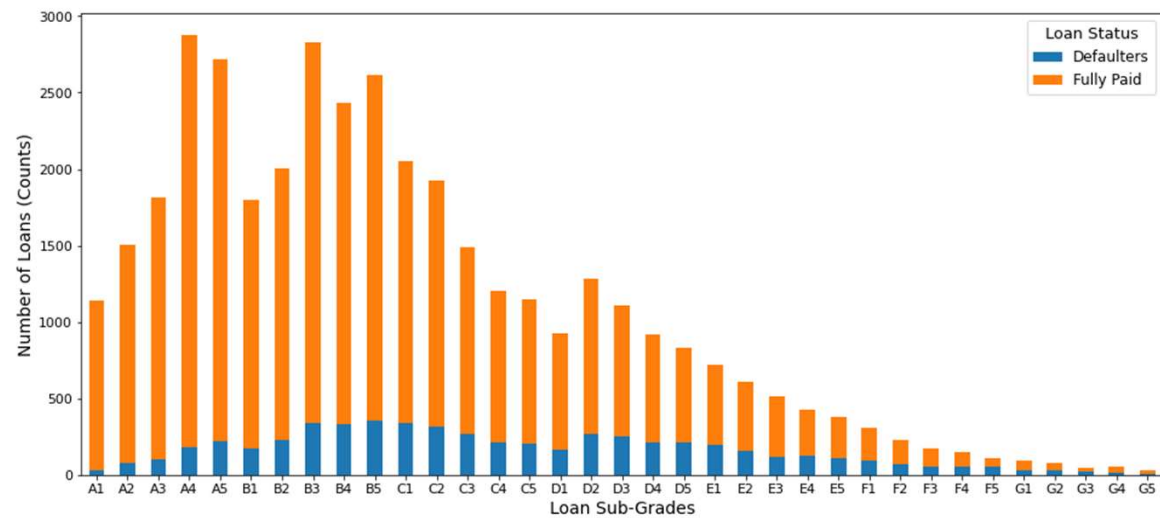
Loan Sub-Grades 'B3', 'B4' and 'B5' seems to be the most popular sub-category, where maximum number of loans get DEFAULTED.

PROPOSAL :

LC management must review their policies on why these three sub-grade loans, 'B3', 'B4' and 'B5', are mostly defaulted.



Distribution of Loan Sub-Grades: Defaulters vs. Fully Paid



INSTALLMENT AMOUNT VS LOAN STATUS

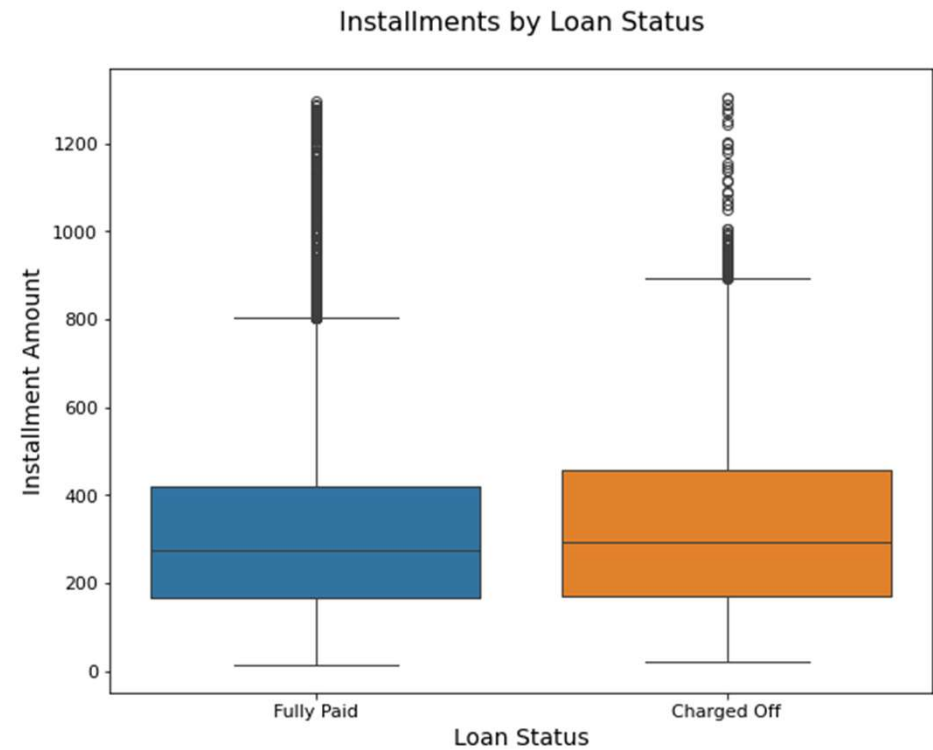
OBSERVATION:

DEFAULTED loans show higher variability of Installment-Amount when compared to the FULLY-PAID loans.

Also, the maximum Installment-Amount is higher in DEFAULTED loans than in the FULLY-PAID one.

PROPOSAL :

LC management must verify the financial and vocation credentials of borrowers, especially where higher Installment-Amounts are involved, the feasibility of repayment of installments consistently.



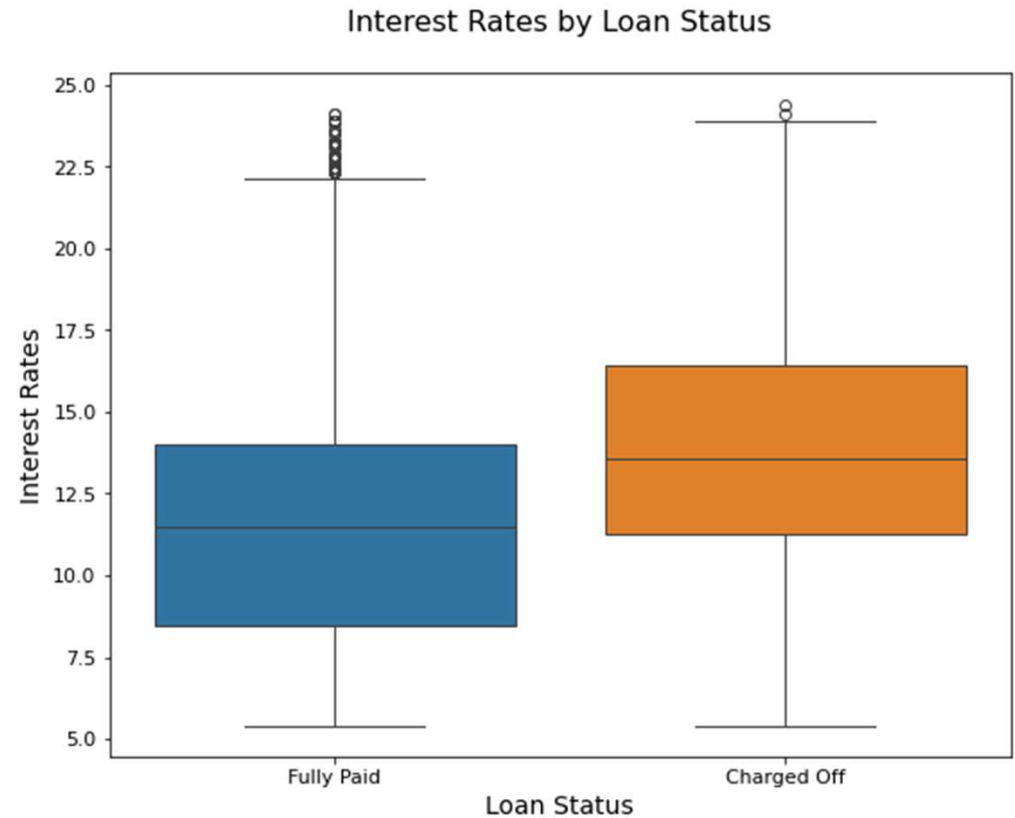
INTEREST RATES VS LOAN STATUS

OBSERVATION:

The Median-value of Interest-Rates for the DEFaulter loans is significantly higher than that of the FULLY-PAID loans.

