

Lending Club Case Study

Group Members

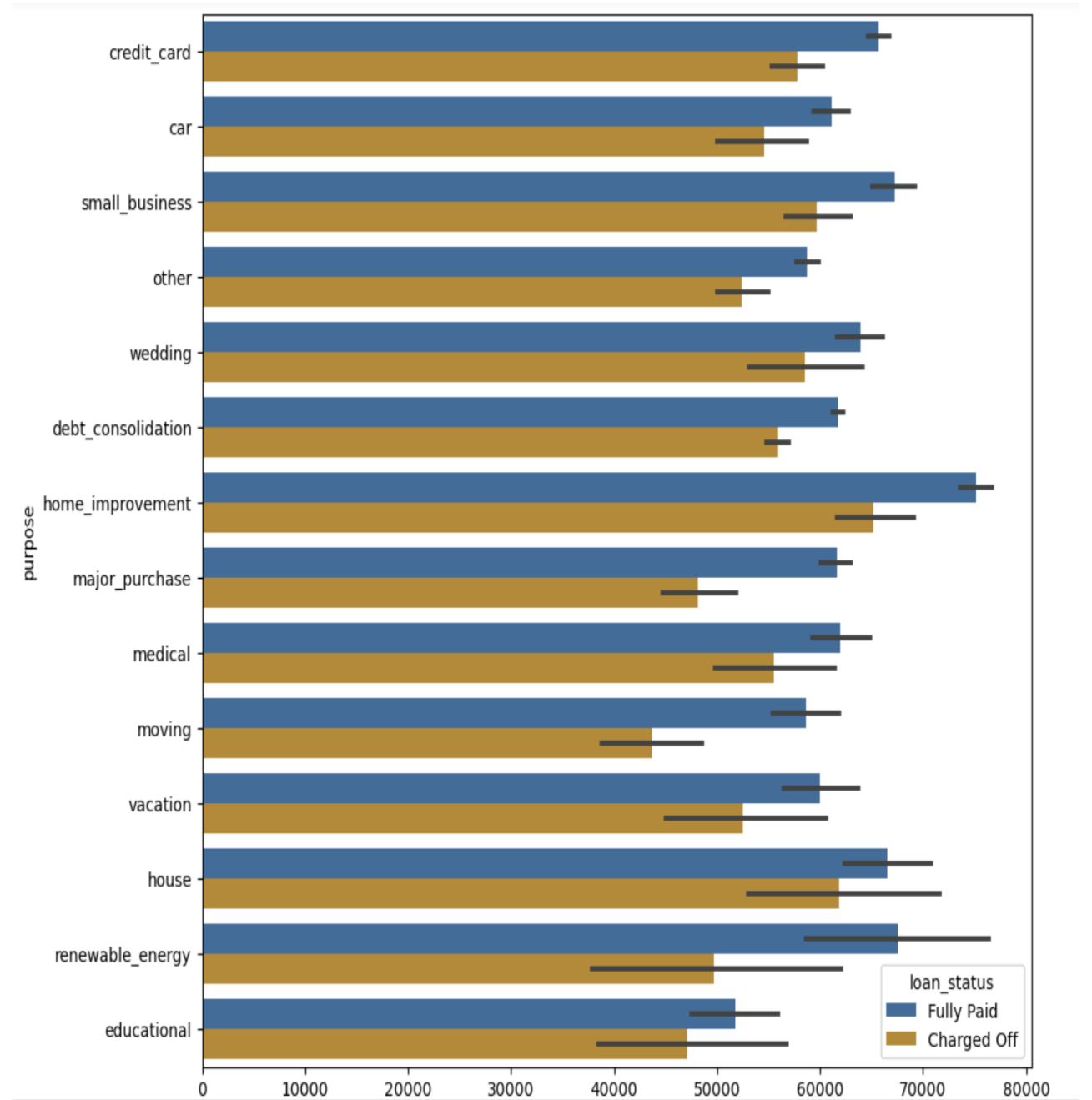
Vijay Hanuman

Anjali Tripathi

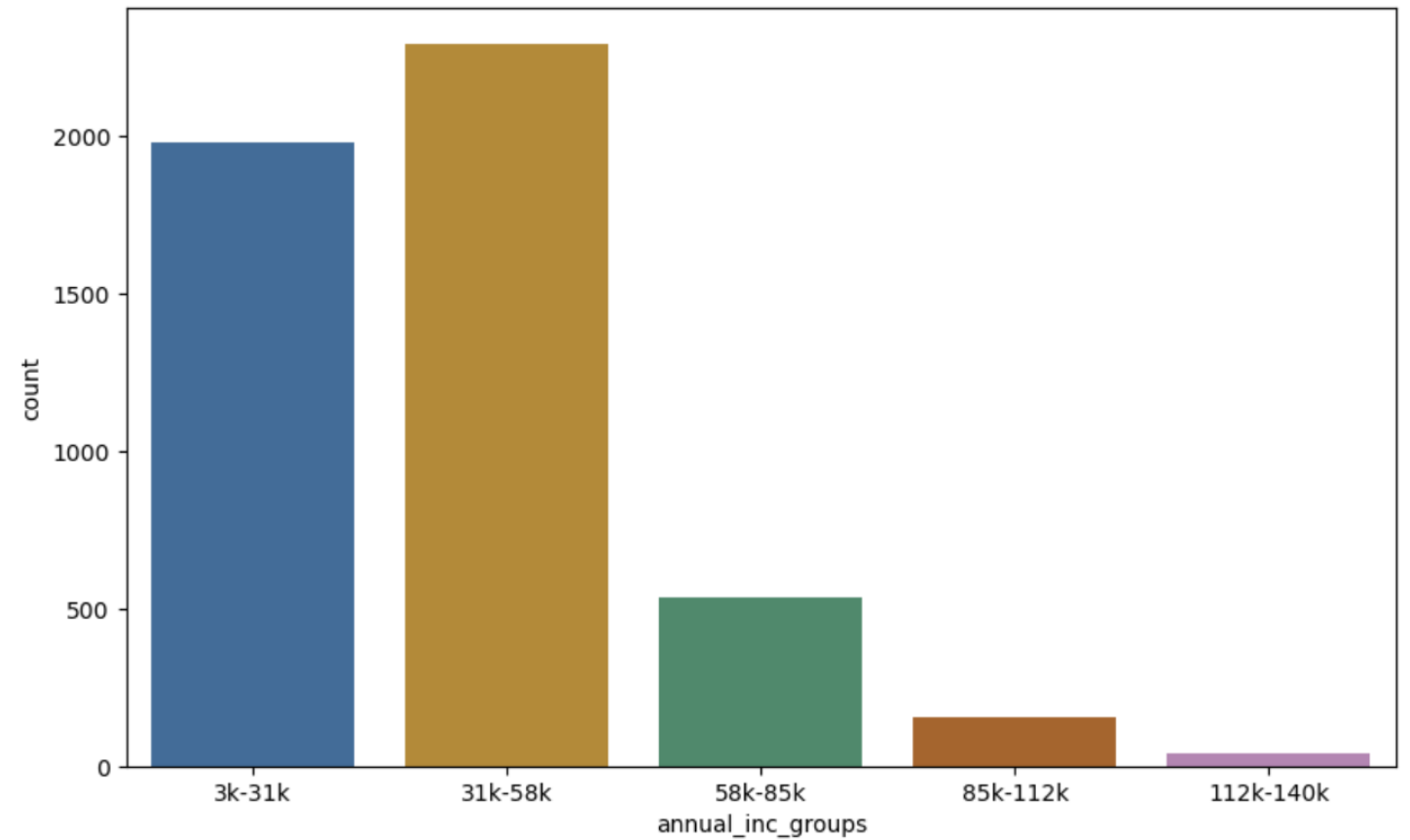
Abstract

- Lending Club is the largest online loan marketplace, facilitating personal loans, business loans, and financing of medical procedures
- Like most other lending companies, lending loans to 'risky' applicants is the largest source of financial loss (called credit loss).
- The Goal of this study is to identify driving factors (or driver variables) behind loan default, i.e. the variables which are strong indicators of default.
- The company can utilise this knowledge for its portfolio and risk assessment.

