Credit One

Customers Reliability – Lessons Learned

By Francisco Sanchez, 9/22/2021

The exploration of the data aimed to better understand and have more clarity as to what the behavior is and under what circumstances Credit One customers default loan / credit payments.

It’s known to all that Credit One, as financial institution, cannot control customers spending habits but can manage how much and to what individuals a loan or credit can be provided. From the perspective of risk management, the result of this exploratory analysis resulted in the following probability, based on previous results, for customers to default with their payments.

* 30, 201 transactions over a period of 6 months were analyzed.
* Of all 30,201 transactions, 6,682 resulted with default payments, representing a 22% of the exercise.
* Majority of transactions involve female customers with 60%.
  + Of the above mentioned, only 10% of Men and 13% of Females defaulted.
* Customers with University, High School and Graduate Degree have a 46%, 35% and 16%, participation in this exercise, respectively.
  + Of the above mentioned, only 11% of customers with University, 7% with high School and 4% with Graduate degree defaulted.
* 53% of the customers reported Married and 45% as single.
  + Of the above mentioned, only 10% of Married and 11% of Singles defaulted.
* Majority of the customers are in the 20 – 40 years of age, representing 92% of the customers.
  + Of the above mentioned, 8% of customers un the 20s defaulted followed by customers in the 30s and 40s with 7% and 5% default, respectively.
  + Average credit limits for high default Age Groups are:
    - 100K for customers in the 20s
    - 155K for customers in the 30s
    - 142K for customers in the 40s

**Conclusions:**

* It’s more likely for customers closer to the 20’s to default their payments, they also showed to spend the least.
* Less likely for customers who reported having Graduate studies to default, same for customers over 60 years old.
* Recommend reducing credit limits for customers closer to the 20s. At this point, it has not been identified what variables make a customer eligible for credit.
* Recommend reviewing marketing strategies to possibly aim to more adult customers (60s and older) as their default percentage is very low and they have the highest average credit limit of all age groups along with customers in the 30s, including customers reporting Graduate Studies.