

UPGRAD Assignment

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Background

The largest peer-to-peer marketplace that connects lenders and borrowers is called Lending Club.

The online application process for borrowers results in the assignment of an internal score. Both the decision to lend and the terms of the loan, such as the interest rate, monthly payment, and tenure, are made by the lender.

Credit card loans, debt consolidation loans, home loans, auto loans, etc. are a few prominent items.

Business Objective



Types of variables

- Customer (applicant) demographic
- Loan related information & characteristics
- Customer behaviour (if the loan is granted)

Customer's Demographics

Employment Length

Employment title

Annual Income

Zip Code

Description

Loan Information & Characteristics

Loan Amount

Funded Amount

Funded Amount Investment

Interest Rate

Loan Status

Laon Grade

Customer Behaviour variables

Delinquency year -2

earliest credit line

Revolving balance

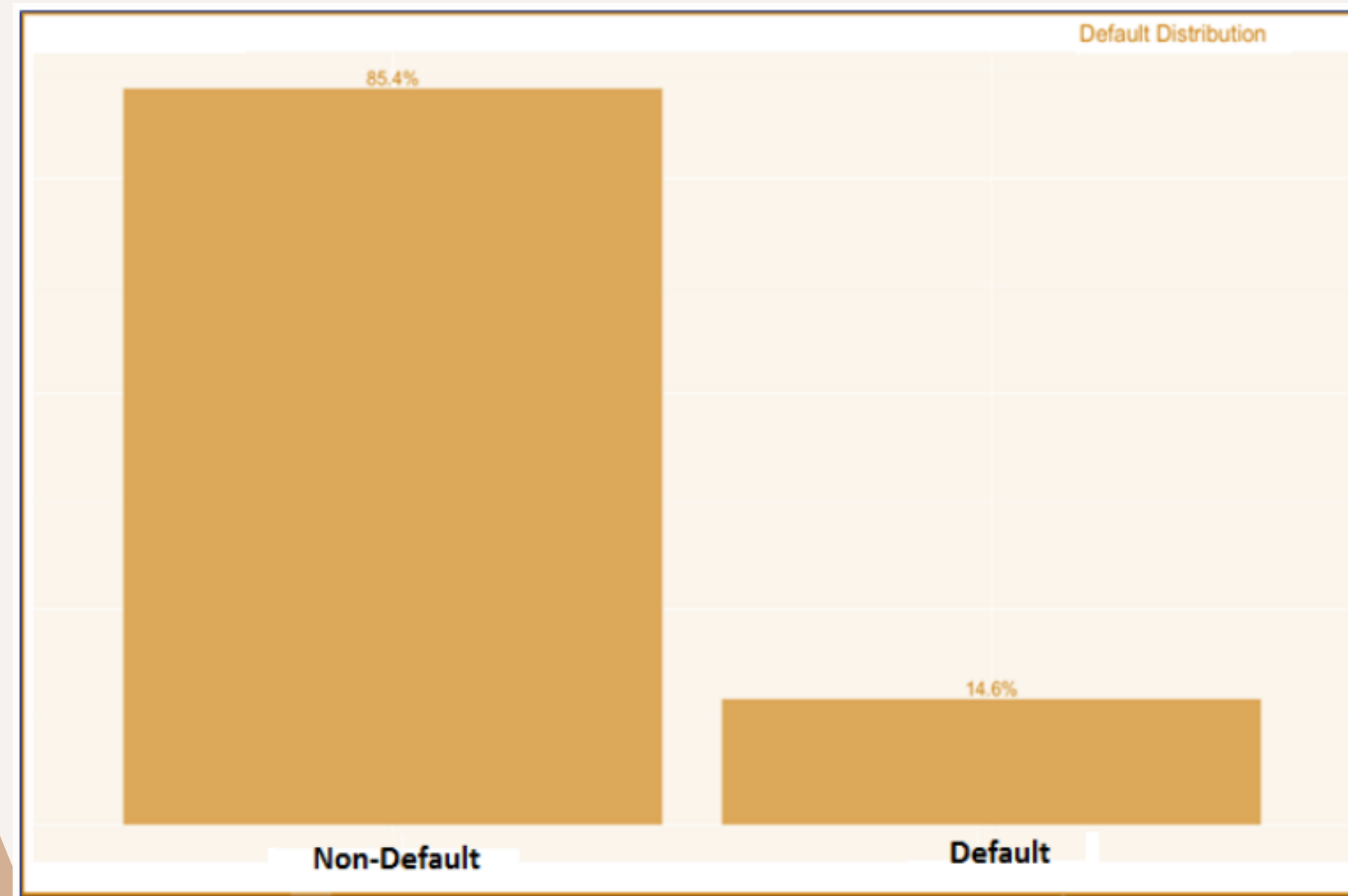
Recoveries

Application type

Loan purpose

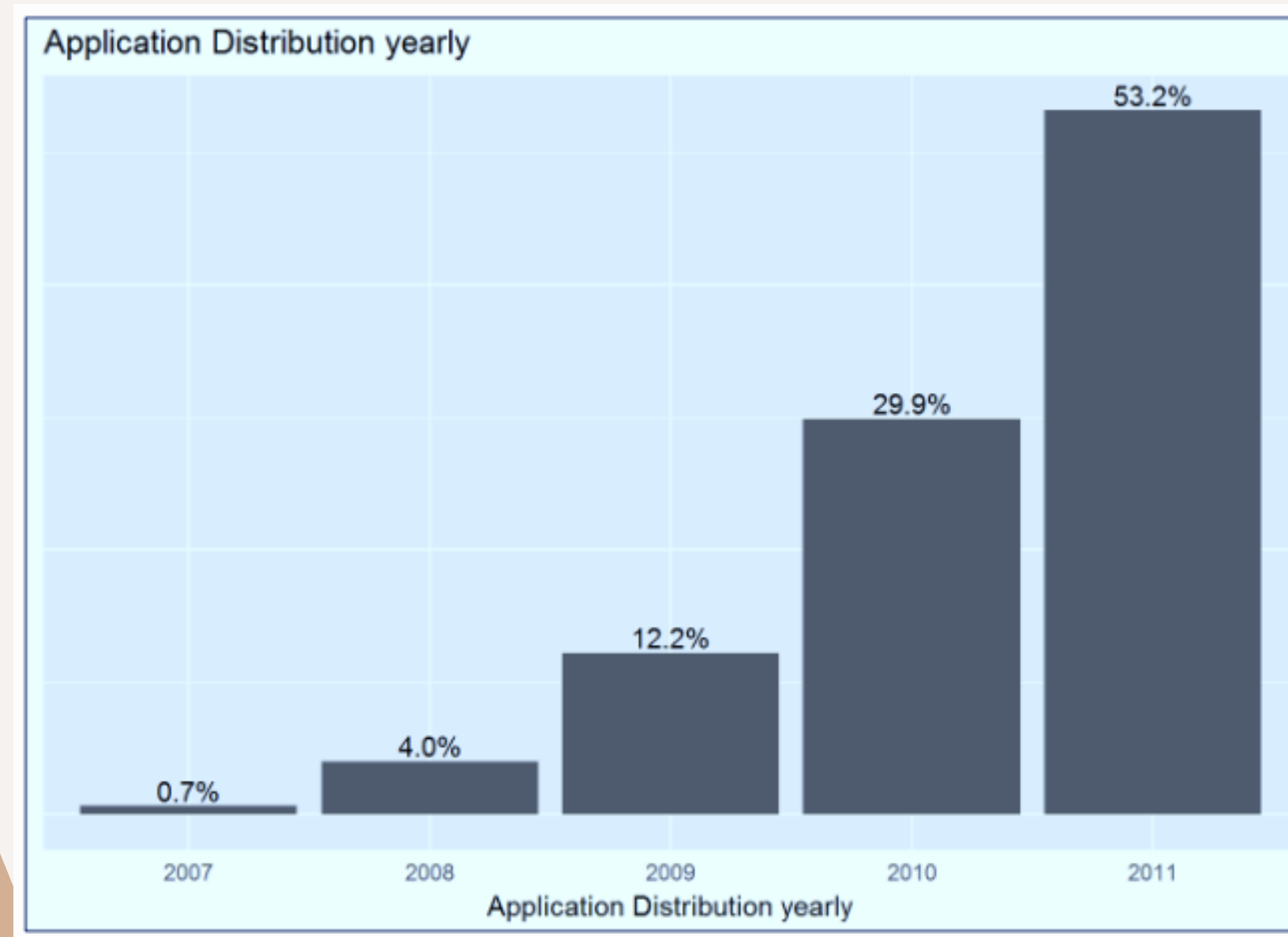
Data Understanding - Overall

Default Rate is 14%



Time Frame of the Data – 2007-2011

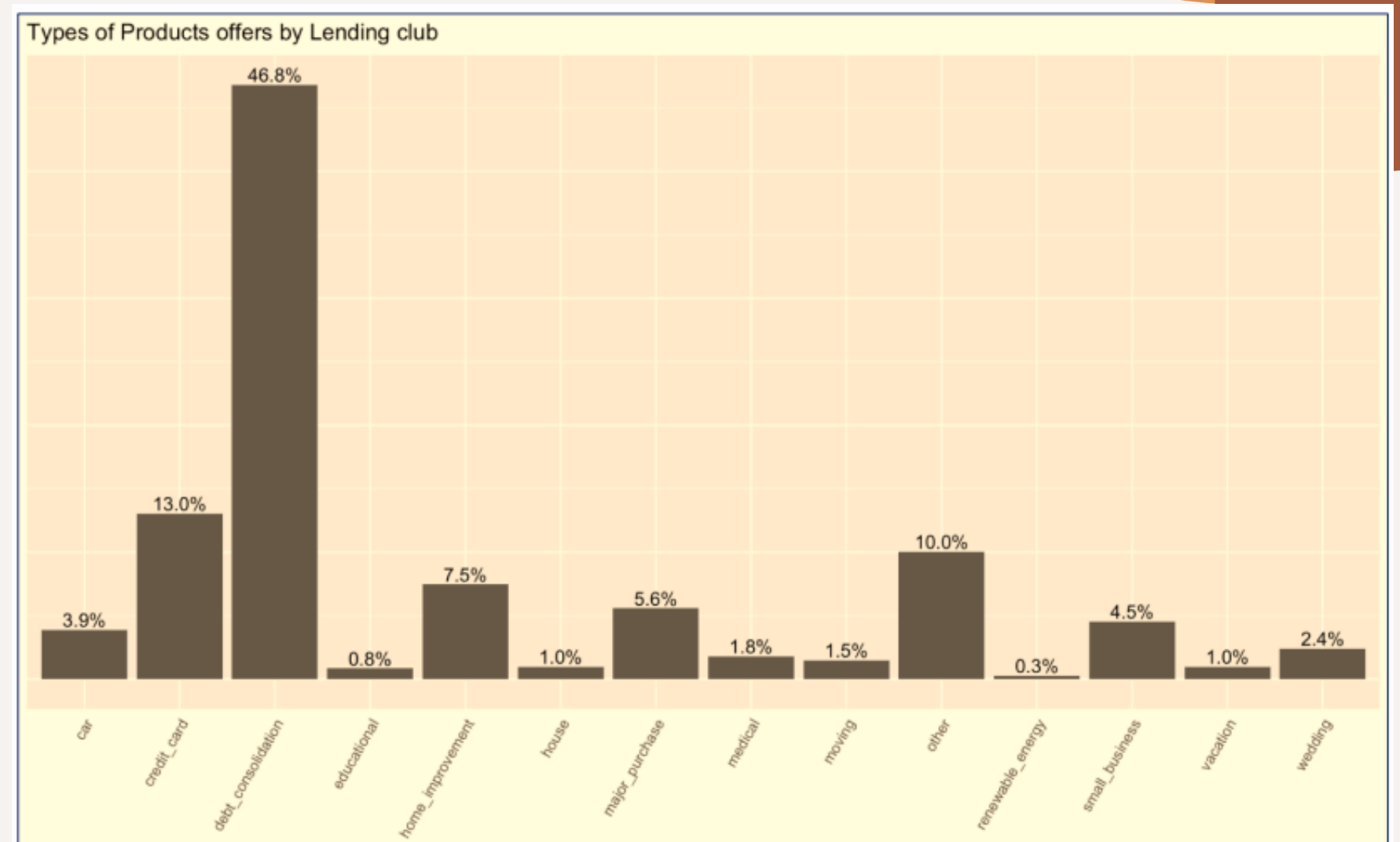
- 78% increment in applicants in 2011 compared to 2010
- 145% increment in applicants in 2010 compared to 2009



