## **BANK LOAN REPORT – DOMAIN KNOWLEDGE**

# **Understanding Bank Loans**

#### **How Banks Collect Loan Data**

## 1. Loan Applications

Collected electronically or via physical forms, including detailed personal and financial information.

### 2. Credit Reports

Sourced from credit bureaus to assess credit history, outstanding loans, and repayment behaviour.

#### 3. Internal Records

Loan disbursement, repayment tracking, and loan status updates maintained in secure internal databases.

## 4. Online Portals

Data from digital banking platforms where users manage loans, payments, and applications.

#### 5. Third-party Data Sources

Includes income verification and employment history from external sources for enhanced borrower profiling.

## **Loan Granting Process**

#### 1. Loan Application

Borrower submits personal and financial information via online or offline channels.

#### 2. Application Review

Bank collects and reviews required documents like income proofs, ID, and employment records.

#### 3. Identity Verification

Ensures authenticity and prevents identity fraud.

#### 4. Credit Check

Analyses credit history, score, and delinquencies using credit reports.

#### 5. Income Verification

Assesses borrower's income stability and repayment capacity.

#### 6. **Debt-to-Income (DTI) Ratio Check**

Measures the proportion of debt in relation to income. A lower DTI means better repayment ability.

#### 7. Employment Verification

Confirms current job status and employment tenure.

### 8. Collateral Assessment (if applicable)

For secured loans, banks assess the asset's value and condition.

#### 9. Risk Assessment

Comprehensive risk profiling, including borrower behavior, credit score, and loan purpose.

#### 10. Loan Approval or Rejection

Based on evaluation, decision is made along with setting terms and interest rates.

#### 11. Loan Agreement Signing

Contract containing all loan terms and responsibilities.

#### 12. **Disbursement**

Funds are released to the borrower.

#### 13. Repayment Monitoring

Borrower repays loan via instalments, bank monitors payment consistency.

#### 14. Ongoing Monitoring

Banks regularly assess the borrower's financial situation, credit behaviour, and overall loan health.

## Why Banks Analyse Loan Data

#### 1. Risk Assessment

Evaluate creditworthiness and predict potential defaults.

#### 2. Informed Decision-making

Data-driven approvals based on predictive models.

#### 3. Portfolio Management

Monitor health of existing loans and take actions on underperforming accounts.

#### 4. Fraud Detection

Detect inconsistencies or suspicious activities through anomaly detection.

#### 5. **Regulatory Compliance**

Adherence to regulations like KYC, AML, HMDA through transparent reporting.

## 6. **Customer Insights**

Understand preferences, behaviours, and loan usage trends to improve services.

## 7. **Profitability Analysis**

Track interest income, defaults, and servicing costs to optimize profitability.

#### 8. Market Research

Analyse trends and competition to innovate and adjust loan products.

## 9. Credit Risk Management

Enable provisioning, limit setting, and stress testing based on data.

## 10. Customer Retention

Identify cross-sell/upsell opportunities and improve customer lifecycle value.