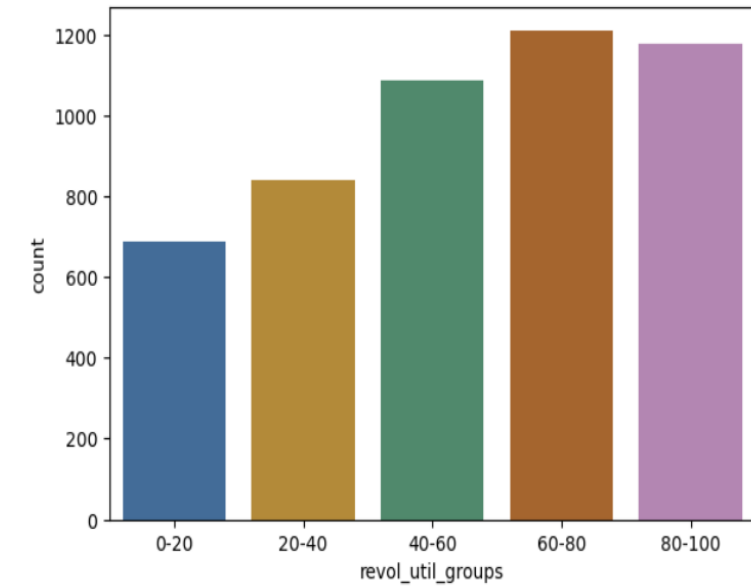
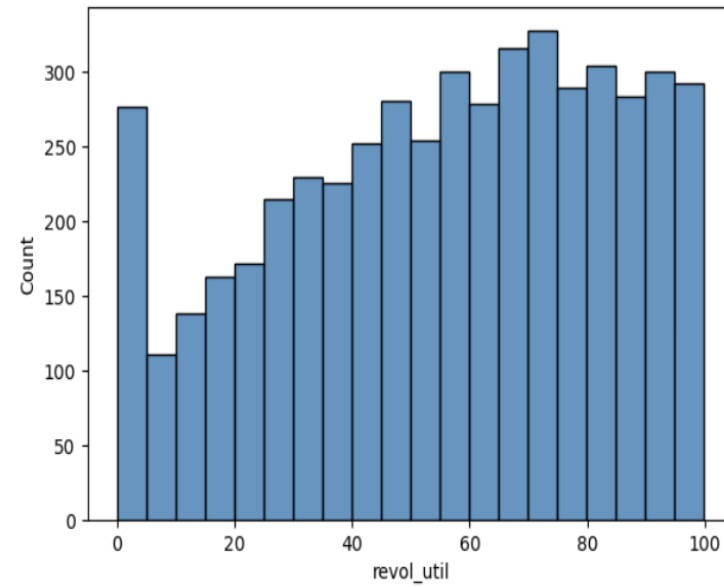
Loan taken for credit card, small business, house and home improvement and for debt