

# Lending Club Loan Data Analysis

## Project 1

### DESCRIPTION

Create a model that predicts whether or not a loan will be default using the historical data.

#### Problem Statement:

For companies like Lending Club correctly predicting whether or not a loan will be a default is very important. In this project, using the historical data from 2007 to 2015, you have to build a deep learning model to predict the chance of default for future loans. As you will see later this dataset is highly imbalanced and includes a lot of features that makes this problem more challenging.

**Domain:** Finance

**Analysis to be done:** Perform data preprocessing and build a deep learning prediction model.

#### Steps to perform:

Perform exploratory data analysis and feature engineering and then apply feature engineering. Follow up with a deep learning model to predict whether or not the loan will be default using the historical data.

#### Tasks:

1. Feature Transformation
  - Transform categorical values into numerical values (discrete)
2. Exploratory data analysis of different factors of the dataset.
3. Additional Feature Engineering
  - You will check the correlation between features and will drop those features which have a strong correlation
  - This will help reduce the number of features and will leave you with the most relevant features
4. Modeling
  - After applying EDA and feature engineering, you are now ready to build the predictive models
  - In this part, you will create a deep learning model using Keras with Tensorflow backend

#### Content:

Dataset columns and definition:

- **credit.policy:** 1 if the customer meets the credit underwriting criteria of LendingClub.com, and 0 otherwise.

- **purpose:** The purpose of the loan (takes values "credit\_card", "debt\_consolidation", "educational", "major\_purchase", "small\_business", and "all\_other").
- **int.rate:** The interest rate of the loan, as a proportion (a rate of 11% would be stored as 0.11). Borrowers judged by LendingClub.com to be more risky are assigned higher interest rates.
- **installment:** The monthly installments owed by the borrower if the loan is funded.
- **log.annual.inc:** The natural log of the self-reported annual income of the borrower.
- **dti:** The debt-to-income ratio of the borrower (amount of debt divided by annual income).
- **fico:** The FICO credit score of the borrower.
- **days.with.cr.line:** The number of days the borrower has had a credit line.
- **revol.bal:** The borrower's revolving balance (amount unpaid at the end of the credit card billing cycle).
- **revol.util:** The borrower's revolving line utilization rate (the amount of the credit line used relative to total credit available).
- **inq.last.6mths:** The borrower's number of inquiries by creditors in the last 6 months.
- **delinq.2yrs:** The number of times the borrower had been 30+ days past due on a payment in the past 2 years.
- **pub.rec:** The borrower's number of derogatory public records (bankruptcy filings, tax liens, or judgments).