Loan Purpose Distribution :

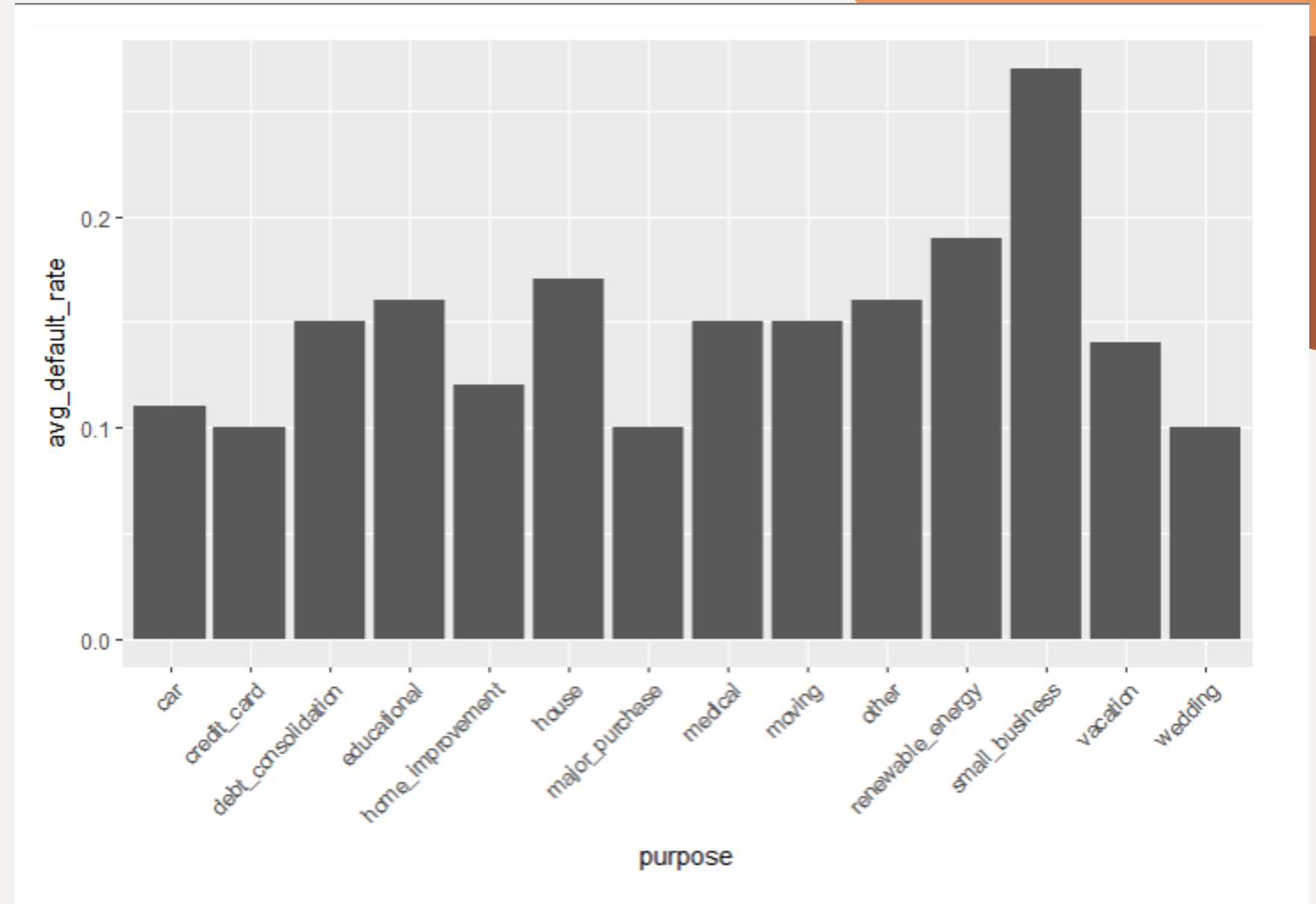
Debt Consolidation Loan is the most popular

- 46.8% debt consolidation loans
- 13% credit card loans
- 7.5% home improvement loans
- 5.6% major purchase loans



Default Rates By Loan Purpose

- Small business: 27%
- House: 17%
- Educational: 16%
- Debt consolidation: 15%
- Credit card: 10%
- Major purchase: 10%