PROPOSAL :

LC management must verify the financial and vocation credentials of borrowers, especially where higher Interest-Rates are involved, the feasibility of repayment of installments.



NUMBER OF LOANS VS INTEREST RATE CATEGORY

OBSERVATION:

The loans in medium-interest-rates are more popular than the low or high interest-rate loans.

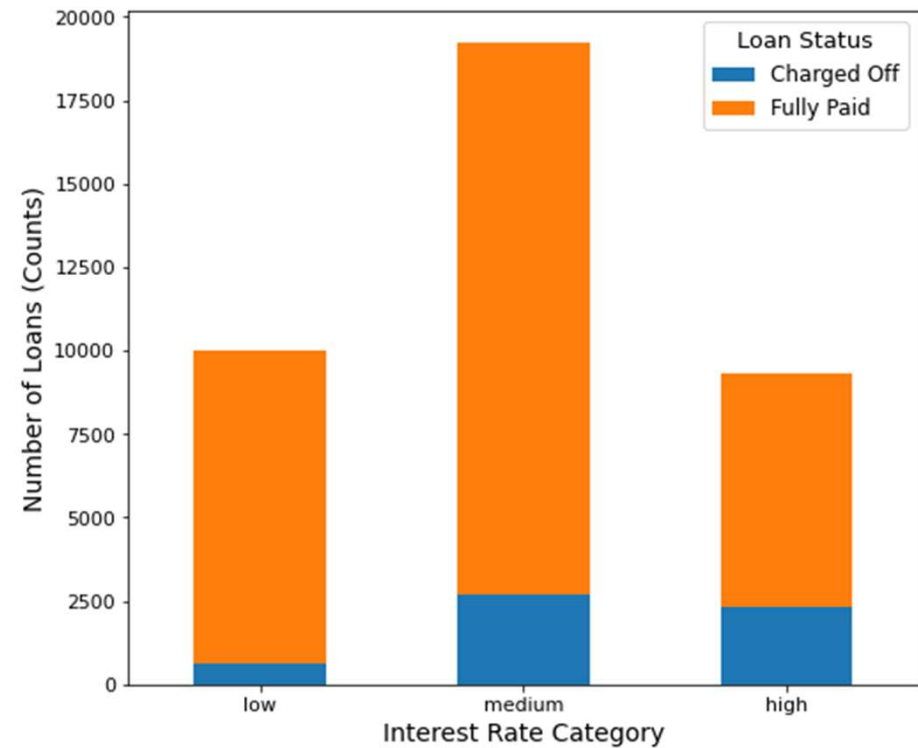
Loans which are FULLY-PAID mostly are the ones with medium-interest-rates.

PROPOSAL :

LC management can offer more loans in medium-interest-rate category due to their popularity and for also positive-closures resulting in profits to LC.



Distribution of Loan Status by Interest Rate Category



NUMBER OF LOANS VS LOAN-DURATION

OBSERVATION:

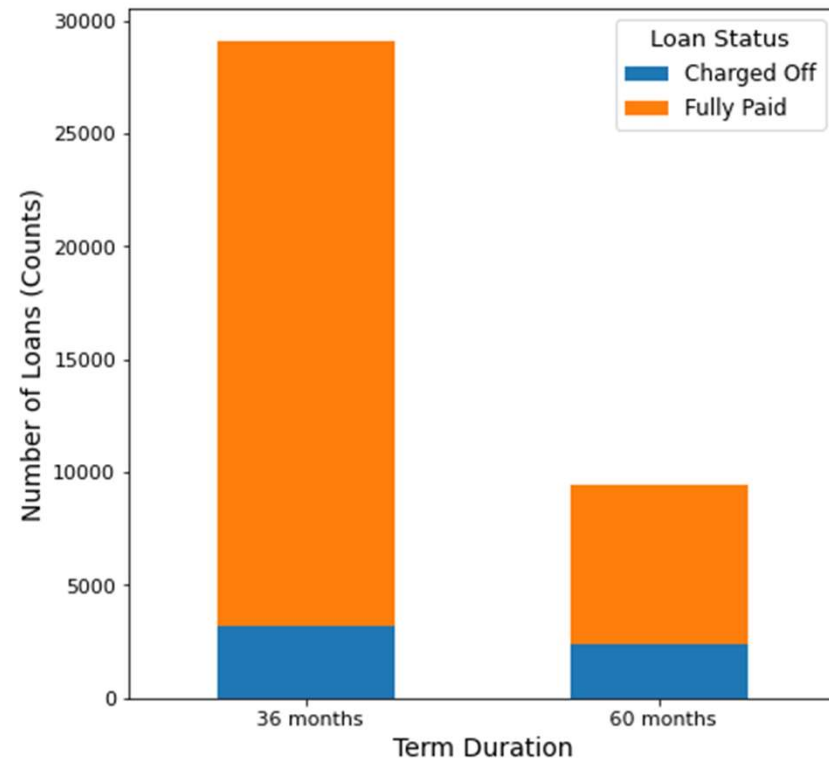
The loans of 36-month period are more popular and are also more probable to be FULLY-PAID, than the one with 60-month period.

PROPOSAL :

LC management can offer more variety of loans of 36-month period due to higher closure-rate and popularity. This will help increase the profits of LC.



Distribution of Loan Status by Term Category



LOAN AMOUNT VS LOAN STATUS

OBSERVATION:

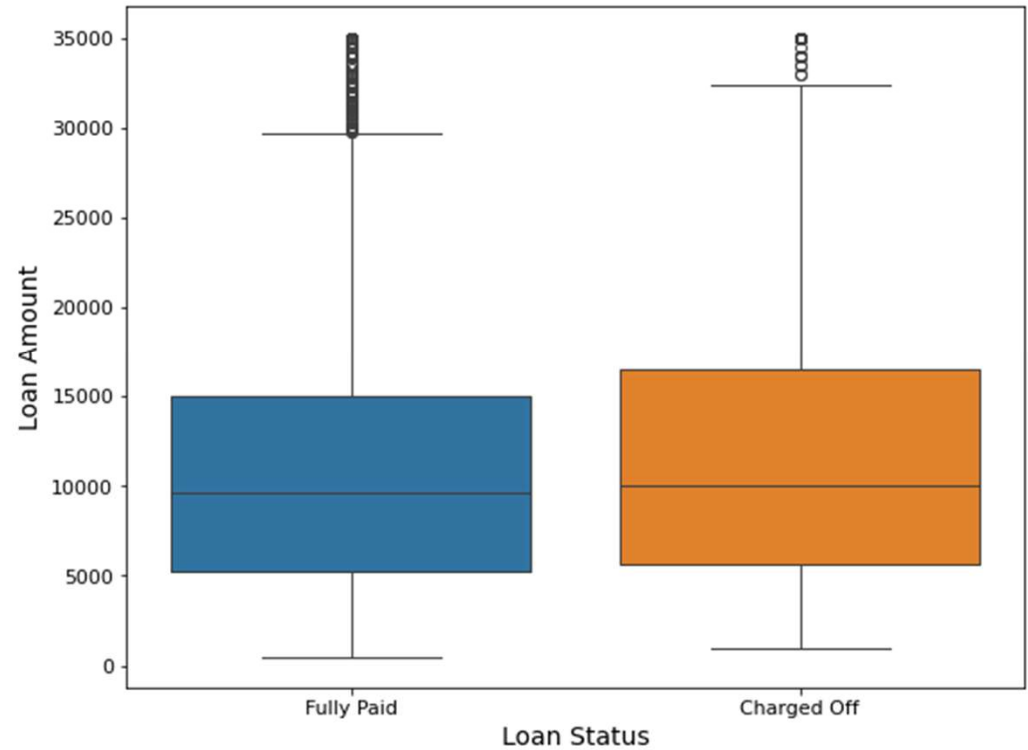
The Loan-Amounts exceeding 30000 are more likely to be DEFAULTED.