consolidation have high rate of defaulter



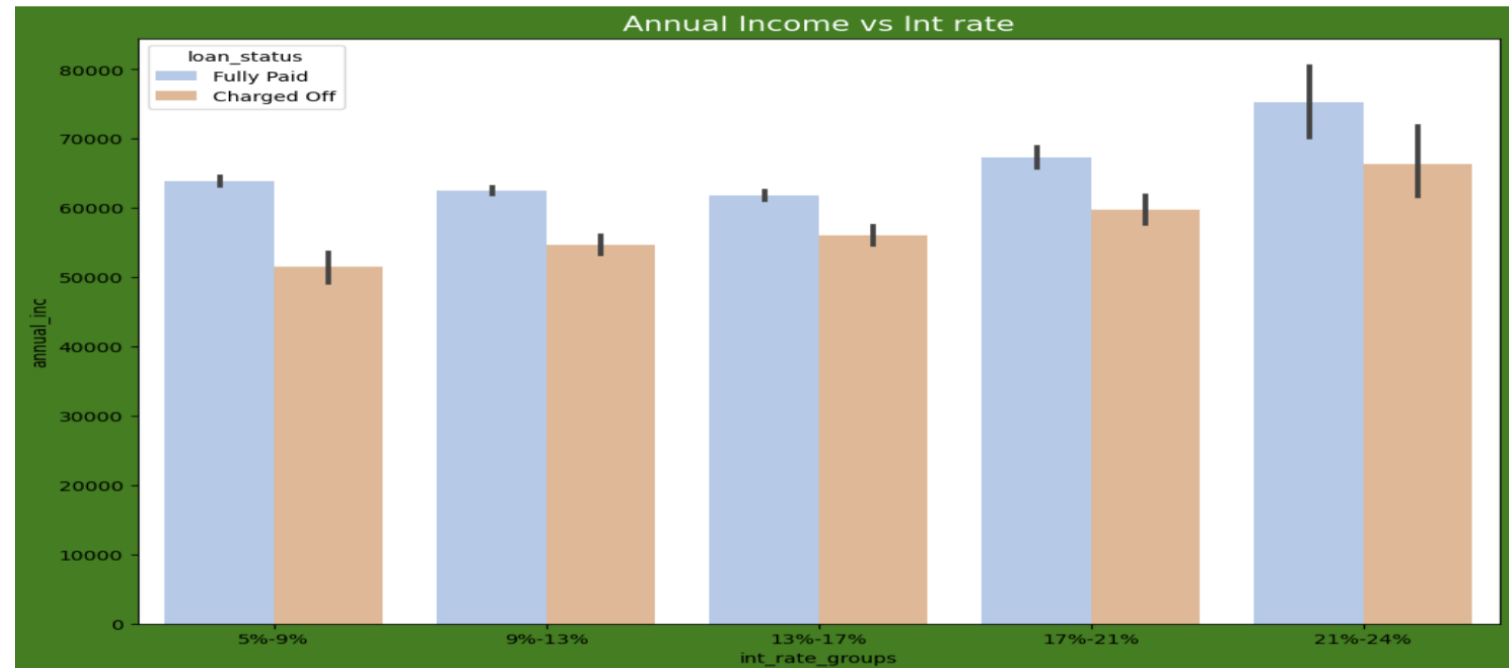
Income Groups between 31k to 58k have higher risk of defaulting followed by 3-31k

