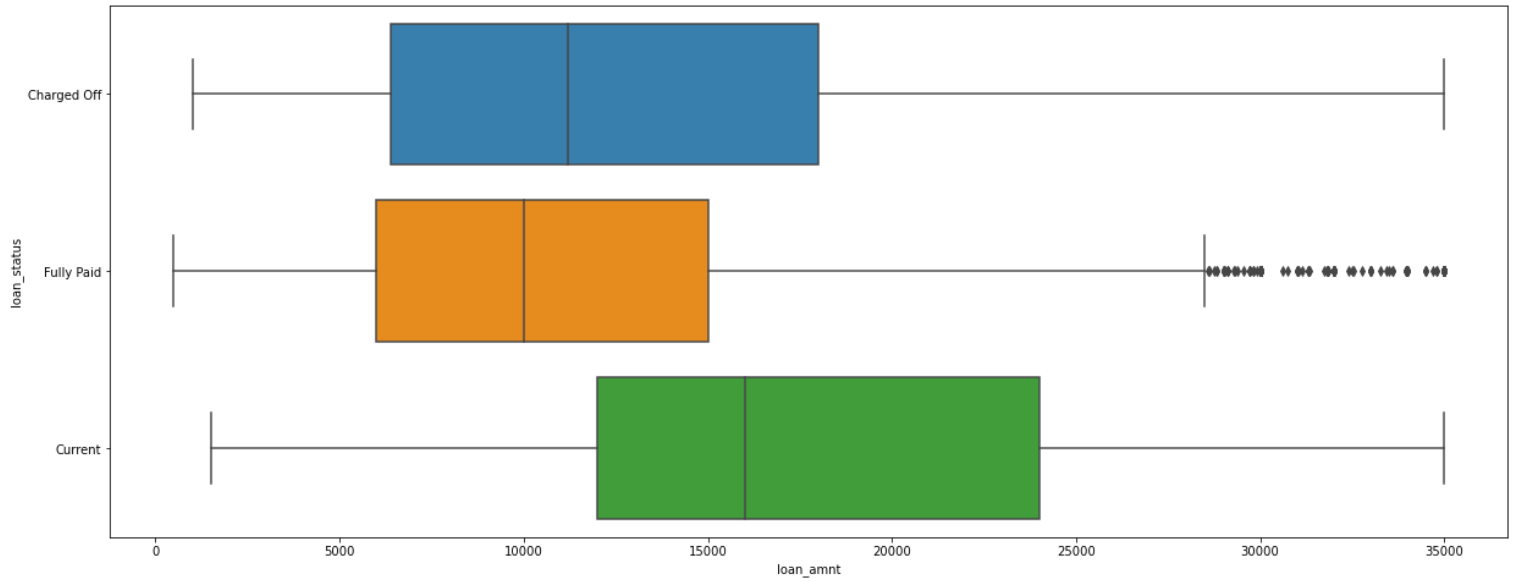
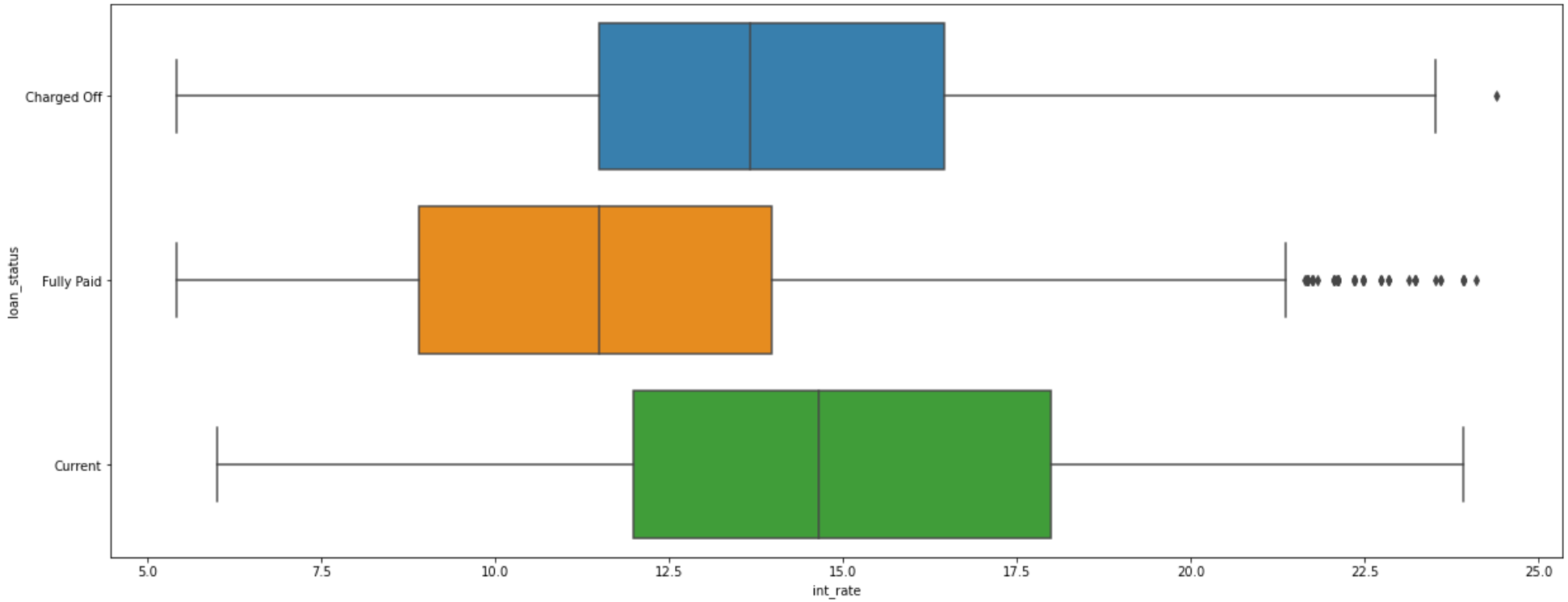
Loan_amnt