PROPOSAL :

LC management can limit the Loan-Amount values to increase the possibility of FULLY-PAID category. This will help the LC minimize their losses.



Distribution for Loan Amount by Loan Status



ANNUAL INCOME VS LOAN STATUS

OBSERVATION:

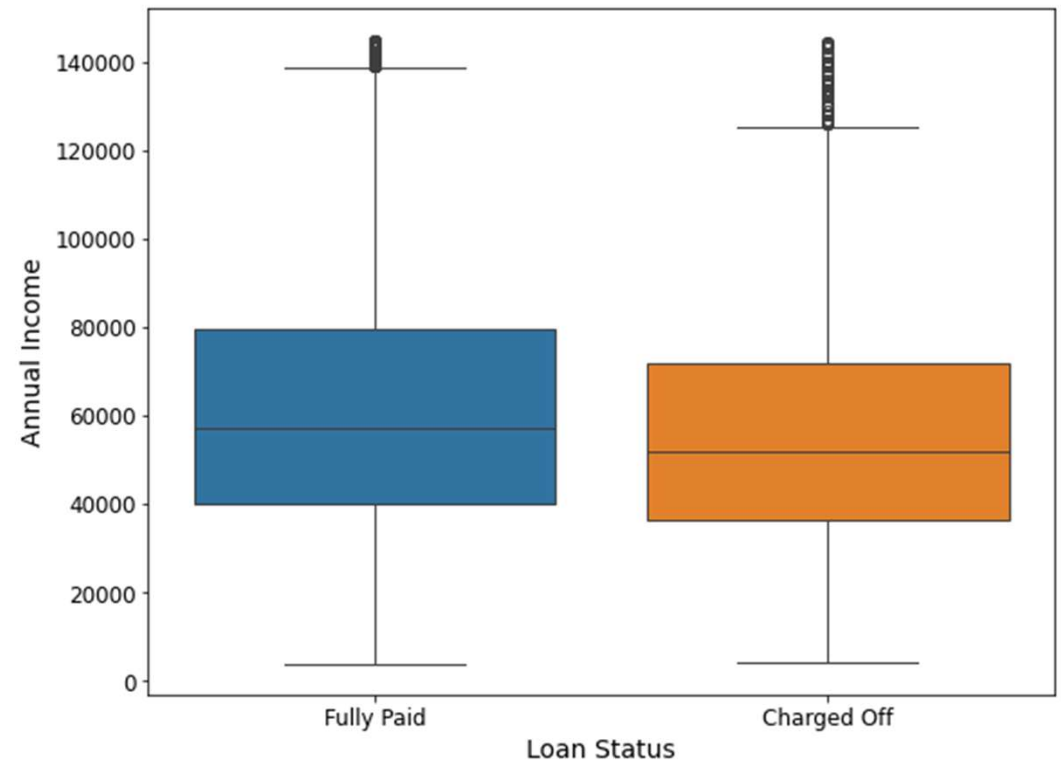
Loans disbursed to borrowers whose Annual-Income is higher than 80000 are more likely to be FULLY-PAID.

PROPOSAL :

LC management must ensure that due-diligence on the borrowers are done based on their Annual-Income to minimize defaults.



Annual Income Distribution by Loan Status



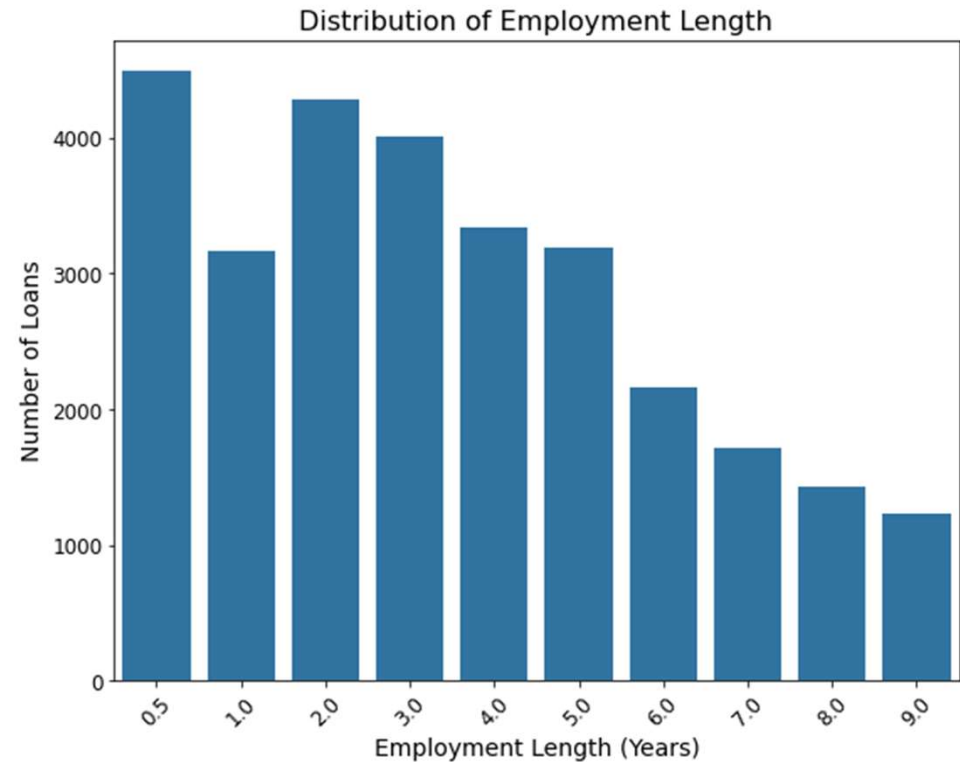
NUMBER OF LOANS DISBURSED VS EMPLOYMENT DURATION OF BORROWERS

OBSERVATION:

Maximum number of loans are disbursed to borrowers with less-than 1-year of employment/work-experience. The tendency to take loans reduces when number of years in employment increases.

PROPOSAL :

LC management could focus on borrowers who are in their first job and make it attractive for them to take loans. This helps LC increase their lending.



