

# **LOAN PORTFOLIO ANALYSIS**

&

# **INSIGHTS**

# PROJECT OVERVIEW

## BUSINESS PROBLEM : Understanding Loan Portfolio Performance

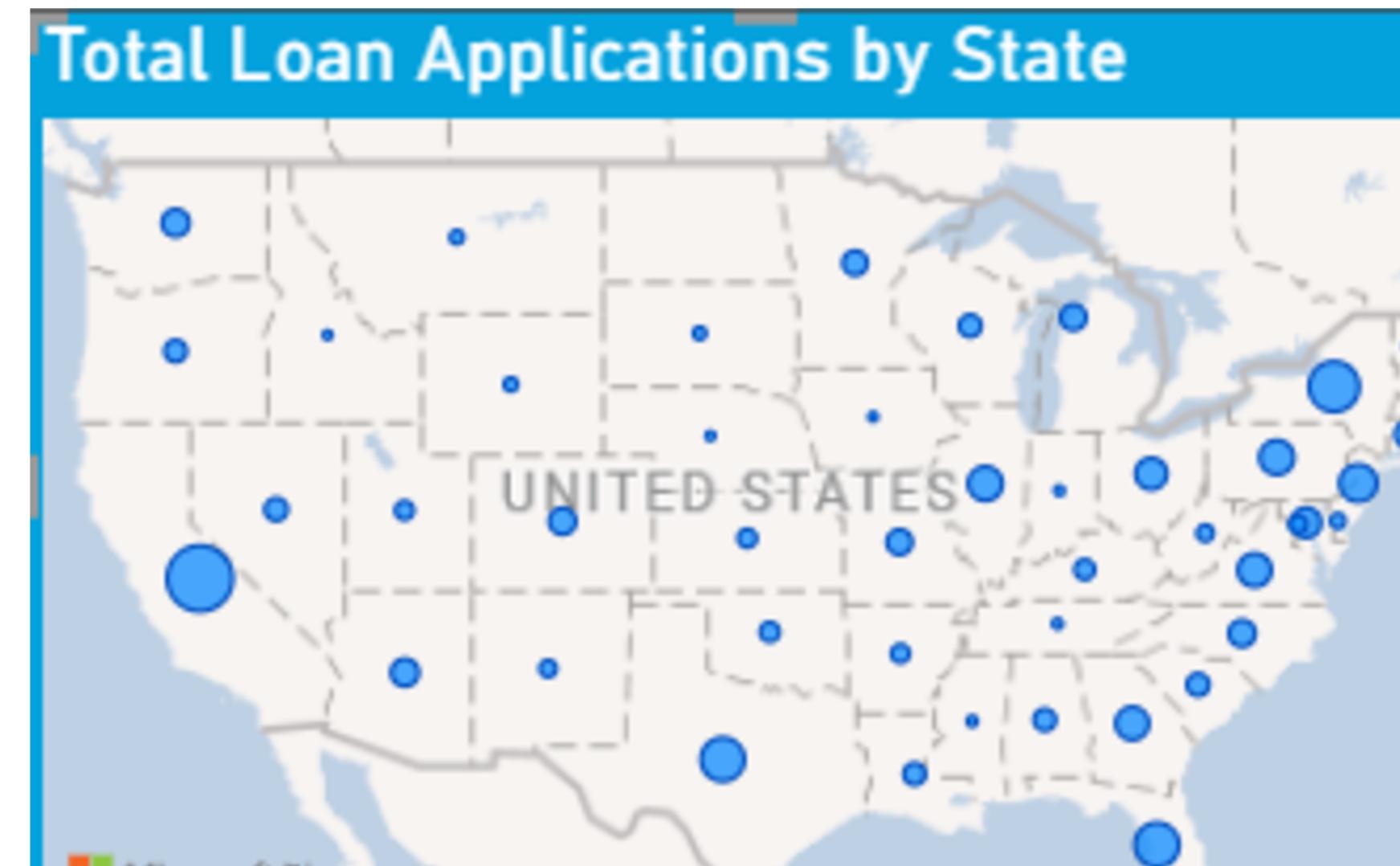
- A lending institution has processed over 38,600 loan applications amounting to \$435.8M. The organization now seeks to optimize its lending strategy, enhance portfolio quality, and identify high-risk segments.

