Loan Defaulters Analysis

Insights from Customer Loan Data

Analysis By VIVEK CHAUHAN

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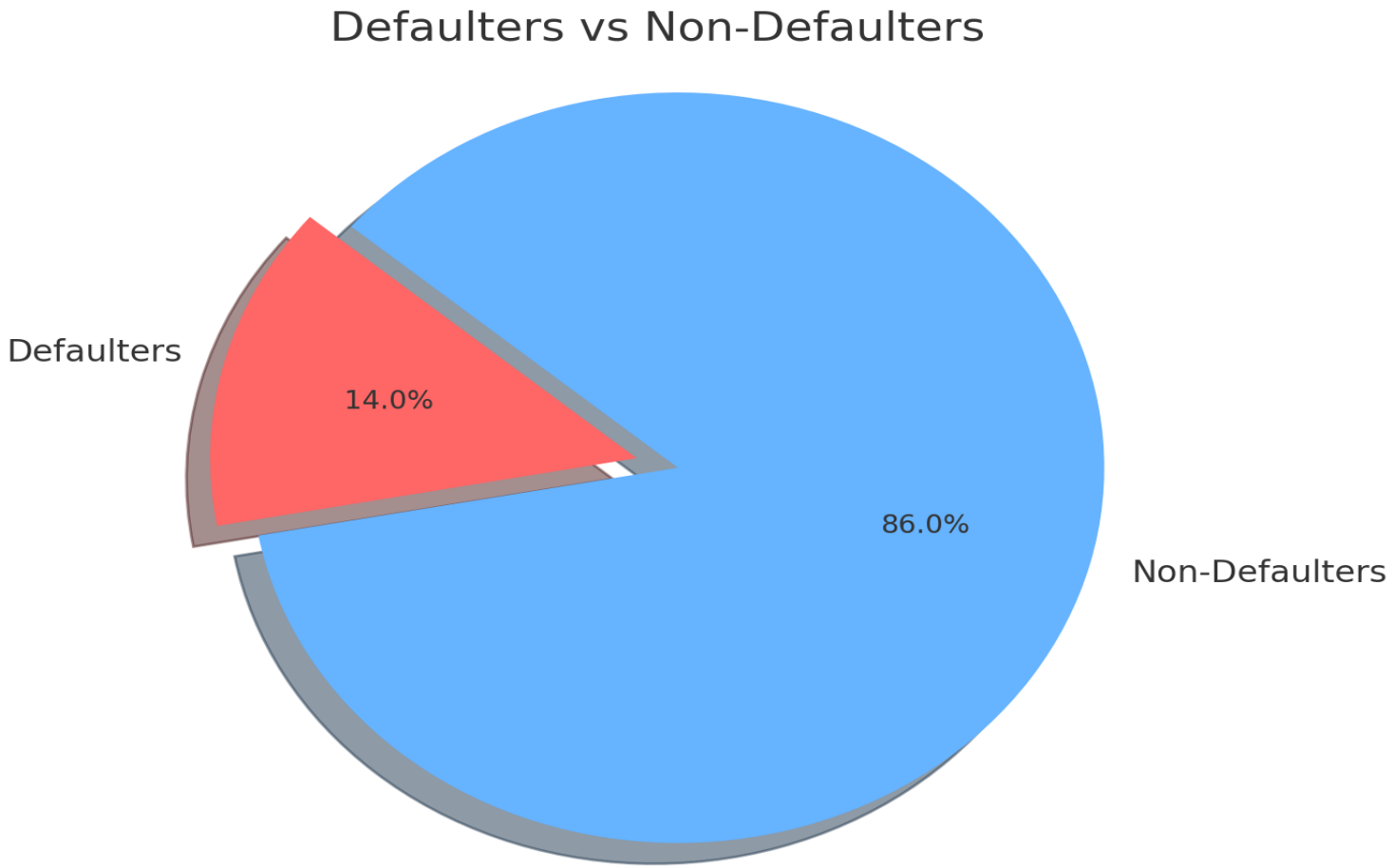
Defaulter Percentage:-