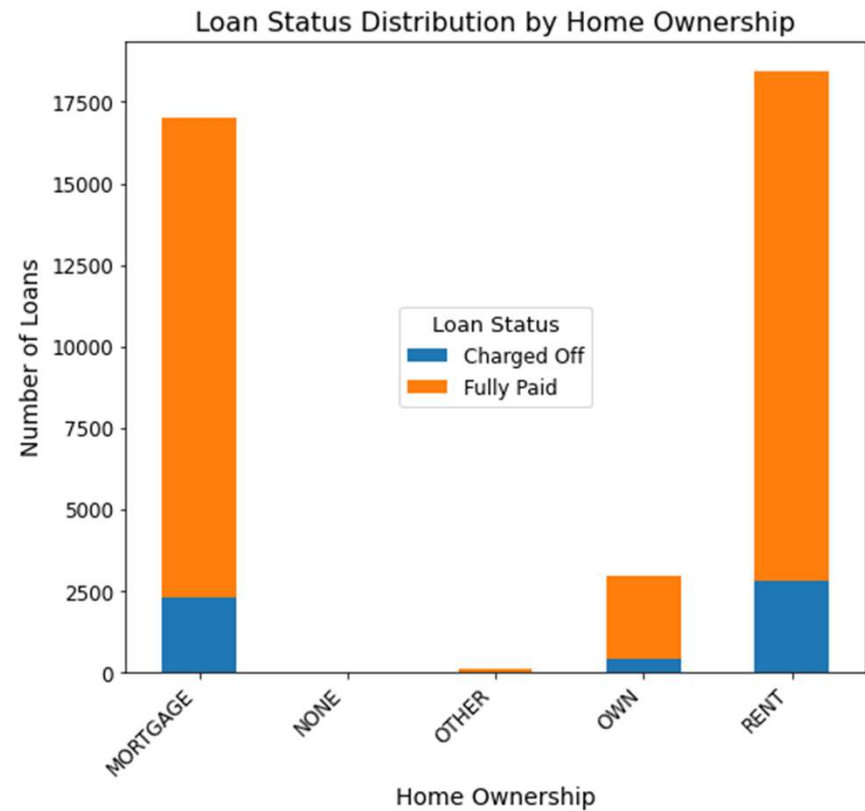
NUMBER OF LOANS DISBURSED VS HOME OWNERSHIP

OBSERVATION:

Maximum number of loans are disbursed to borrowers who are on rent or have mortgage. Very low number of borrowers own their home. Within these two categories most loans get FULLY-PAID.

PROPOSAL :

LC management could focus on borrowers who are renting and/or have mortgage and make their loan packages fine-tuned for such borrowers.



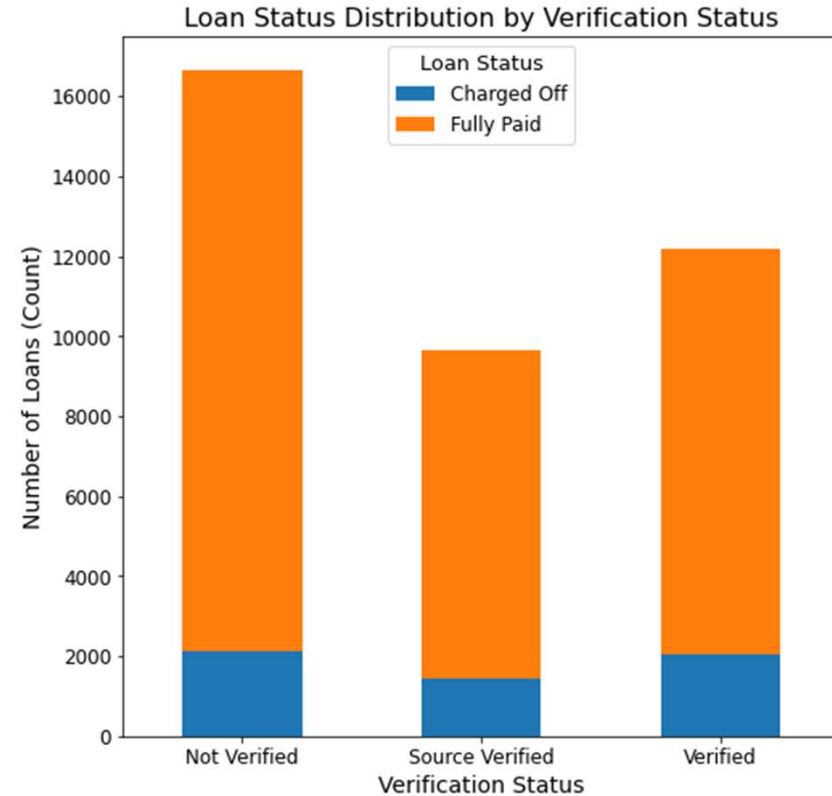
NUMBER OF LOANS DISBURSED VS VERIFICATION STATUS

OBSERVATION:

Maximum number of loans are disbursed to borrowers whose credentials have not been verified.

PROPOSAL :

LC management must improve their due-diligence processes before disbursing loans to borrowers. LC have to verify the credentials of borrowers to reduce the risk of Defaulters.



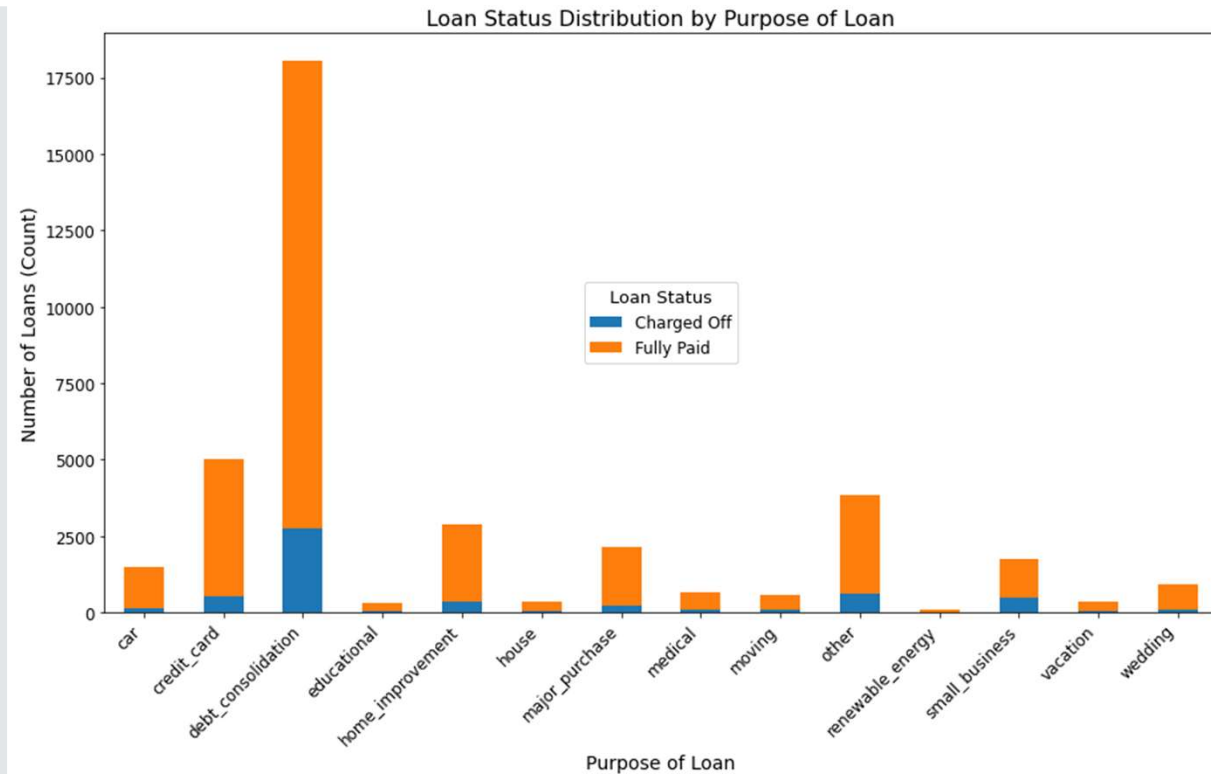
NUMBER OF LOANS DISBURSED VS PURPOSE OF LOAN

OBSERVATION:

Maximum number of loans are disbursed to borrowers who were in the need for debt-consolidation.