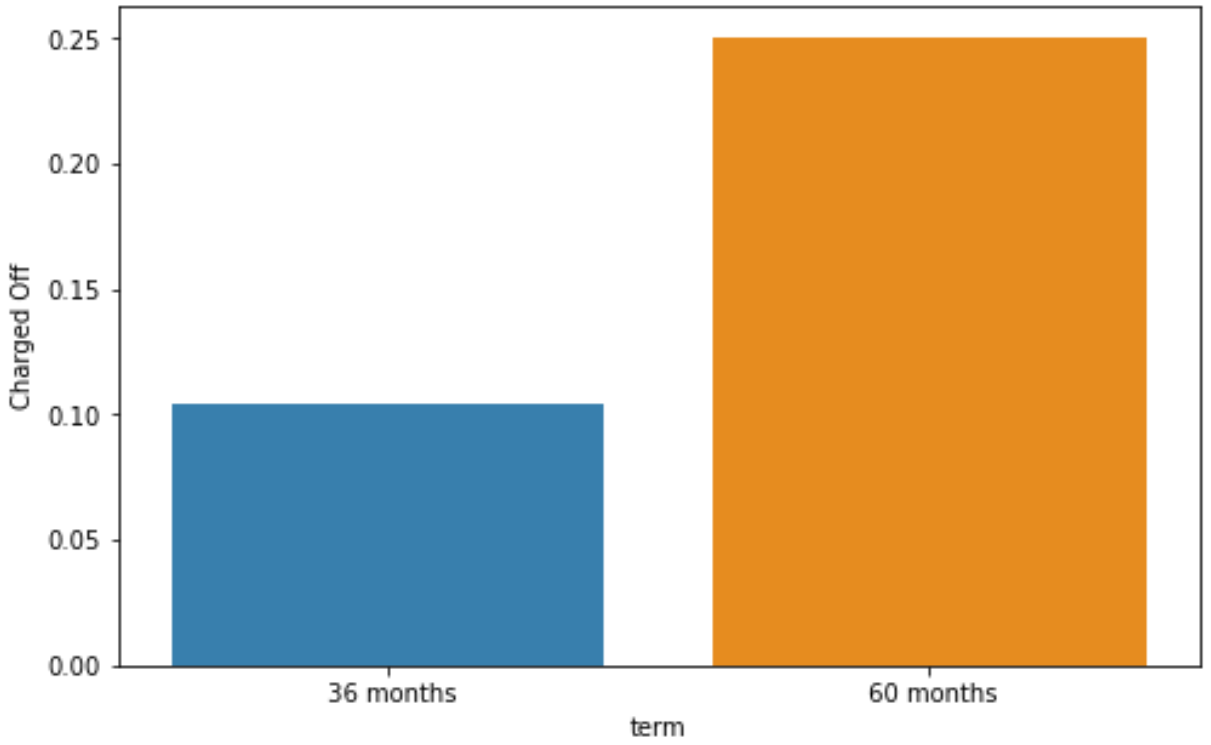

Charged Off
Fully Paid
Current
loan_status
0
5000
10000
15000
20000
25000
30000
35000
loan_amnt

Int_rate


Charged Off
Fully Paid
Current
loan_status
5.0
7.5
10.0
12.5
15.0
17.5
20.0
22.5
25.0
int_rate