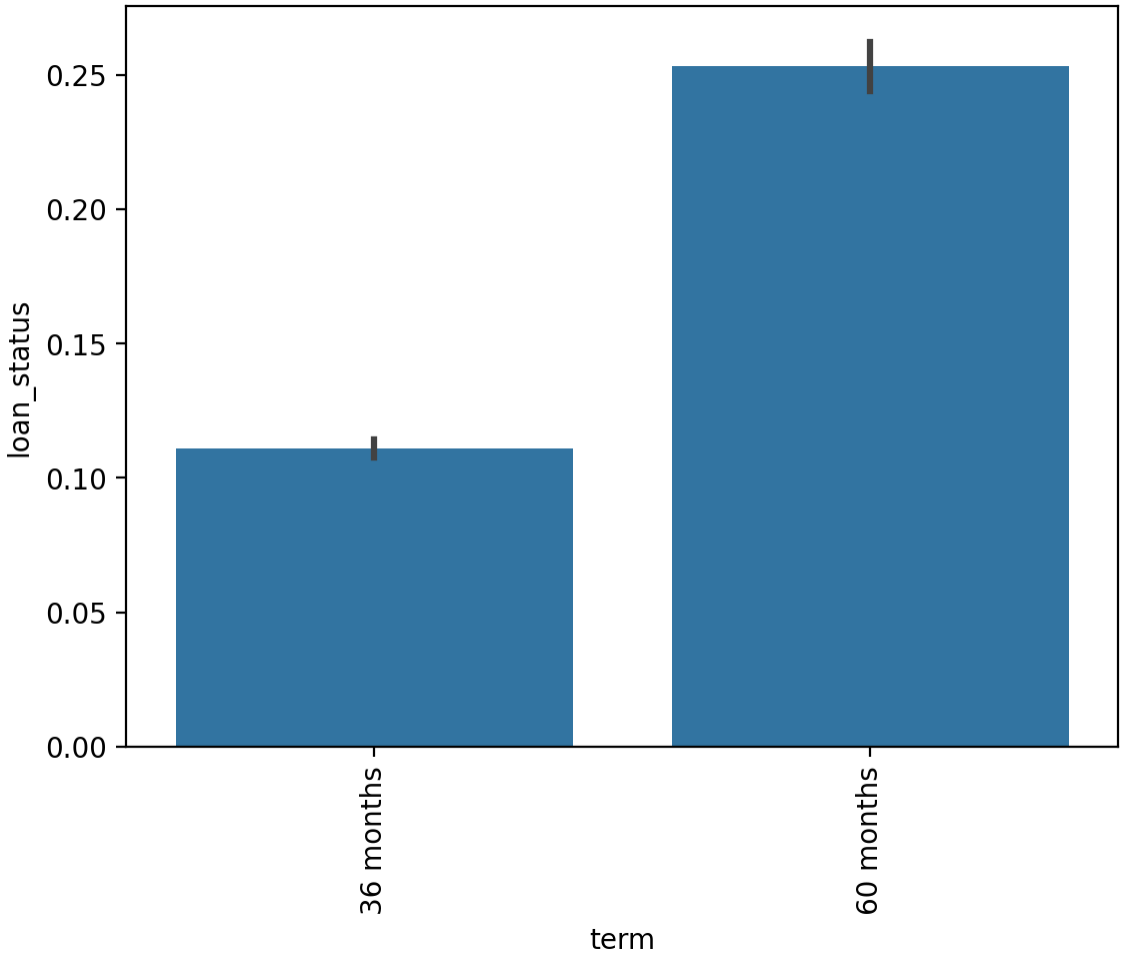
- 14% Defaulters
- 86 % Non-Defaulters

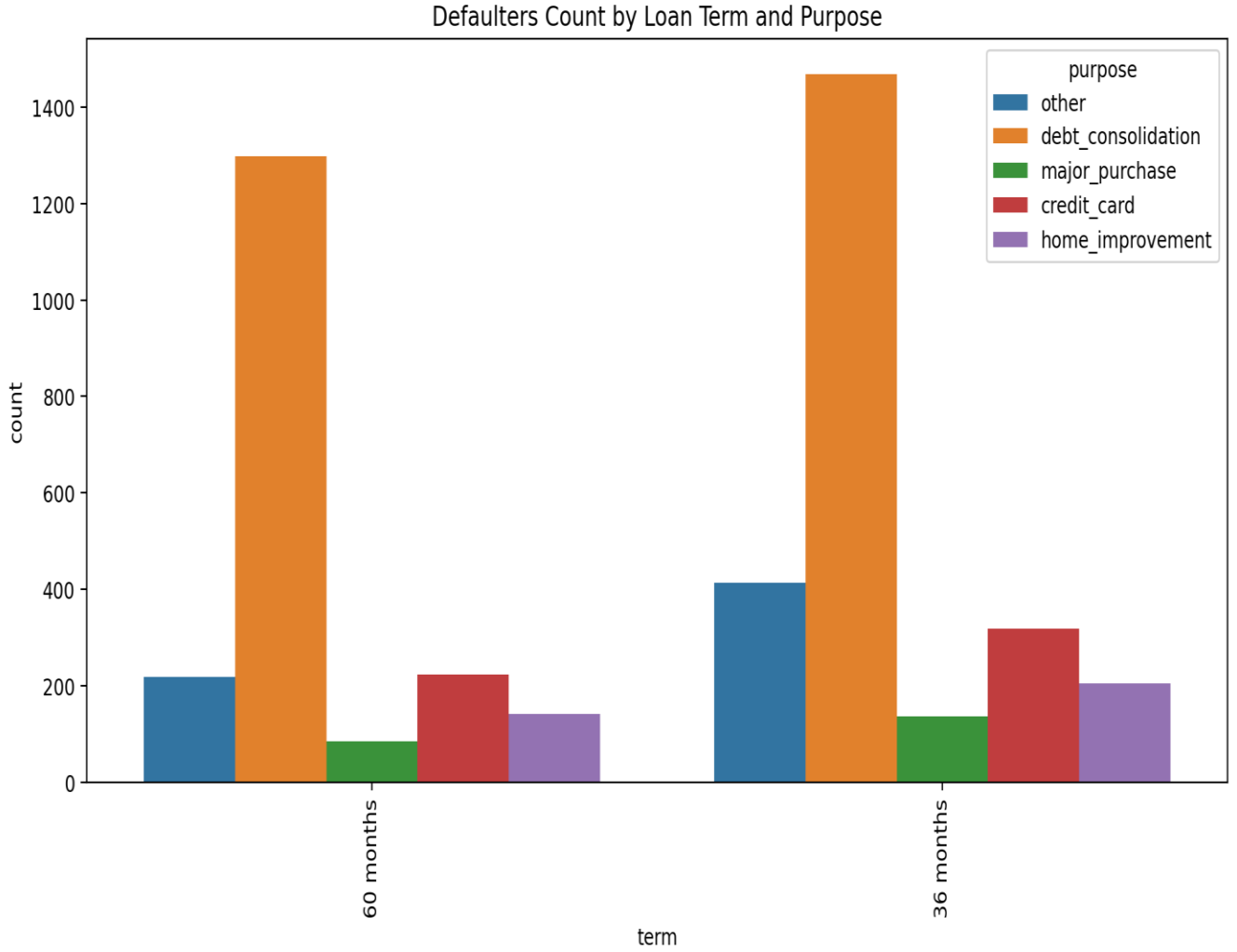
Loan Status Clarification:-

- **0 for Fully Paid Applicants**
- **1 for Charge OFF Applicants Means They Are Defaulters And We Analyse It.**