## BUSINESS NEEDS :

- Identify trends in borrower behavior
- Detect key risk indicators and performance metrics
- Support data-driven decisions on loan approval, pricing, and collections
- Discover new market opportunities and improve customer retention

# GEOGRAPHIC DIVERSIFICATION & MARKET STABILITY

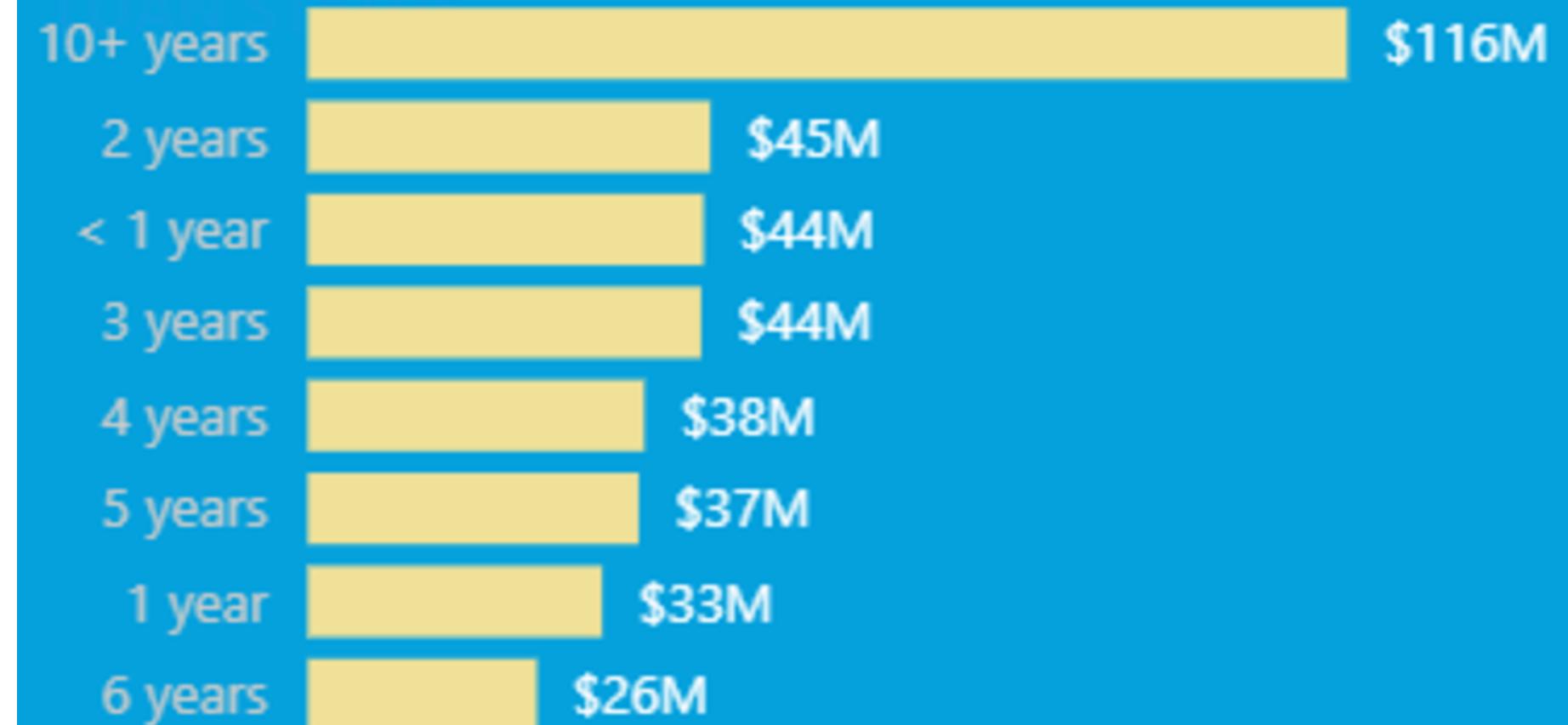
- **Multi-State Presence** : Loans distributed across multiple states
- **Risk Mitigation**: Reduces overexposure to any single region
- **Opportunity**: Scope to target underserved states for expansion
- **Consistency**: Minimal seasonal fluctuations in demand