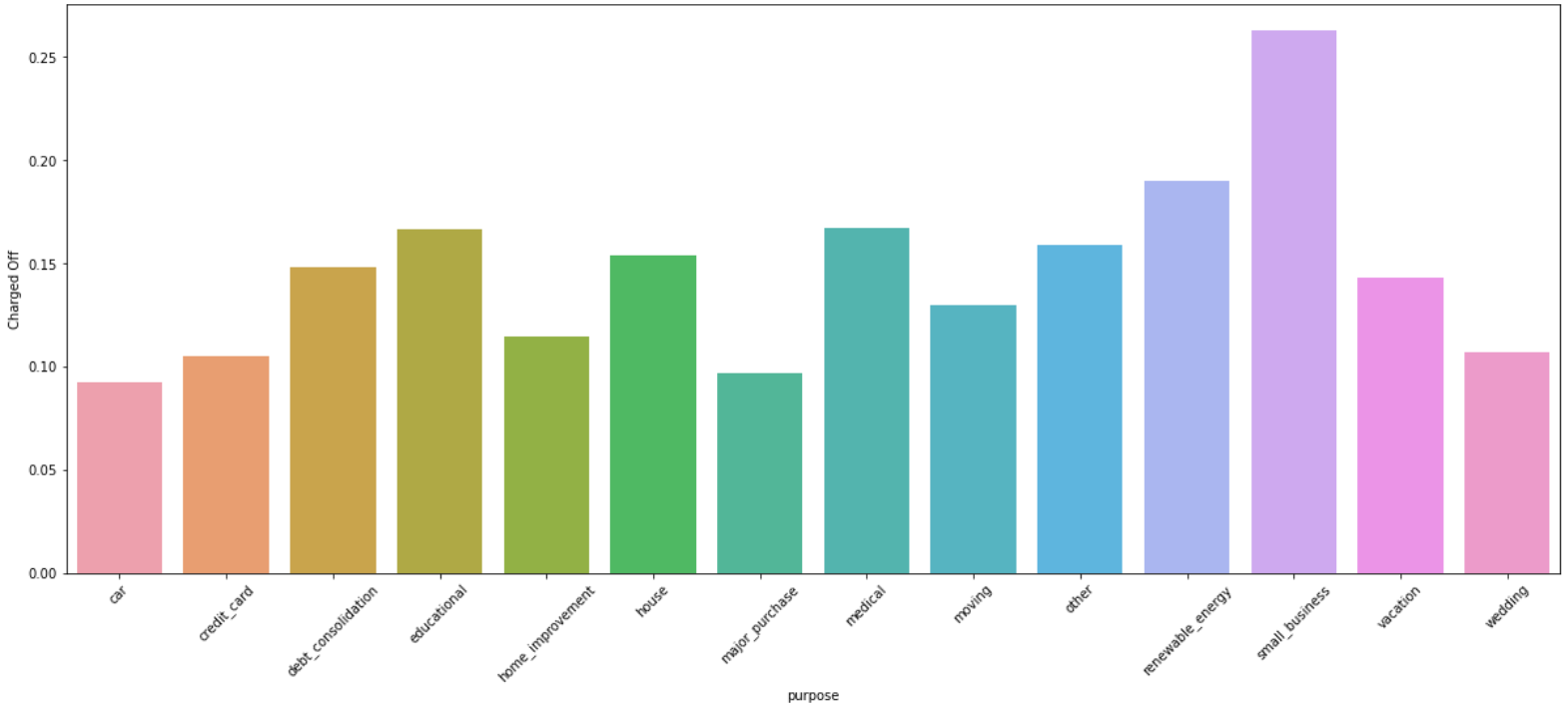
Conclusion

- The fig shows the chances of default across the “term” categories
- For Ex: at least 1 out of 4 loans (>25%) in “60 months” end up defaulting
- This helps the company to manage their portfolio by not allocating a high number of loans in the high risk “term” categories