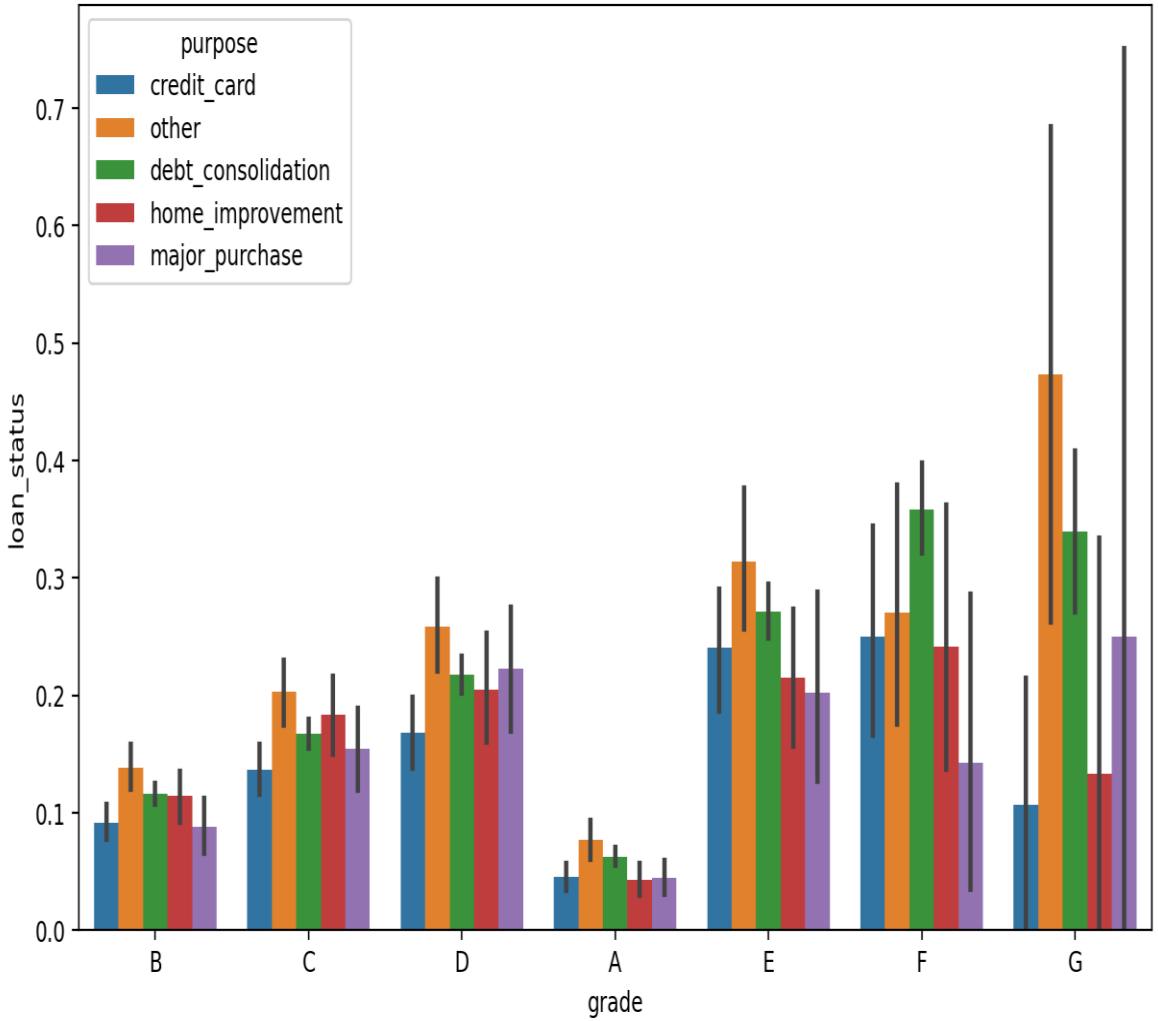
Term-wise Default Analysis

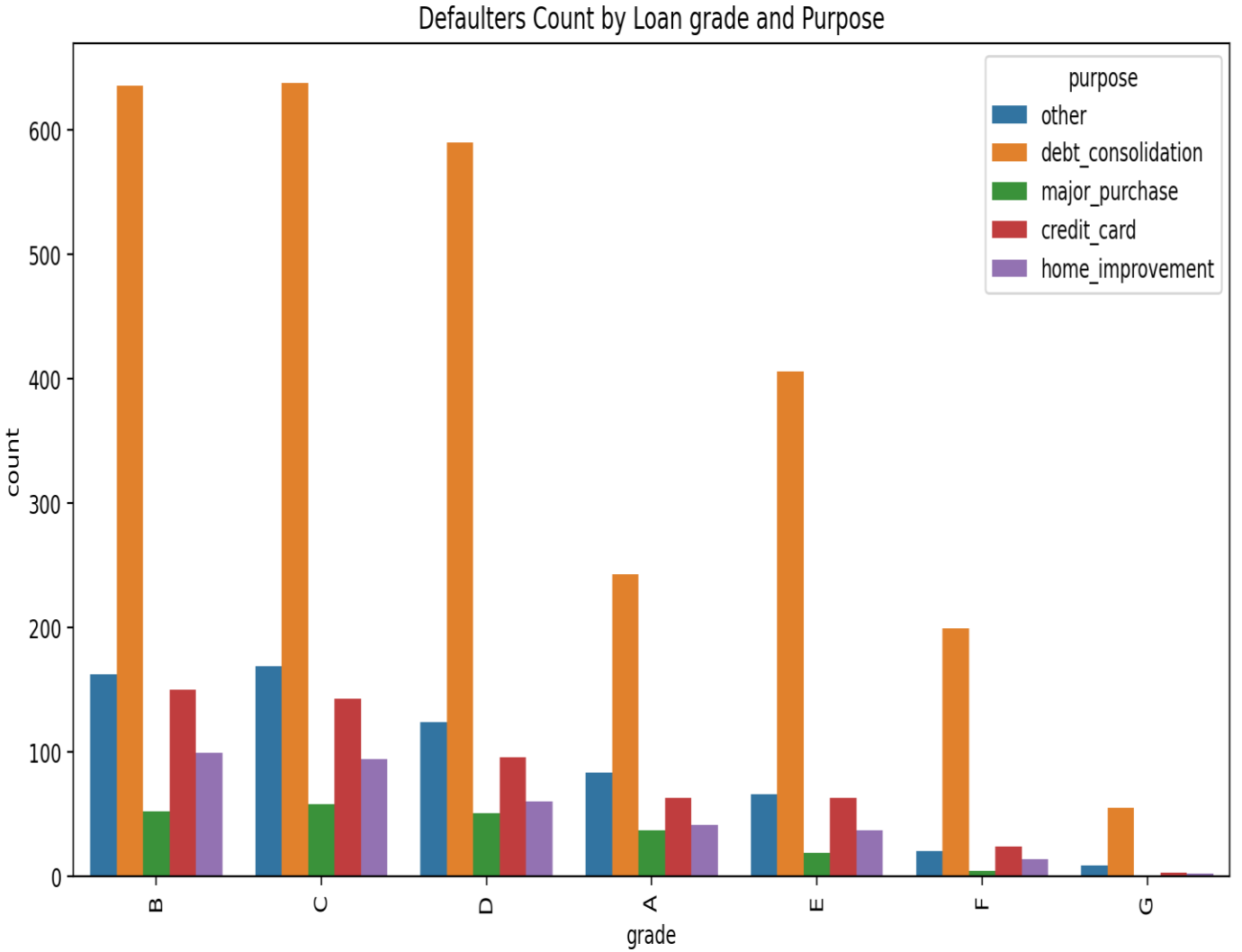




Most of the Defaulters have 36 Months Term And Overall General Applicants 60 Months Term.