PROPOSAL :

LC management must be careful to evaluate if the borrowers are doing debt-consolidation for multiple-loans taken within LC. If so, then those cases must be flagged and resolutions planned. If this is not taken care of then such cases could increase risk for LC.



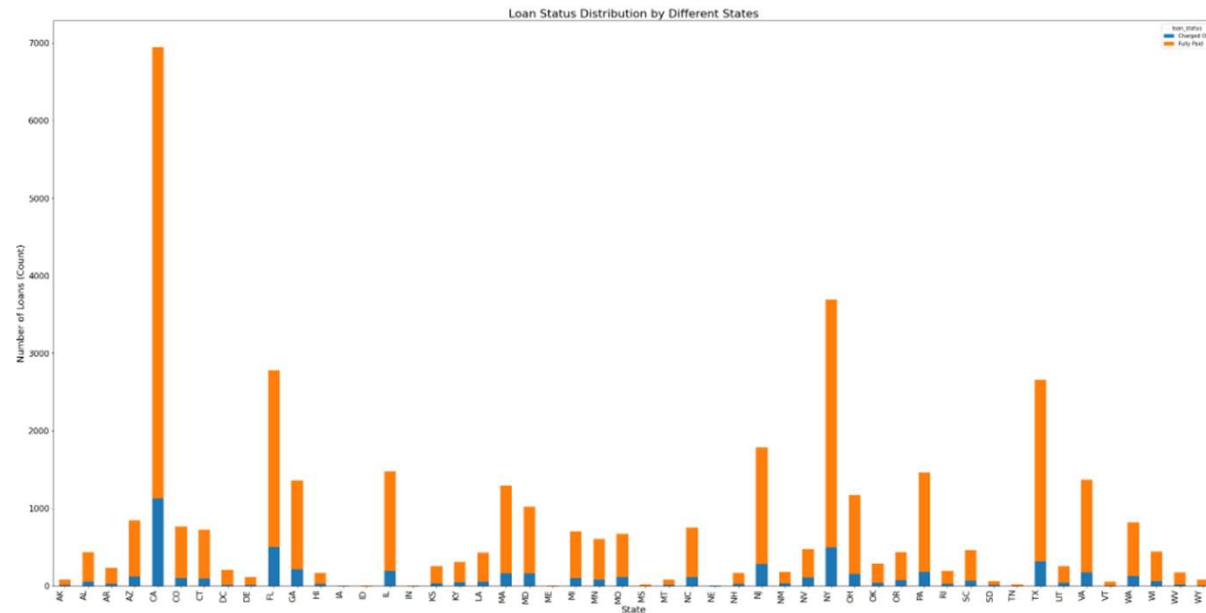
NUMBER OF LOANS DISBURSED VS STATE(REGION)

OBSERVATION:

Maximum number of loans are disbursed to in CA state. Also, it seems to account for very high FULLY-PAID loans.

PROPOSAL :

LC management must focus more on CA-state/region to find their borrowers. This could mean more advertising and increasing their reach in CA-state by expanding their branches. Also, they can consolidate other region/state-branches where there is primary business of lending is low for LC.



REVOLVING-LINE-UTILIZATION-RATE VS LOAN STATUS

OBSERVATION:

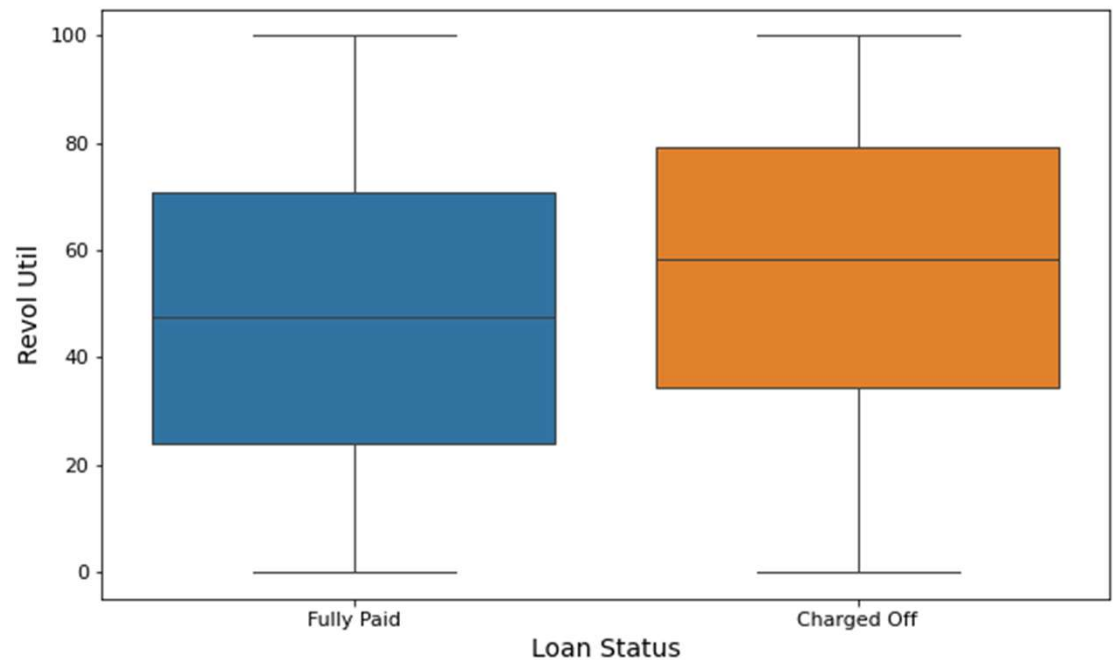
DEFAULTED loans tend to have much higher Revolving-Line-Utilization-Rate than the loans which were FULLY-PAID.

PROPOSAL :

LC management must keep track of the Revolving-Line-Utilization-Rate and raise a flag in their systems for any loan having the Revolving-Line-Utilization-Rate close to 70%. That should be the threshold. This will help LC management to take proactive measures to avoid such loans getting Charged-Off.



Box Plot for revol_util by Loan Status



PERCENTAGE OF LOANS DISBURSED VS NUMBER OF DEROGATORY PUBLIC RECORDS

OBSERVATION:

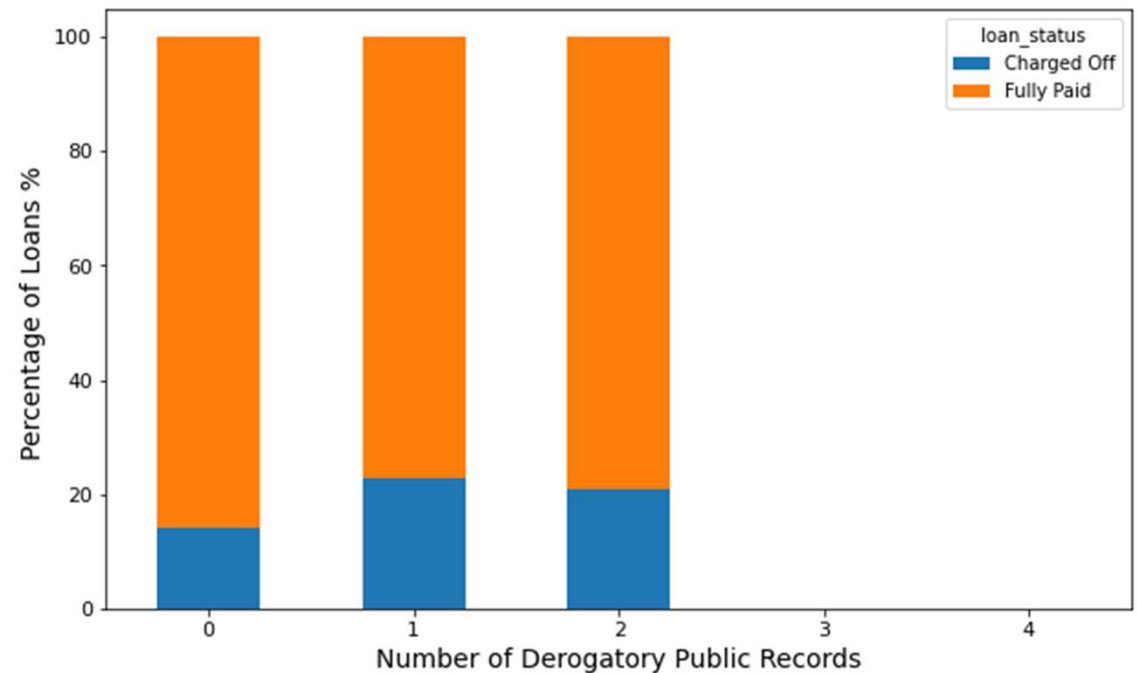
There is a high-percentage of loans that were disbursed to borrowers with at least one derogatory public record. The possibility of Defaulted-loans are higher in such cases when compared to borrowers with clean public records.

PROPOSAL :

LC management must improve their due-diligence by verifying the borrower's public records and find if they have any derogatory records. This will help LC management scrutinize the borrower's profile and minimize the risk of Defaulted-loans.



Percentage Distribution for pub_rec for Loan Status



NUMBER OF OPEN ACCOUNTS VS LOAN STATUS

OBSERVATION:

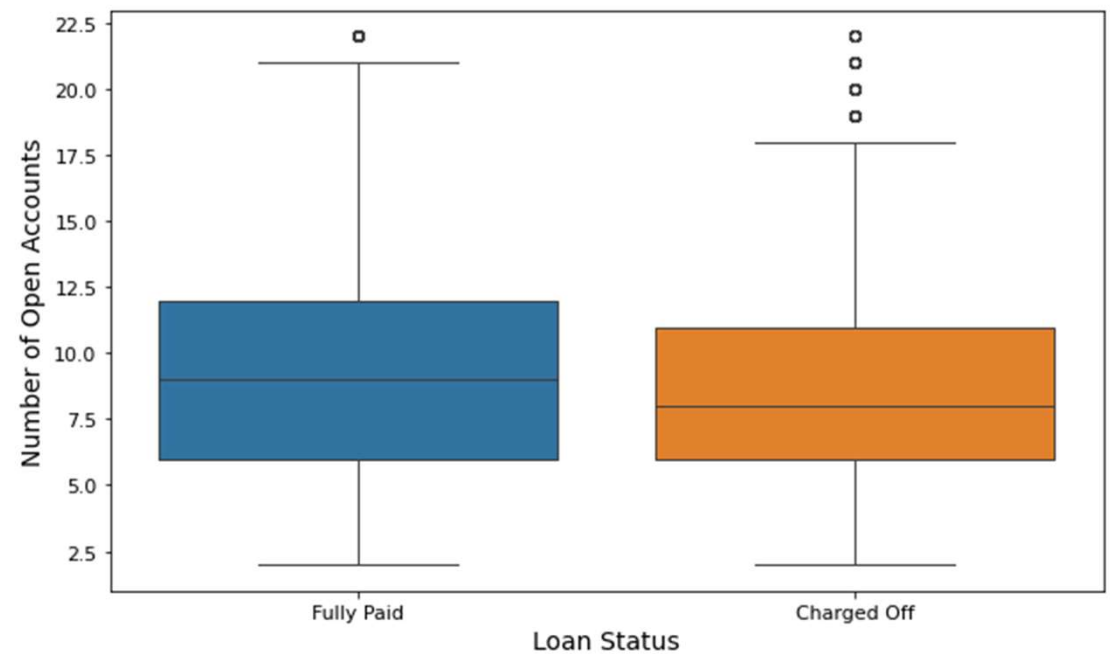
The Median-value of number of open-accounts associated with the FULLY-PAID loans was higher than that of the loans that were CHARGED-OFF/DEFAULTED.

PROPOSAL :

LC management could keep track of the number of open-accounts maintained by the borrowers. Loans which are associated with more than 11 open accounts seem to get FULLY-PAID than those with relatively lesser open-accounts.



Box Plot for Number of Open Accounts for Loan Status



NUMBER OF LOANS DISBURSED VS YEAR OF OPENING EARLIEST CREDIT-LINE

OBSERVATION:

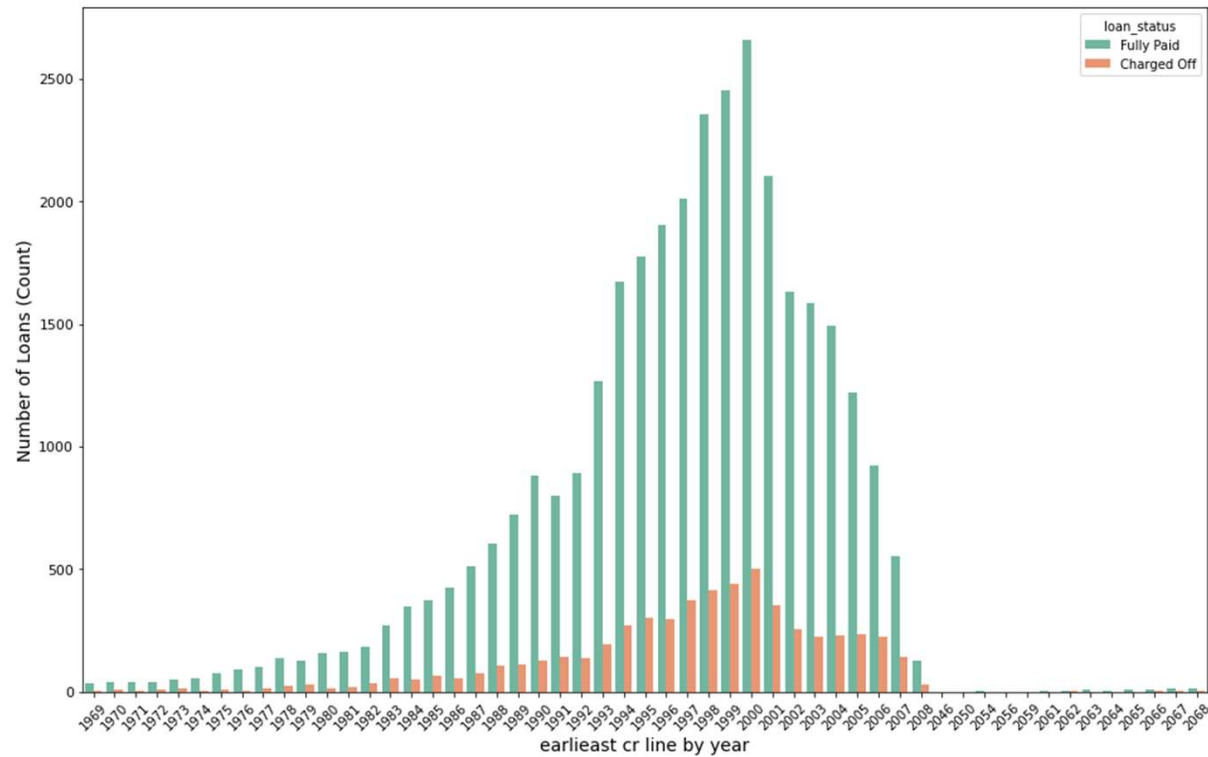
Maximum credit lines of FULLY-PAID loans were opened in the year 2000. There has been a gradual decrease in the number of loans since the year 2000.