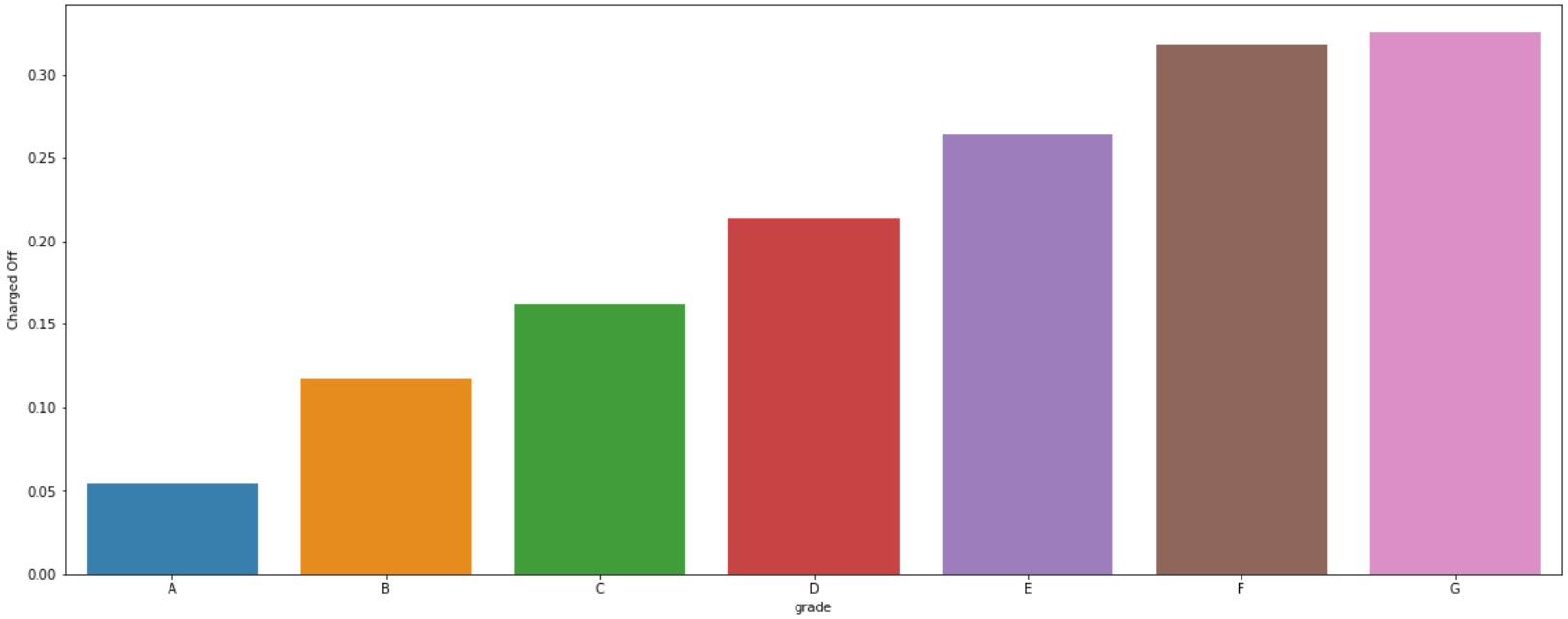
Conclusion

- The fig shows the chances of default across the “purpose” categories
- For Ex: at least 1 out of 4 loans (>25%) in “small business” end up defaulting
- This helps the company to manage their portfolio by not allocating a high number of loans in the high risk “purpose” categories