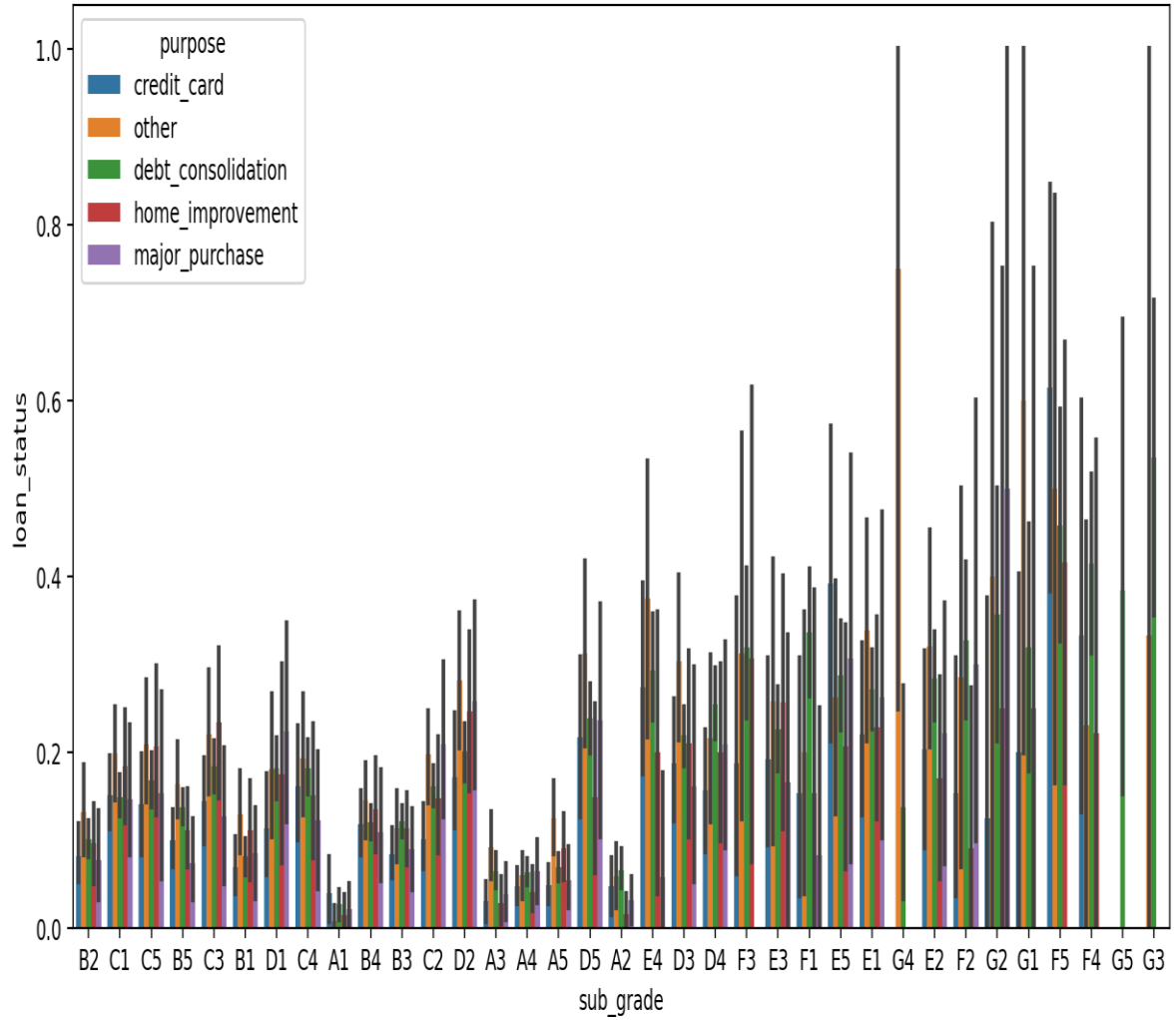
Grade Wise Analysis

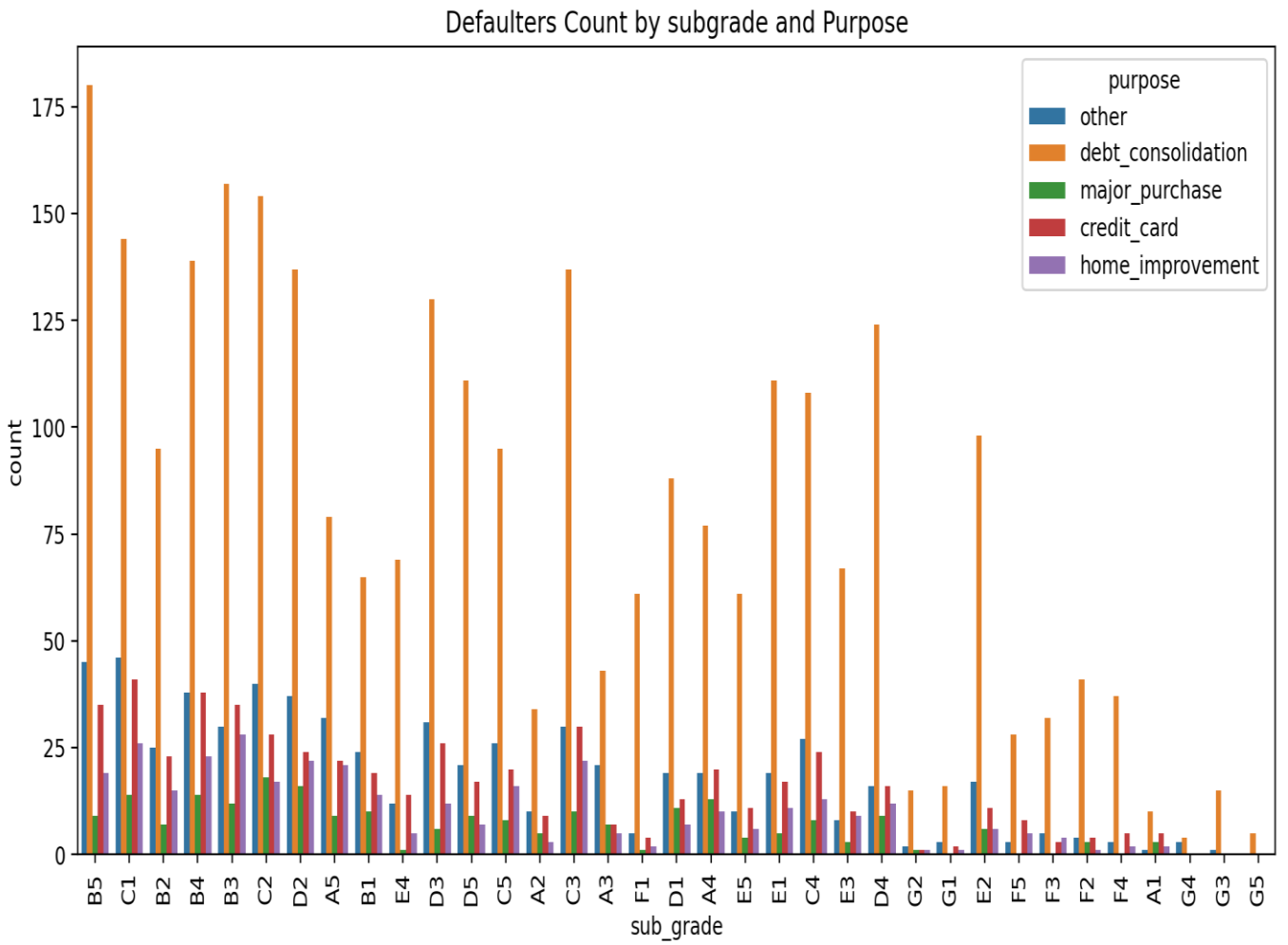




Most of the Defaulters have E,F,G Grade.