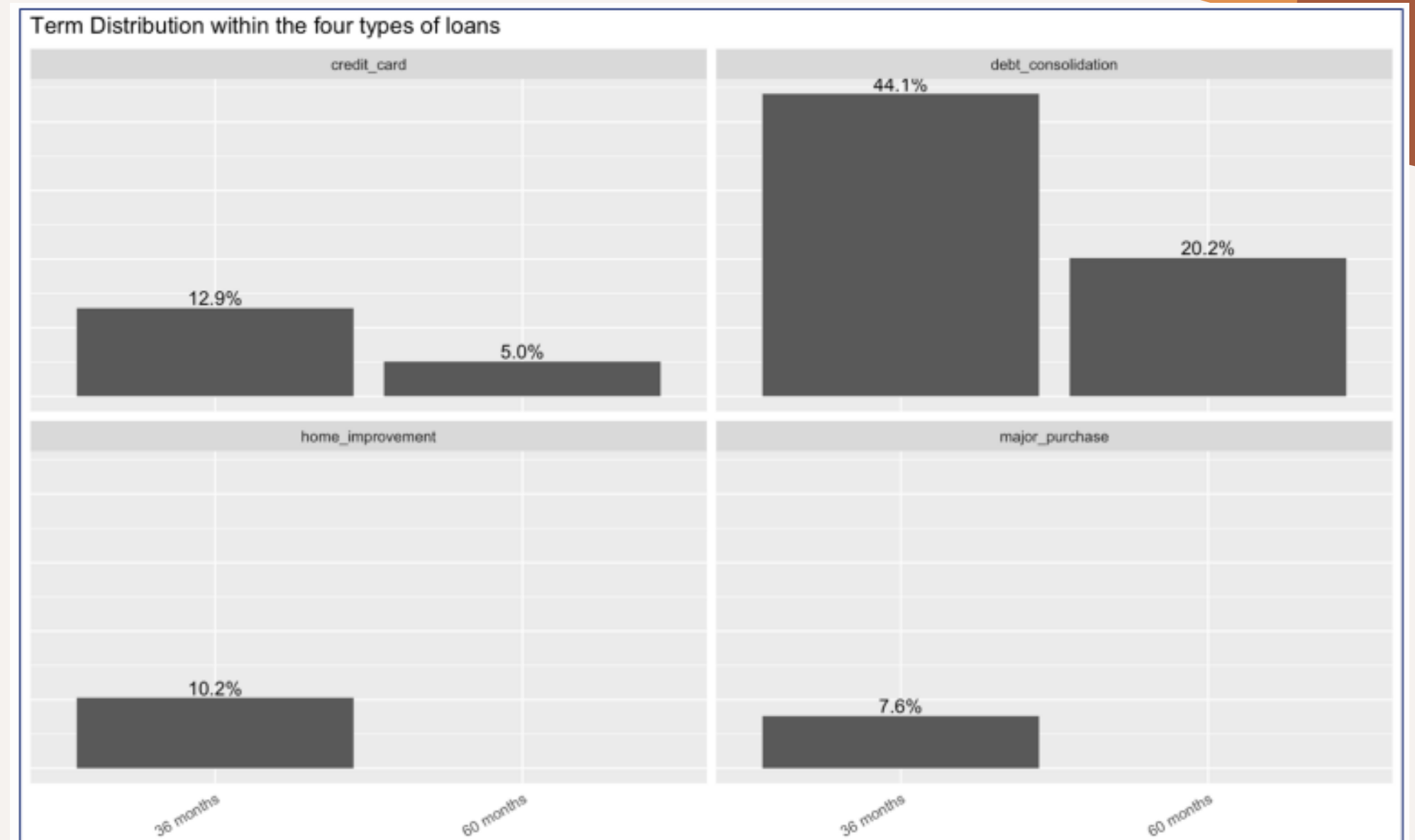
Top-4 Products over time: Credit Card, Debt Consolidation, Home Improvement & Major purchase

- In 2007 & 2008, Lending Club focused on major purchase loans
- In 2009, they started lending money for home improvement purpose also
- In 2010, they started lending loan for debt consolidation
- In 2011, credit card loans were introduced



Term Distribution in Top-4 products

- Lending club has given out 36 month term period loan for major purpose and home improvement.



Grade Distribution in top-4 products