# EMPLOYMENT LENGTH PATTERNS

- **10+ Years Employment:** Highest volume of loans
- **Insight 1:** Employment stability is associated with lower default risk
- **Insight 2:** Shorter employment tenure often aligns with higher default risk
- **Business Use:** Can enhance credit approval scoring model by incorporating employment history as a key risk indicator

Total funded amount by Employee Length



# LOAN QUALITY BREAKDOWN



A significant 86.2% of the portfolio consists of good loans, reflecting strong underwriting practices and borrower quality. However, the 13.8% classified as bad loans — totaling \$65.5M in funding but only \$37.3M in returns — highlights a notable loss gap. This suggests a need for stricter pre-approval checks, enhanced borrower profiling, and stronger post-issuance monitoring to minimize future defaults and optimize recovery efforts.

# LOAN PERFORMANCE OVERVIEW

- Current Loans:** 1,098 (\$188.7M funded)
- Charged Off:** 5,333 (\$655.3M) – managed with controls
- Fully Paid:** 32,145 (\$3.51B) – strong repayment performance

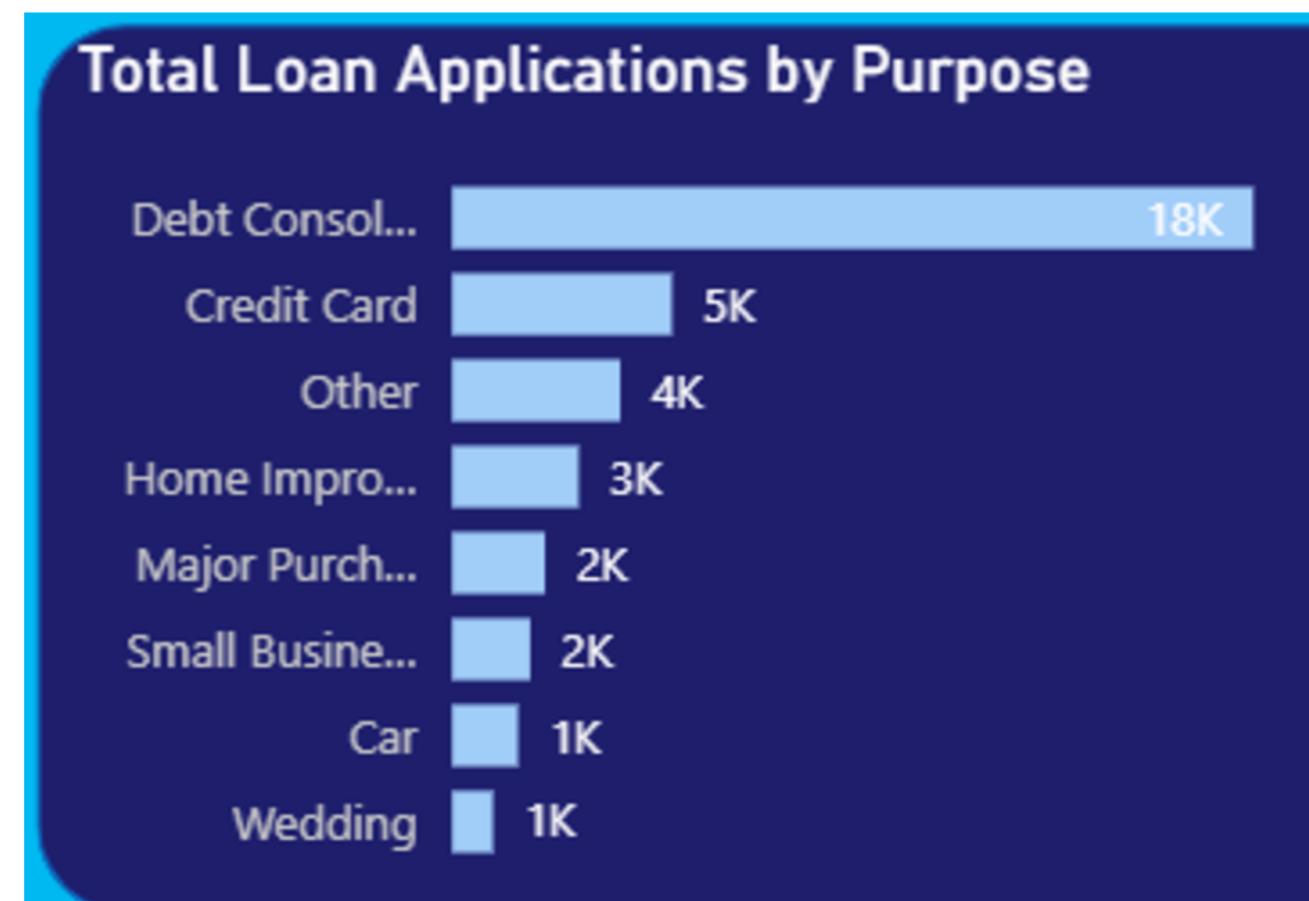
The portfolio shows strong health, with over 83% of loans fully repaid, indicating effective risk management. Charged-off loans remain within acceptable limits, reflecting controlled exposure. The relatively low volume of active loans highlights an opportunity to scale new lending initiatives.