Sub Grade Wise Analysis

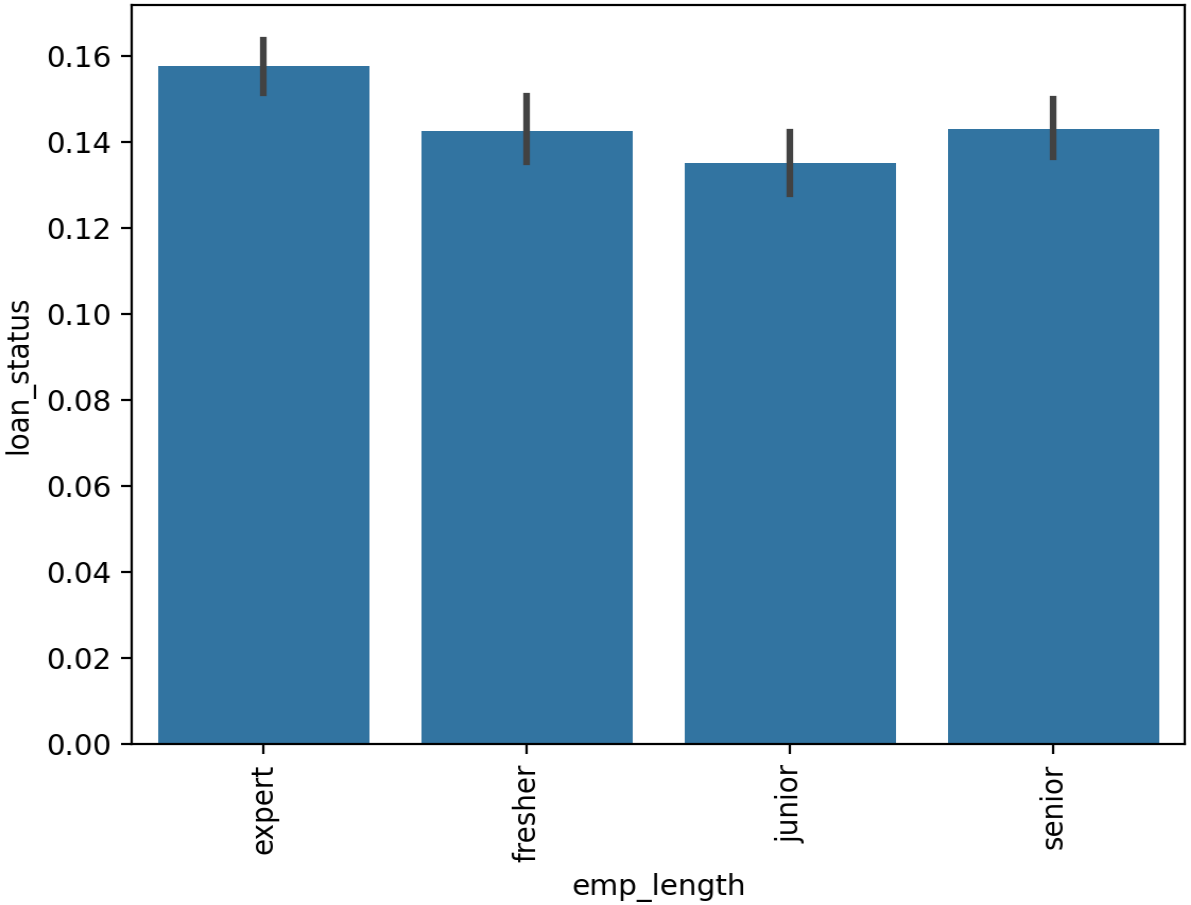


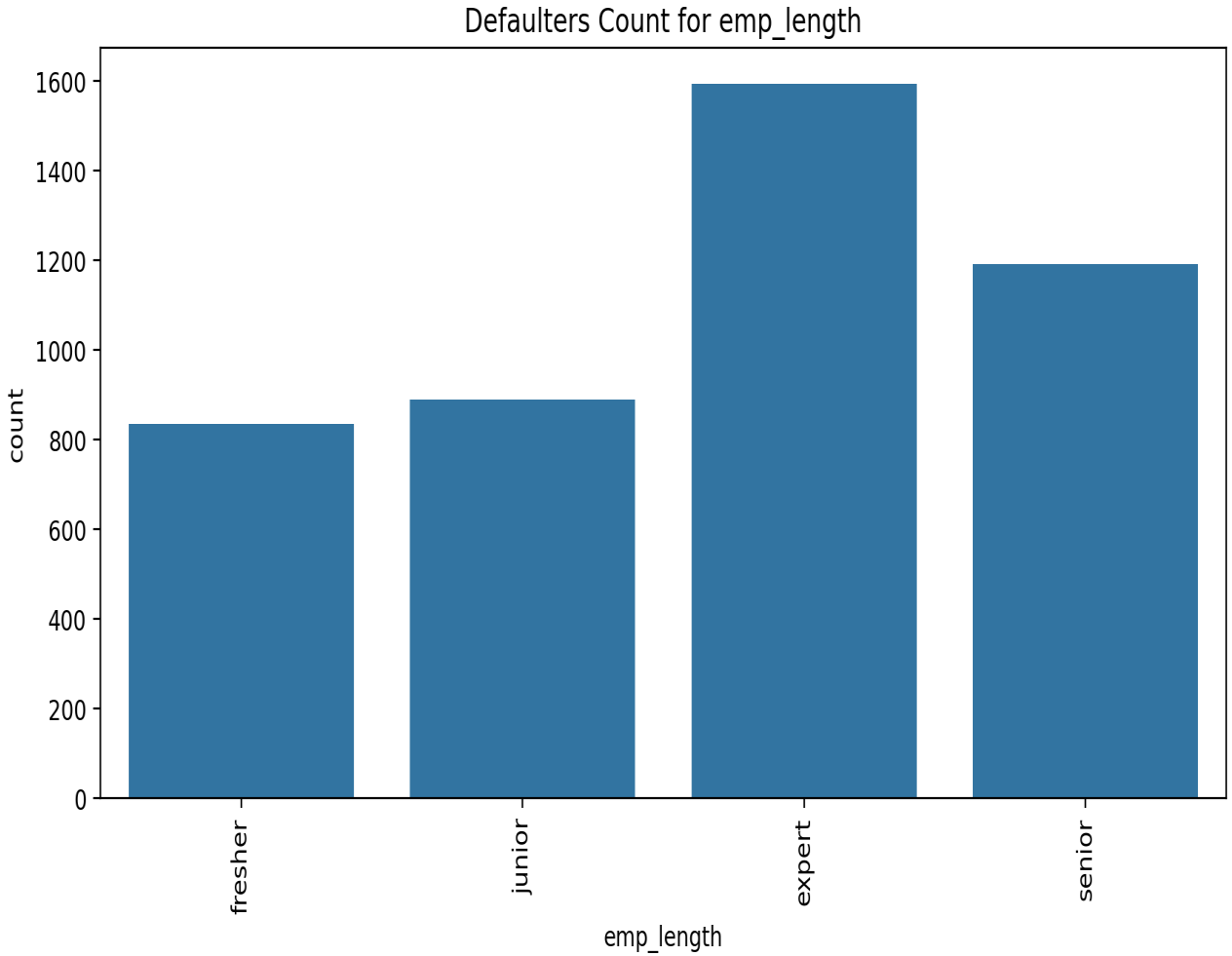


Most of the Defaulters have B5,B3 & C1 sub-grade.

Common Factor Experts.