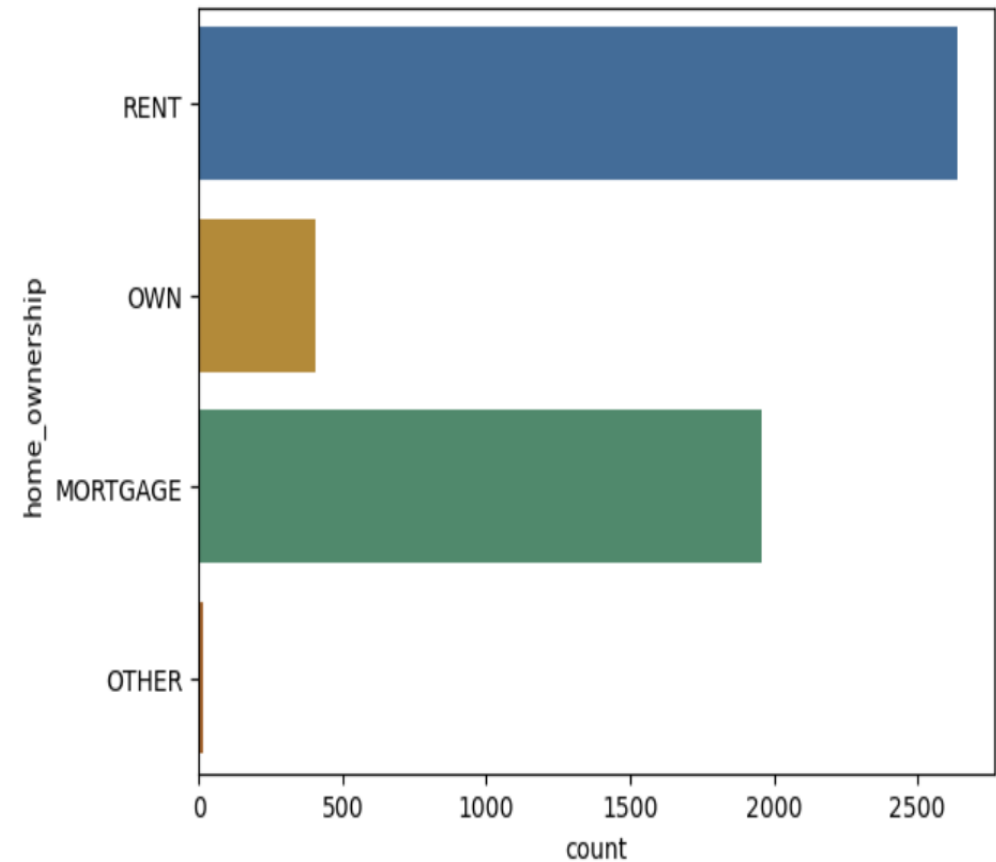
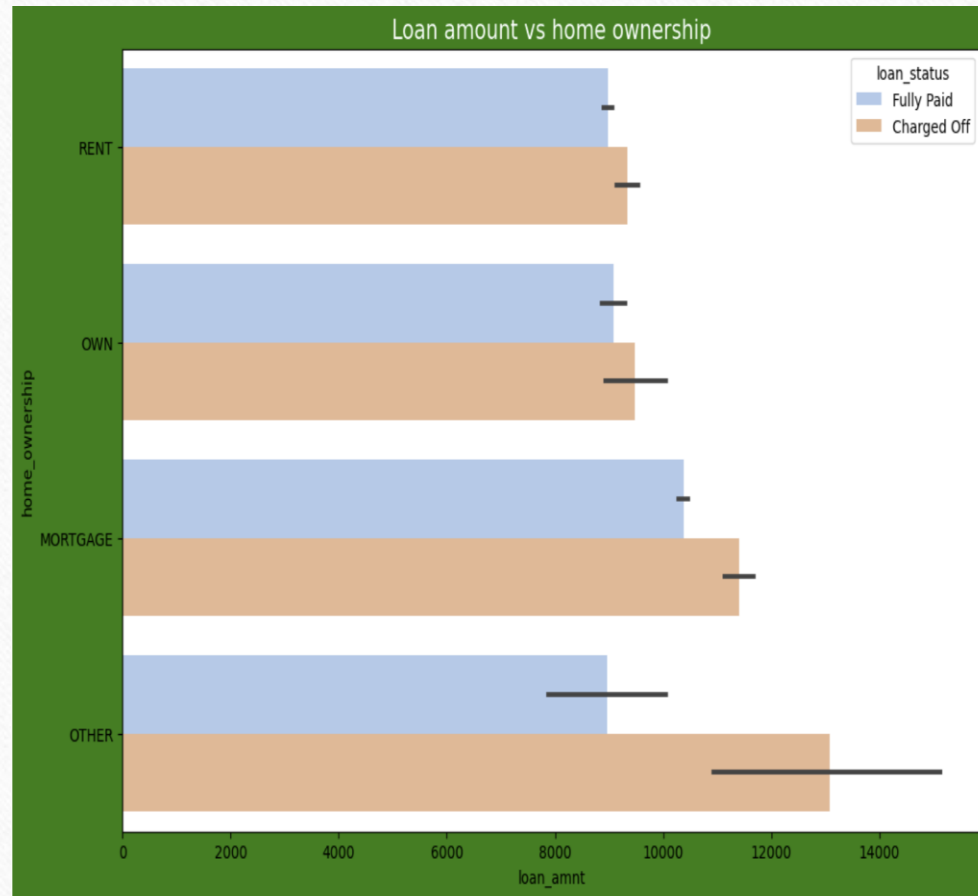


