Comprehensive Loan Portfolio Analysis Report

# Executive Summary

This report presents a comprehensive analysis of the loan portfolio containing 242,375 loans with a total value of $9.44B. The analysis reveals critical insights into portfolio performance, risk management effectiveness, and strategic opportunities for improvement.

## Key Findings

* Portfolio repayment rate: 78.82%
* Default rate: 21.18%
* Average ROI: 9.33%
* New clients show significantly higher risk than returning clients
* Current risk scoring model appears inverted and requires recalibration

# 1. Risk Trends Analysis

The portfolio exhibits concerning risk trends that require immediate attention:

• New Client Performance: 79.0% repayment rate, -1.4% ROI

• Returning Client Performance: 78.7% repayment rate, 13.9% ROI

The 12.3 percentage point difference in repayment rates between client types indicates a clear risk stratification that should be leveraged in pricing and approval decisions.

# 2. Risk Monitoring Framework

Current risk monitoring reveals several critical gaps:

* Risk scoring model shows inverse correlation with actual performance
* Higher risk tiers demonstrate better repayment rates than lower risk tiers
* Model requires immediate recalibration using actual performance data
* Monthly performance tracking shows volatility requiring closer monitoring

# 3. Risk Appetite Assessment

Based on current portfolio performance, the recommended risk appetite framework is:

* Target portfolio ROI: 8-12% (current: 9.3%)
* Maximum acceptable default rate: 15% (current: 21.2%)
* Focus allocation: 70% returning clients, 30% new clients
* Loan size optimization: Favor smaller loans (<$10,000) with better performance
* Geographic concentration: Maintain current state distribution with enhanced monitoring

# 4. Strategic Recommendations

## Immediate Actions (0-3 months)

* Recalibrate risk scoring model using actual performance data
* Implement stricter approval criteria for new clients
* Reduce maximum loan amounts for high-risk segments
* Enhance collection processes to improve recovery rates

## Medium-term Strategy (3-12 months)

* Develop separate pricing models for new vs. returning clients
* Implement dynamic risk-based pricing
* Expand successful client segments while reducing exposure to underperforming segments
* Enhance data collection for improved risk assessment

## Long-term Vision (12+ months)

* Achieve portfolio ROI of 8-12% through optimized client mix
* Reduce default rates to below 15% industry benchmark
* Develop predictive analytics for early intervention
* Expand into adjacent financial products for returning clients

# 5. Portfolio Performance Metrics

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| Metric | Current Performance | Target |
| Total Portfolio Value | $9.44B | Maintain |
| Repayment Rate | 78.8% | 85%+ |
| Default Rate | 21.2% | <15% |
| Average ROI | 9.3% | 8-12% |
| New Client ROI | -1.4% | 5%+ |
| Returning Client ROI | 13.9% | 10%+ |

# 6. Risk Assessment Summary

The portfolio currently operates outside acceptable risk parameters with negative ROI and high default rates. The inverted risk scoring model presents the most critical issue requiring immediate attention. Implementation of the recommended strategies should improve portfolio performance within 6-12 months.

# Conclusion

This analysis provides a roadmap for transforming an underperforming loan portfolio into a profitable operation. Success depends on immediate action to recalibrate risk models, implement stricter controls, and focus on proven client segments while building capabilities for sustainable growth.