Employment Length Wise Analysis

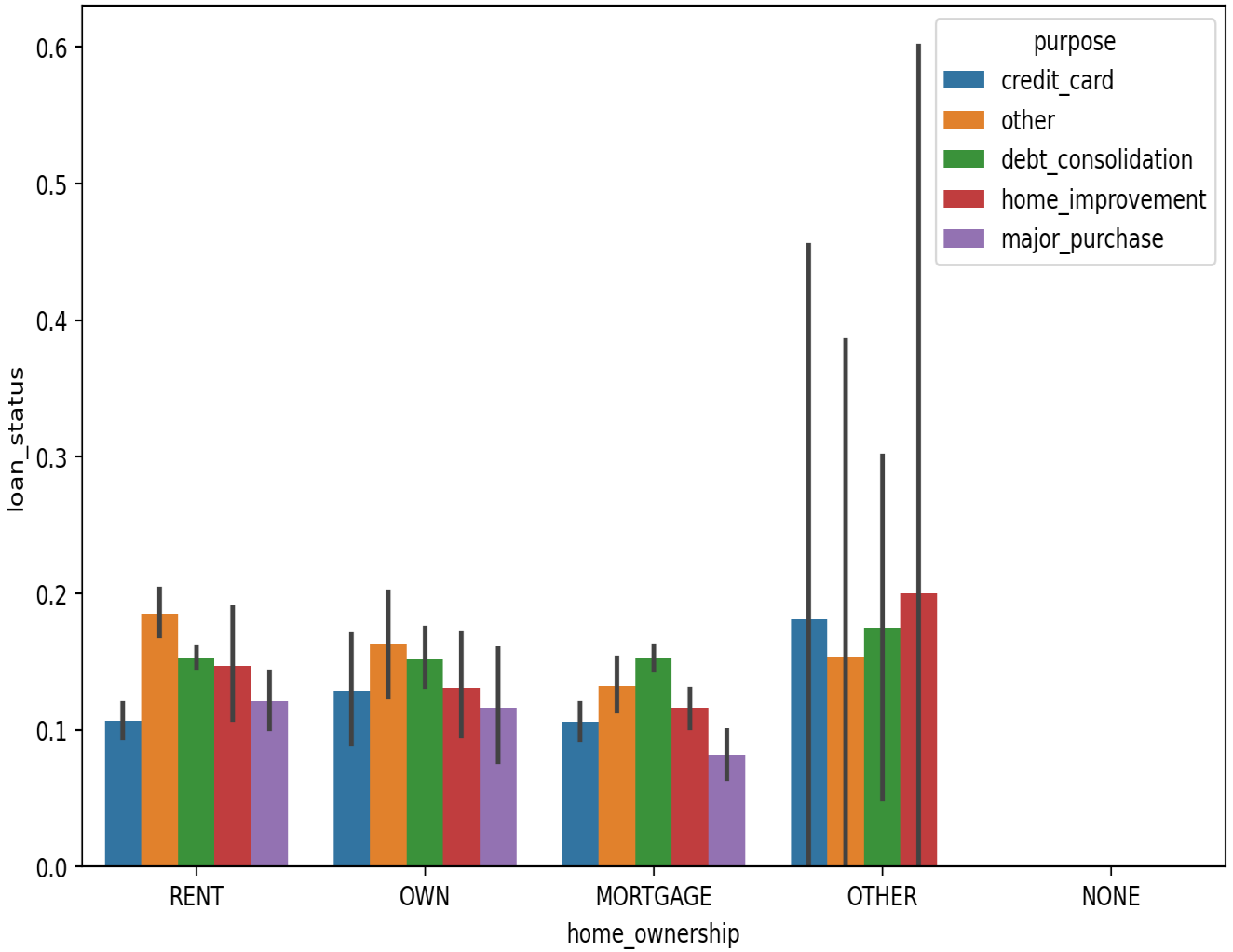


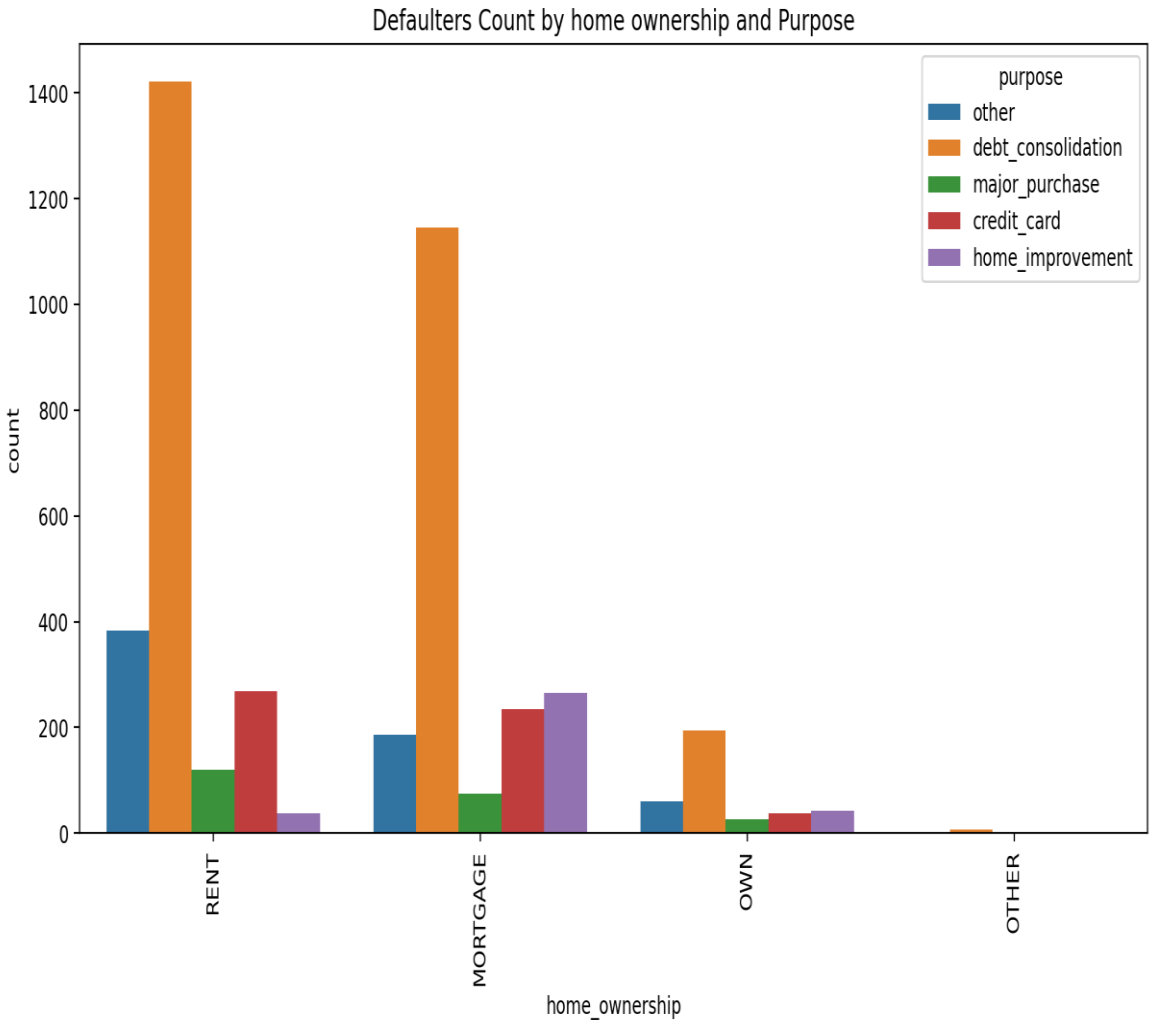


Most of the Defaulters have Experts employee length.