- Applicants who have revol_util 60 to 80 have high and for 0 to 5 we have medium possibility



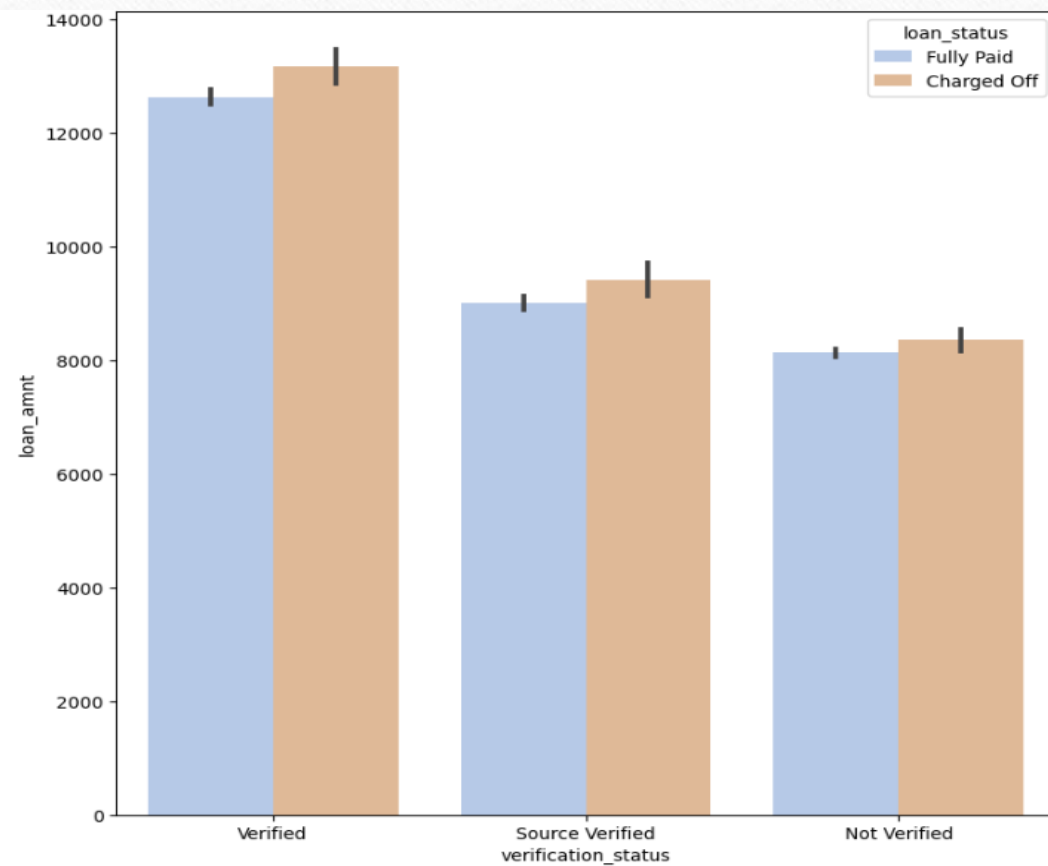
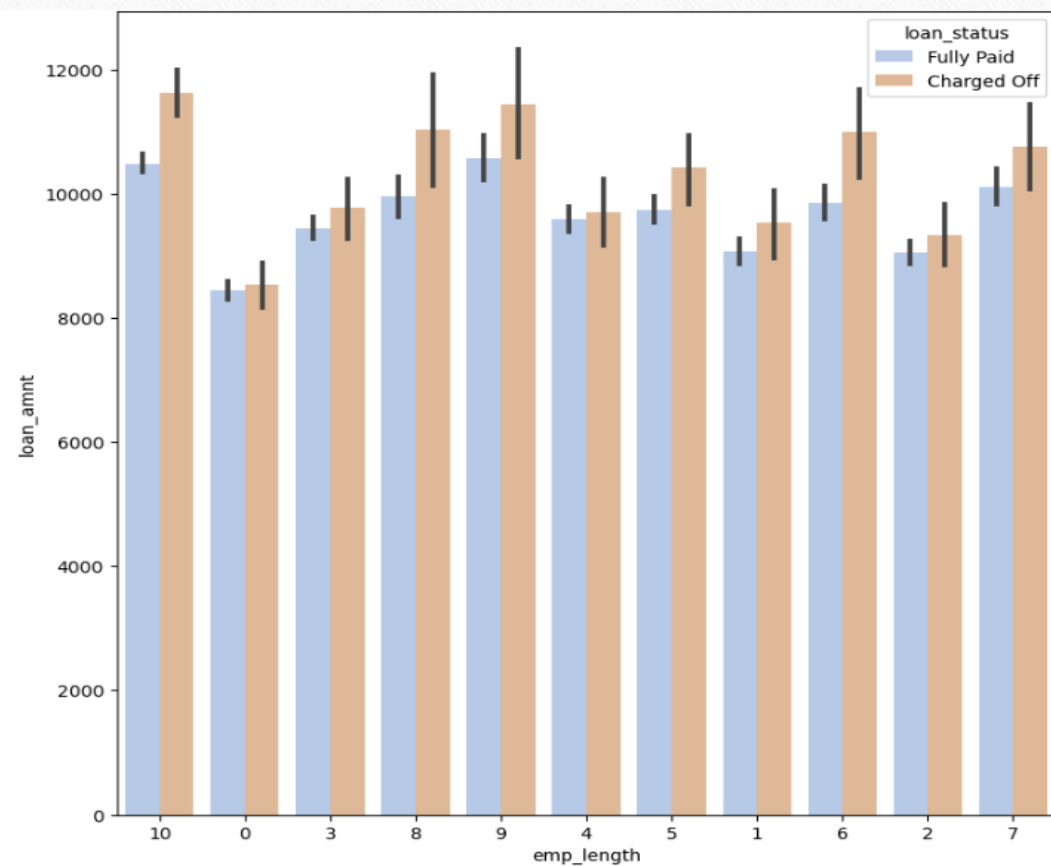
- Higher Interest rate for larger income group leads to more defaulters