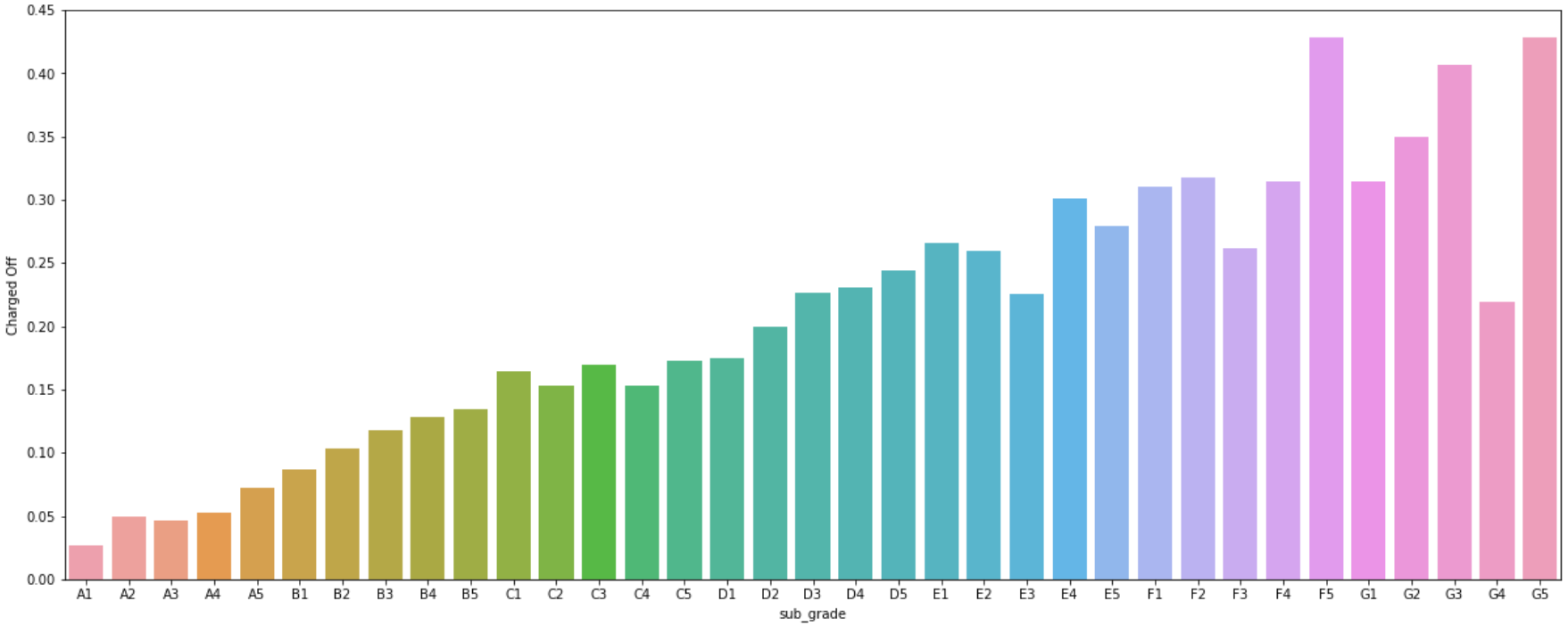
Conclusion

- The fig shows the chances of default across the “grade” categories
- For Ex: more than 30% of loans in grade G end up in defaulting
- This helps the company to manage their portfolio by not allocating a high number of loans in the high risk “grade” categories