No Common Factor

Home Ownership Wise Analysis

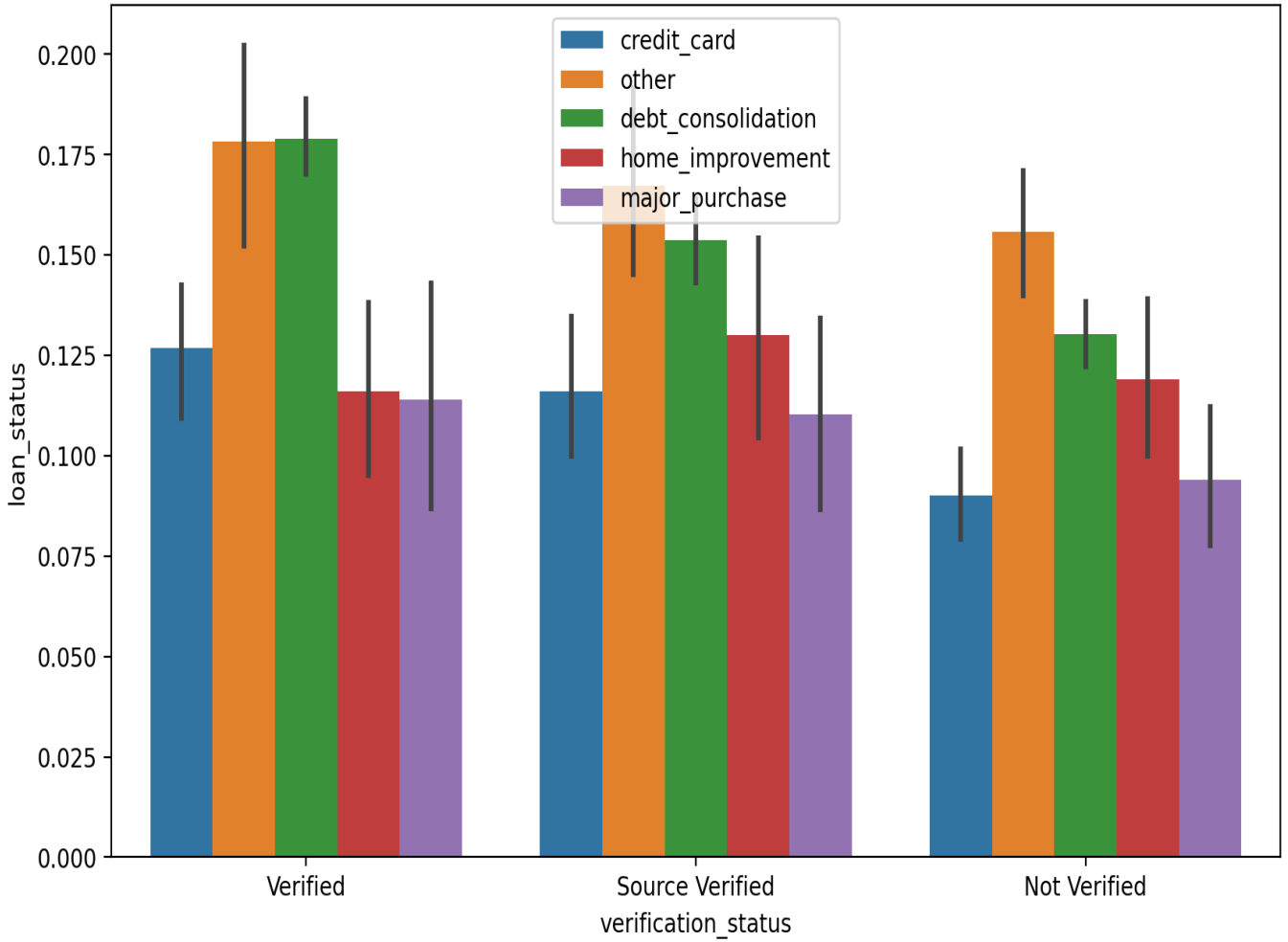


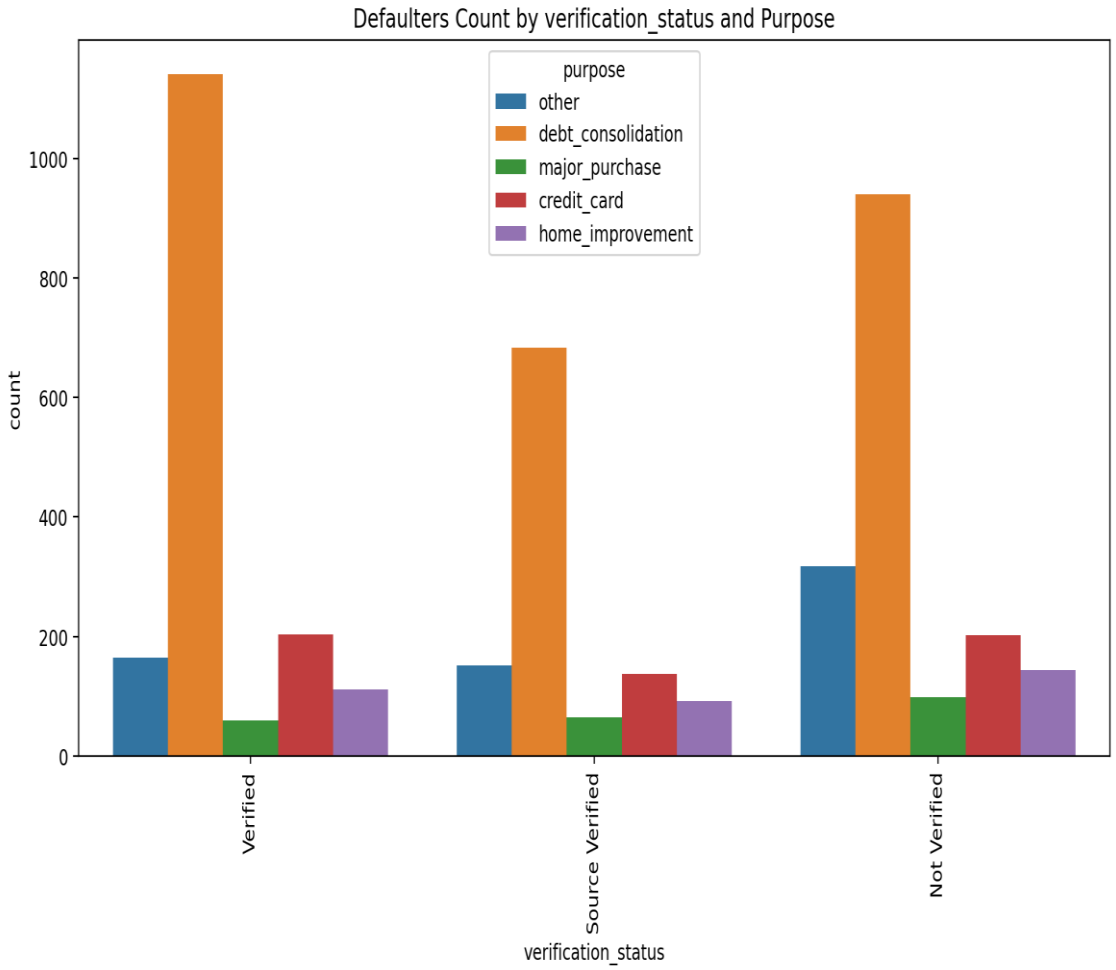


Most of the Defaulters have Rent,Own,Mortgage Home Ownership.

Common Factor Verified & Not Verified.