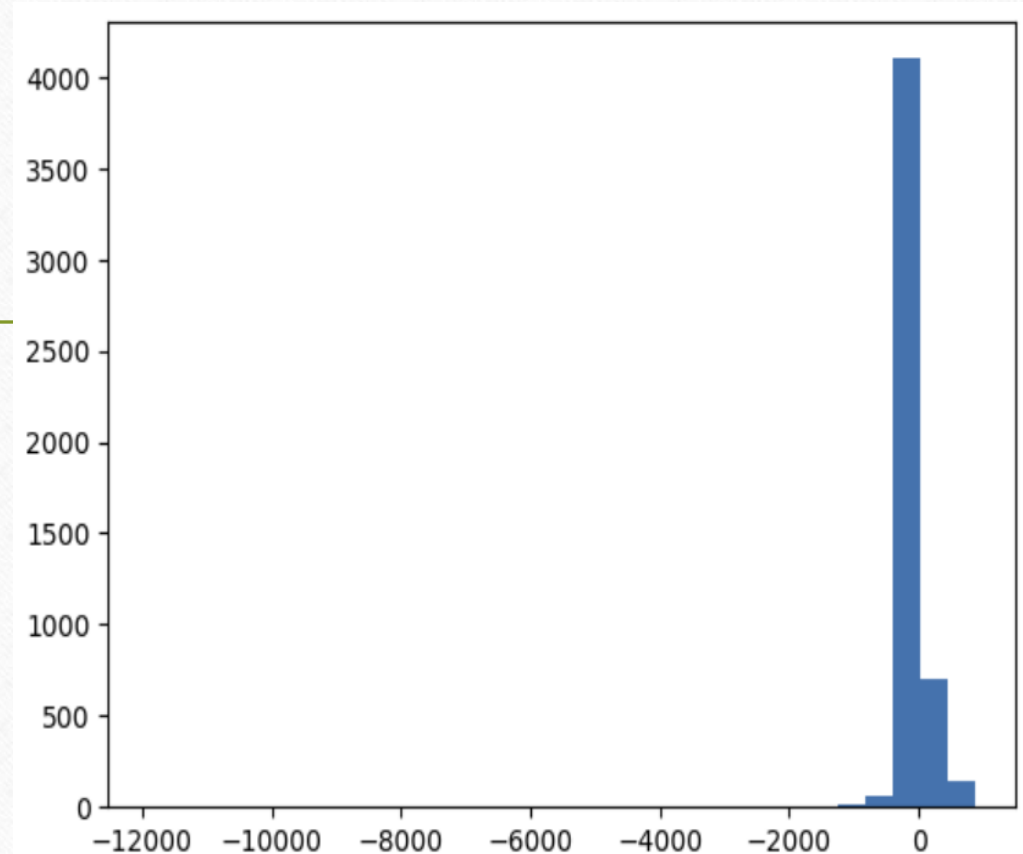
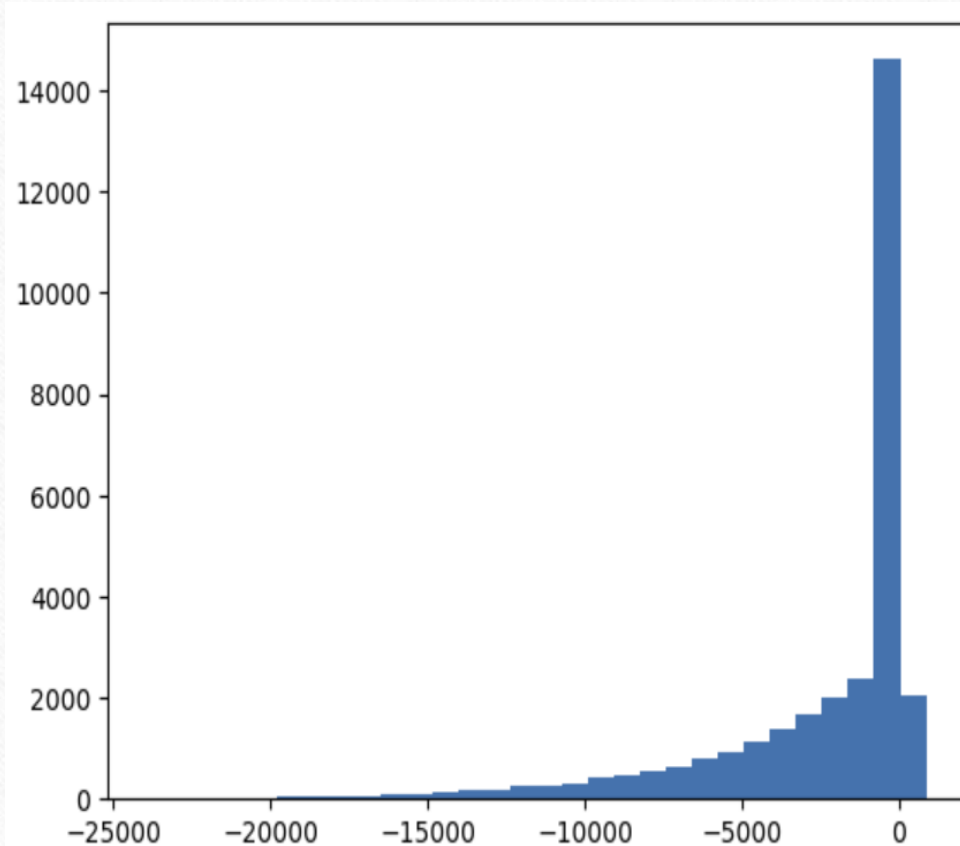