| LOAN STATUS |                         |                     |                       |                   |                     |                  |             |  |
|-------------|-------------------------|---------------------|-----------------------|-------------------|---------------------|------------------|-------------|--|
| Loan_Status | Total Loan Applications | Total Funded amount | Total Amount Received | MTD Funded Amount | MTD Amount Recieved | Average Int rate | Average DTI |  |
| Current     | 1098                    | \$1,88,66,500       | \$2,41,99,914         | 3946625           | \$49,34,318         | 15.10%           | 14.72%      |  |
| Charged Off | 5333                    | \$6,55,32,225       | \$3,72,84,763         | 8732775           | \$53,24,211         | 13.88%           | 14.00%      |  |
| Fully Paid  | 32145                   | \$35,13,58,350      | \$41,15,86,256        | 41302025          | \$4,78,15,851       | 11.64%           | 13.17%      |  |
| Total       | 38576                   | \$43,57,57,075      | \$47,30,70,933        | 53981425          | \$5,80,74,380       | 12.05%           | 13.33%      |  |

# PURPOSE & HOME OWNERSHIP TRENDS

## Top Purposes:

- Debt Consolidation (18K)
- Credit Card Loans (5K)
- **Insight:** Purpose diversification reduces concentration risk



## Home Ownership:

- Renters: 18K | Mortgage Holders: 17K

**Ownership Insight:** Impacts terms & risk profile



# INTEREST RATE & DEBT-TO-INCOME

## INSIGHTS

- **Avg. Interest Rate:** 12.0% (competitive & risk-adjusted)
- **DTI Ratio Avg :** 13.3% → Reflects conservative lending
- **Risk-Based Pricing:** High-risk borrowers pay higher rates
- **Use Case:** Optimize loan pricing strategies by aligning interest rates with borrower risk levels, and maintain portfolio quality by enforcing conservative DTI thresholds.



# STRATEGIC RECOMMENDATIONS

- **1. Geographic Expansion:** Target underserved regions with strong repayment trends to boost loan volume.
- **2. Product Diversification:** Introduce new loan categories beyond debt consolidation and credit cards to reduce portfolio concentration.
- **3. Enhanced Risk Screening:** Use employment length, DTI, and homeownership status to improve borrower segmentation and reduce defaults.
- **4. Digital Process Optimization:** Streamline the loan journey through AI-driven approvals, online platforms, and personalized offers.



**THANKYOU**