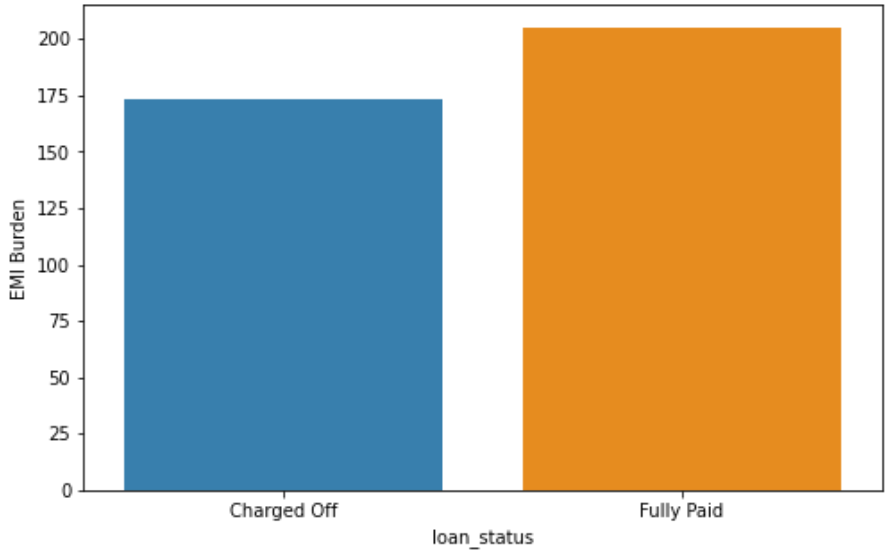
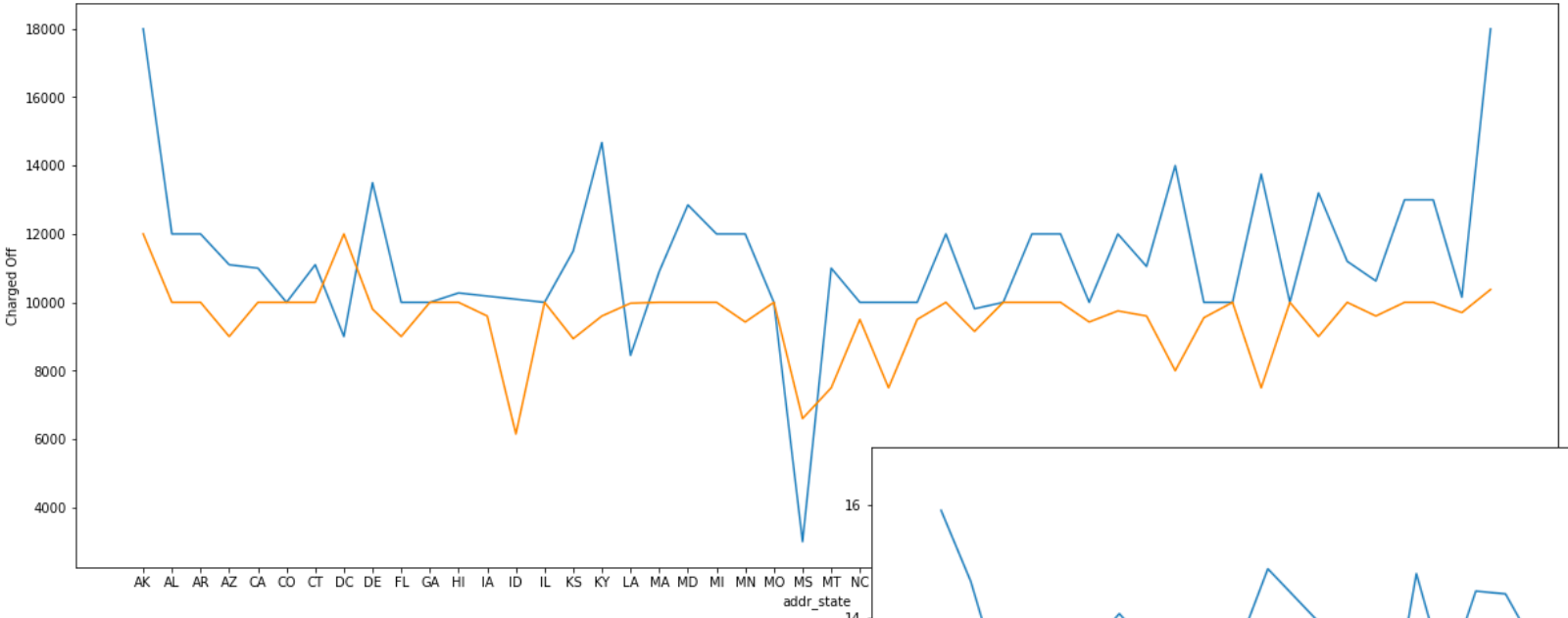
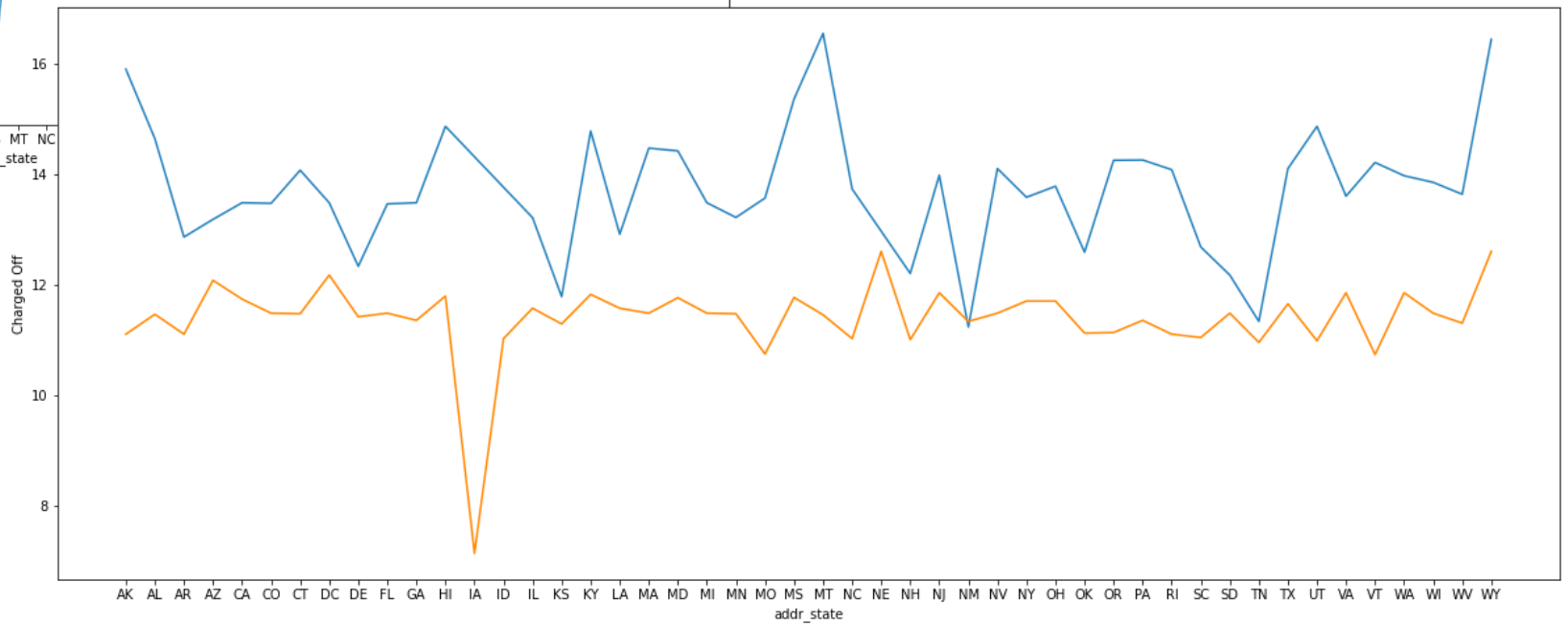
Conclusion

- The fig shows the chances of default across the “sub_grade” categories
- For Ex: more than 40% of loans in sub_grade F5 & G5 end up in defaulting
- This helps the company to manage their portfolio by not allocating a high number of loans in the high risk “sub_grade” categories



Conclusion

- Business Driven Metric – EMI_BURDEN
- The medians of the calculated emi_burden are ”173” & “205” for “Charged Off & “Fully Paid” respectively.
- Fully paid loans have much higher emi_burden values than that of defaults
- The derived metric helps in predicting defaults at the time of approval
- Note: The metric must be used with caution. An increase/decrease in annual_inc during the term can greatly affect its importance



Loan_amnt/int_rate across addr_state