Home ownership of others category have higher rate of charge off and credit loss

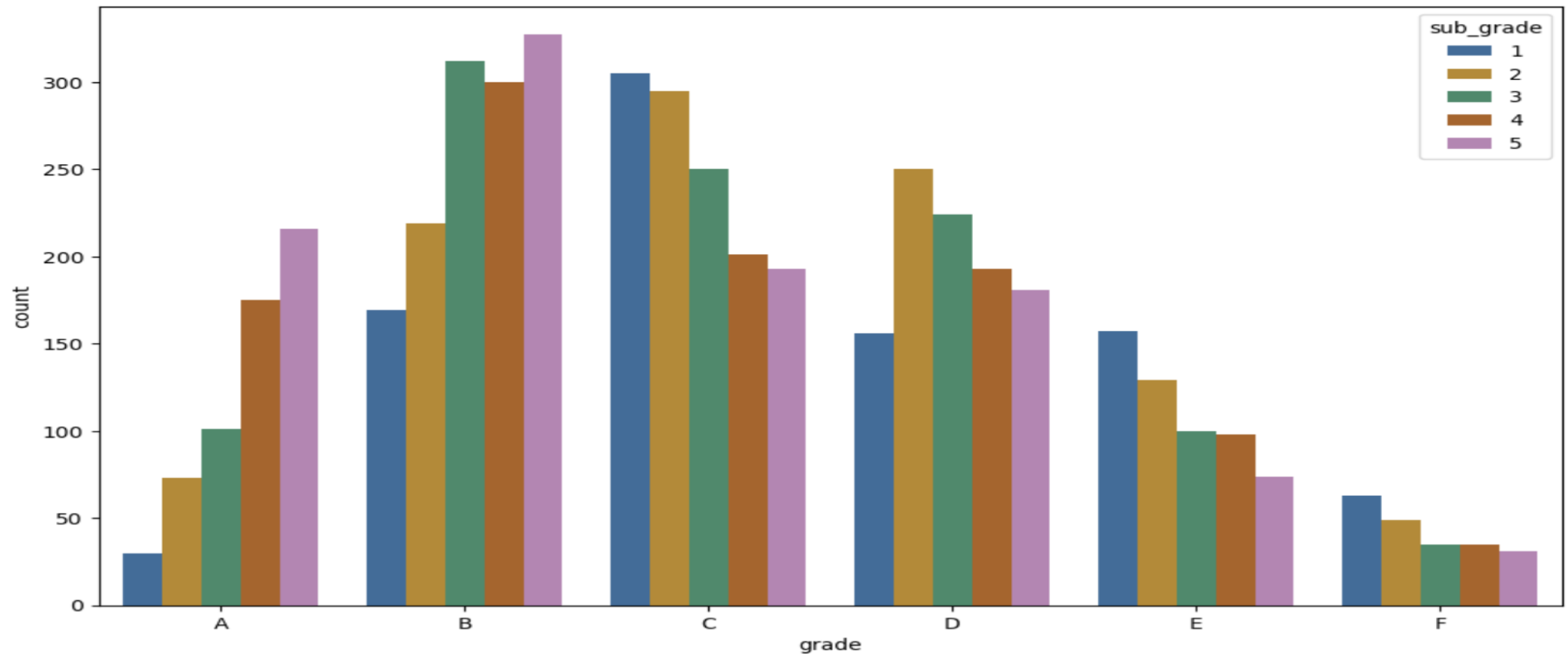
Home ownership of rental has higher number of defaulters



Employment length of more than 6 years and in verified category has higher credit loss



People who are defaulters has often paid amount less than monthly installments. The legitimate customers pay more than the required installments



Grade and subgrade combination of – A5, B5, C1, D2, E1 and F1 have higher rate of defaulters

Recommendation

- Avoid loans with higher interest rate for low income range customers
- Restrict loans for credit card, small business, house and home improvement and for debt consolidation
- If a customer pays installment less than the monthly installment then recommended to follow up with customer interaction
- Check Grade combinations and customers under grade sub-grade of A5, B5, C1, D2, E1 and F1 should be avoided
- Avoid large debt for home ownership of others and verify status for Rent.