PROPOSAL :

LC management need to target new-age borrowers for being competitive in the lending business. This is important since there seems to be a downward-trend in the number of first-time borrowers in the market.



Bar Plot for earliest cr line by year for Loan Status



NUMBER OF LOANS DISBURSED VS MONTH OF OPENING EARLIEST CREDIT-LINE

OBSERVATION:

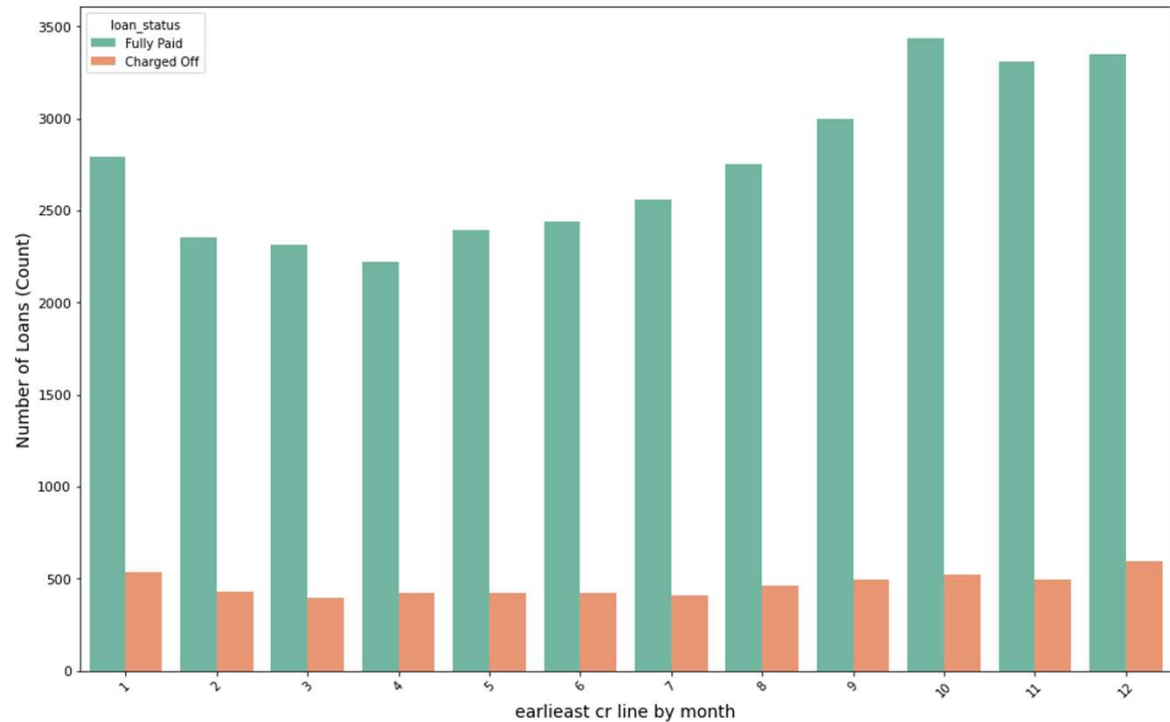
Maximum credit lines of FULLY-PAID loans seem to get opened in the “winter-months” towards the end of the year.

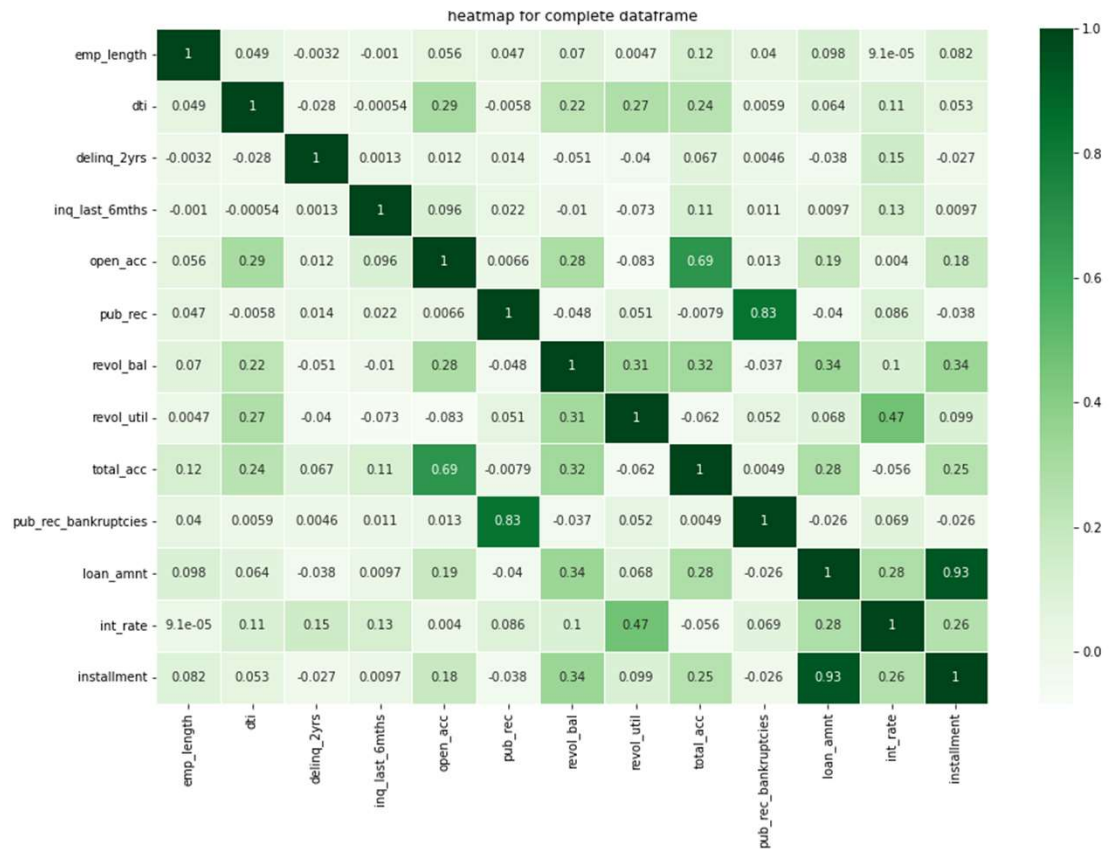
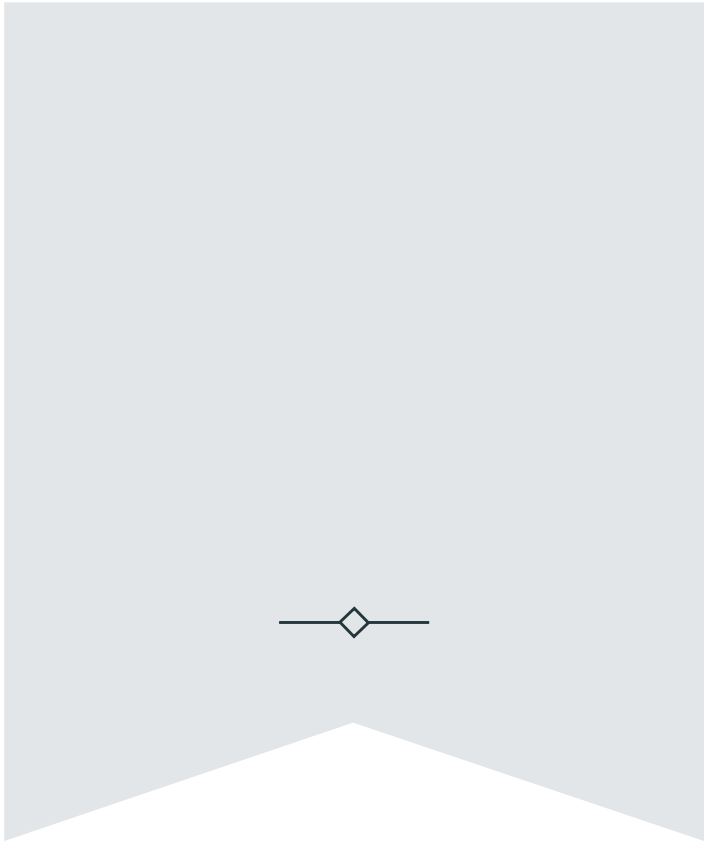
PROPOSAL :

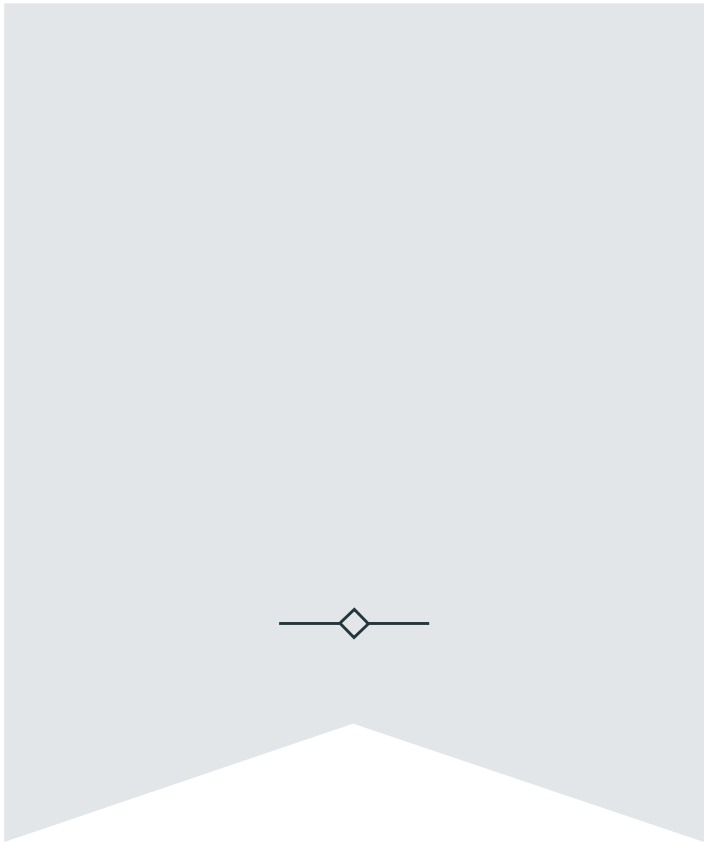
LC management can increase their marketing-teams’ and sales-teams’ spend during the months of October, November and December. This could help them be more competitive in their business.



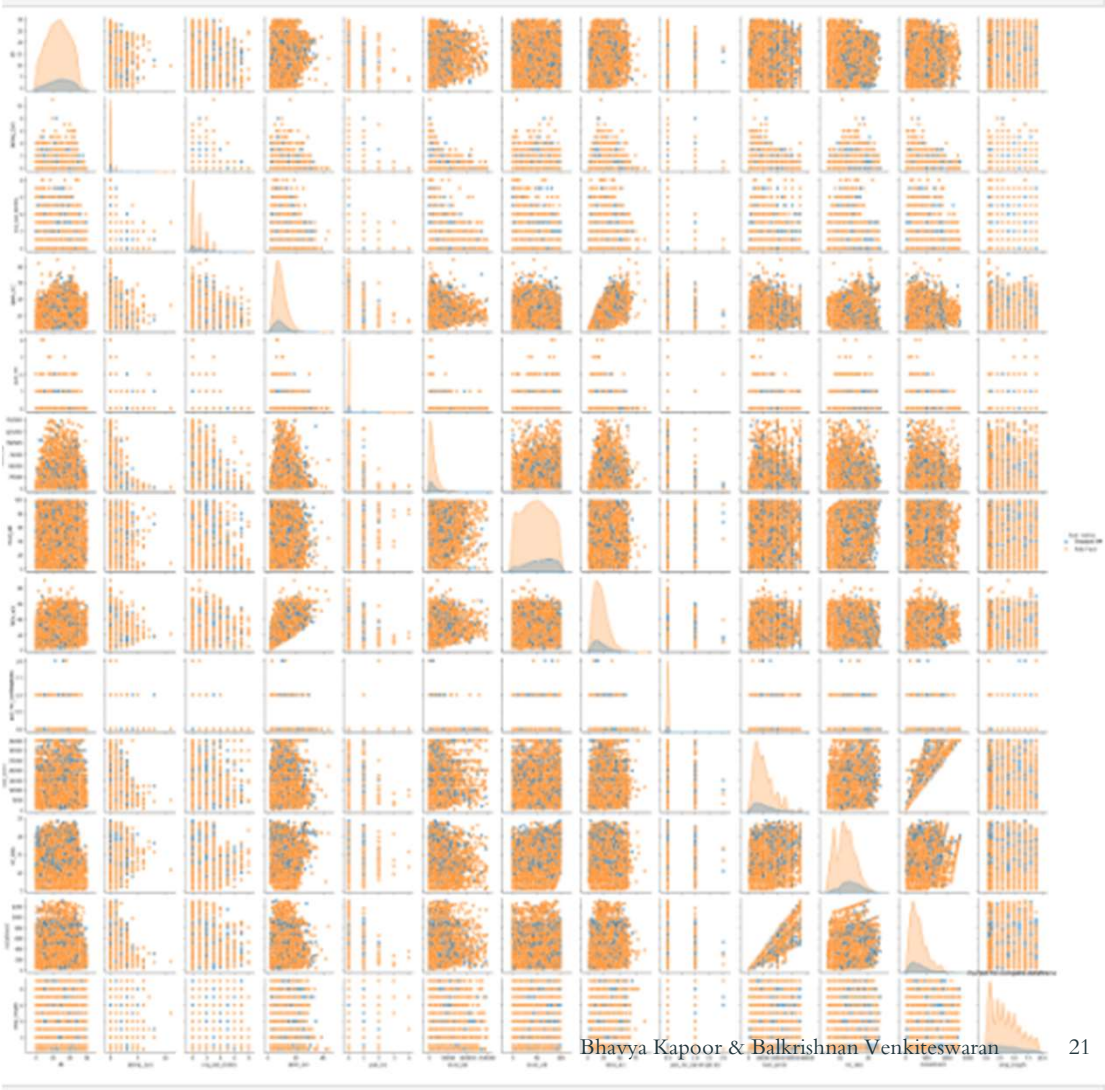
Bar Plot for earliest cr line by month for Loan Status







Wednesday, October 23, 2024



Bhavya Kapoor & Balkrishnan Venkiteswaran

THANK YOU