Verification Status Wise Analysis

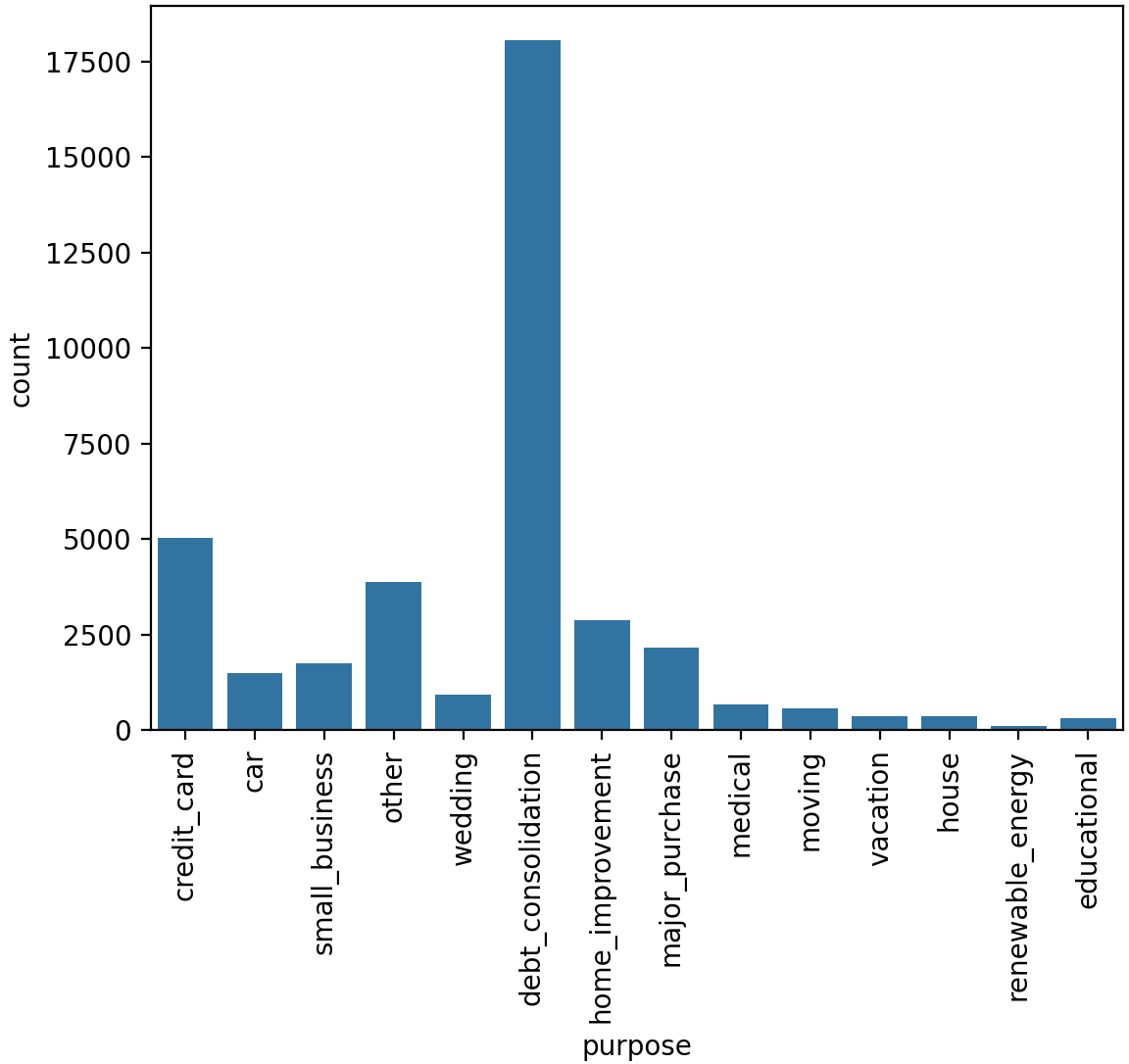


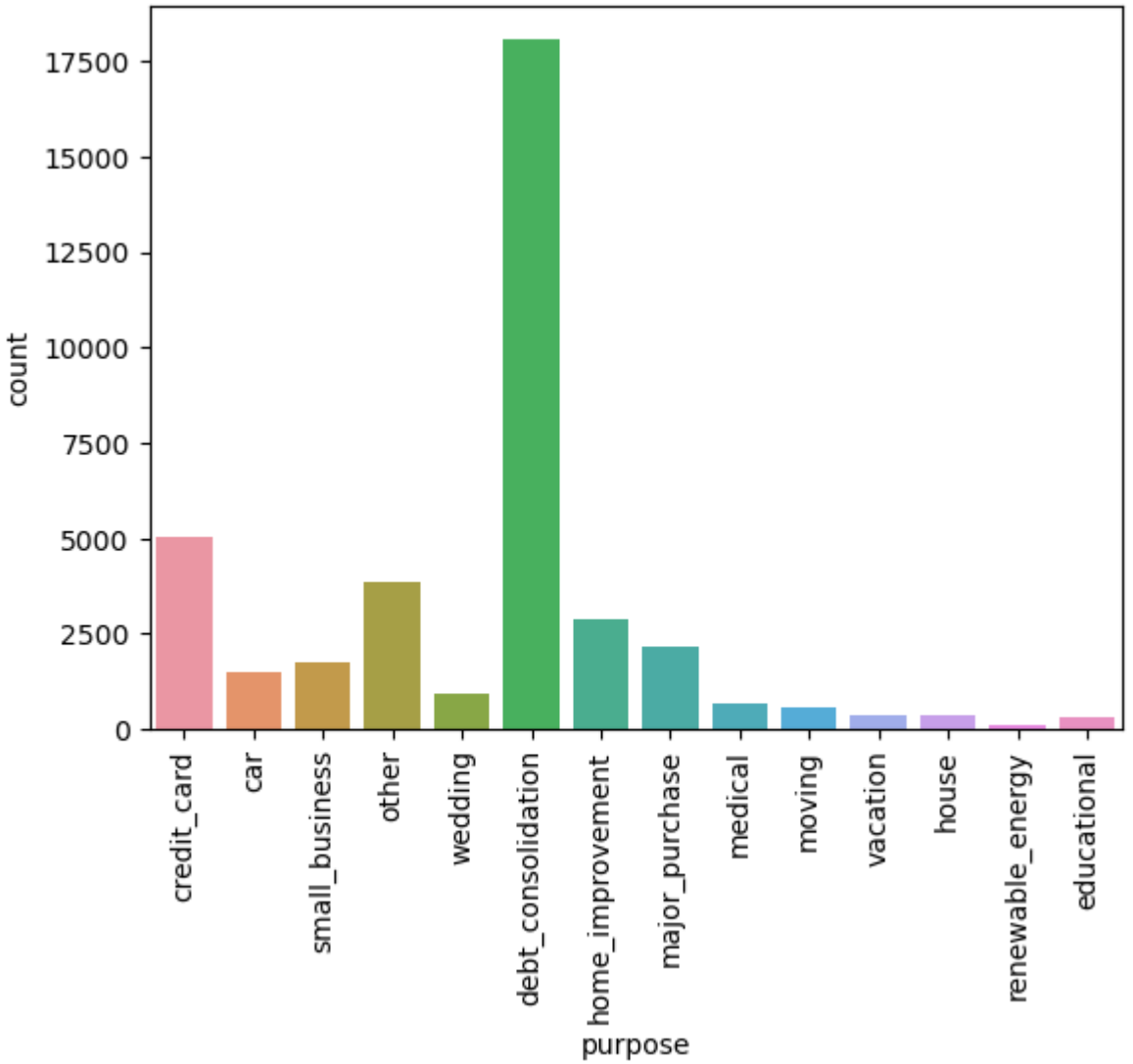


Most of the Defaulters have Verified Verification Status So Carefully Verified The Applicants.

Common Factor Debt-Consolidation.

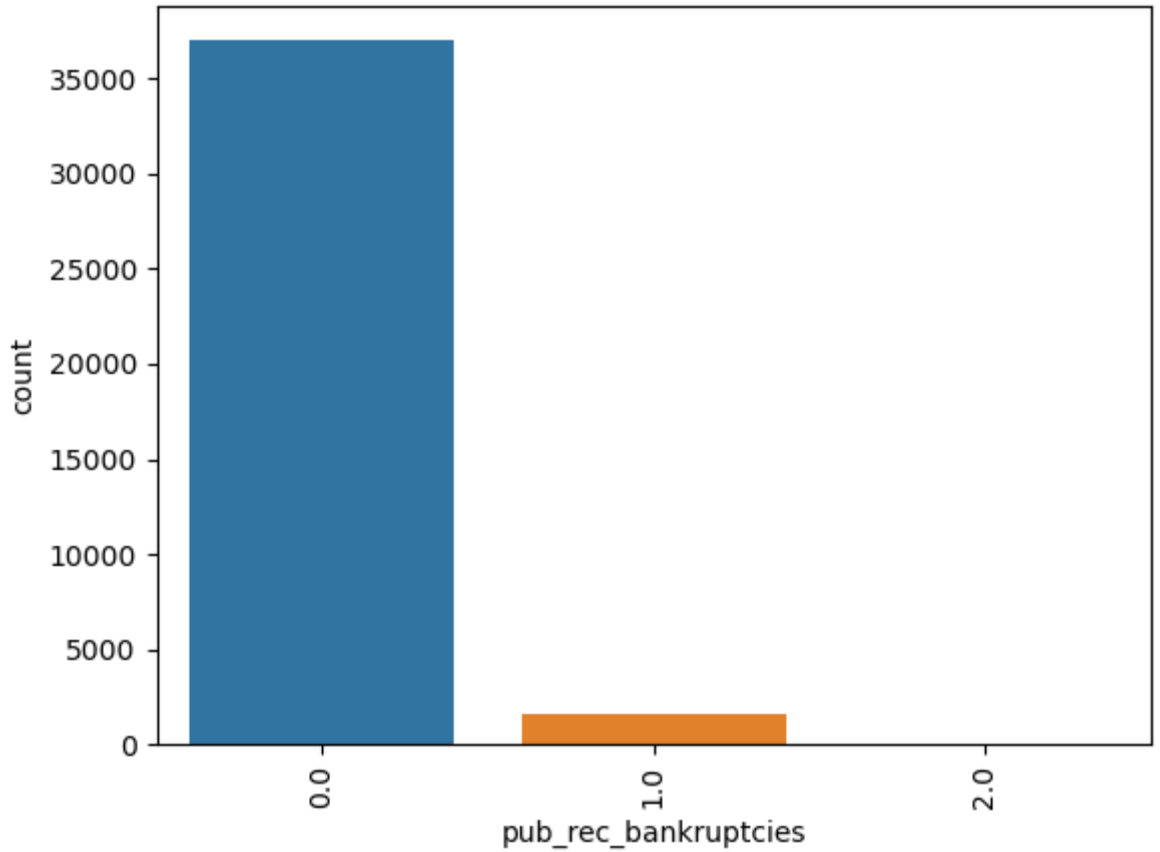
Purpose of Loan Wise Analysis





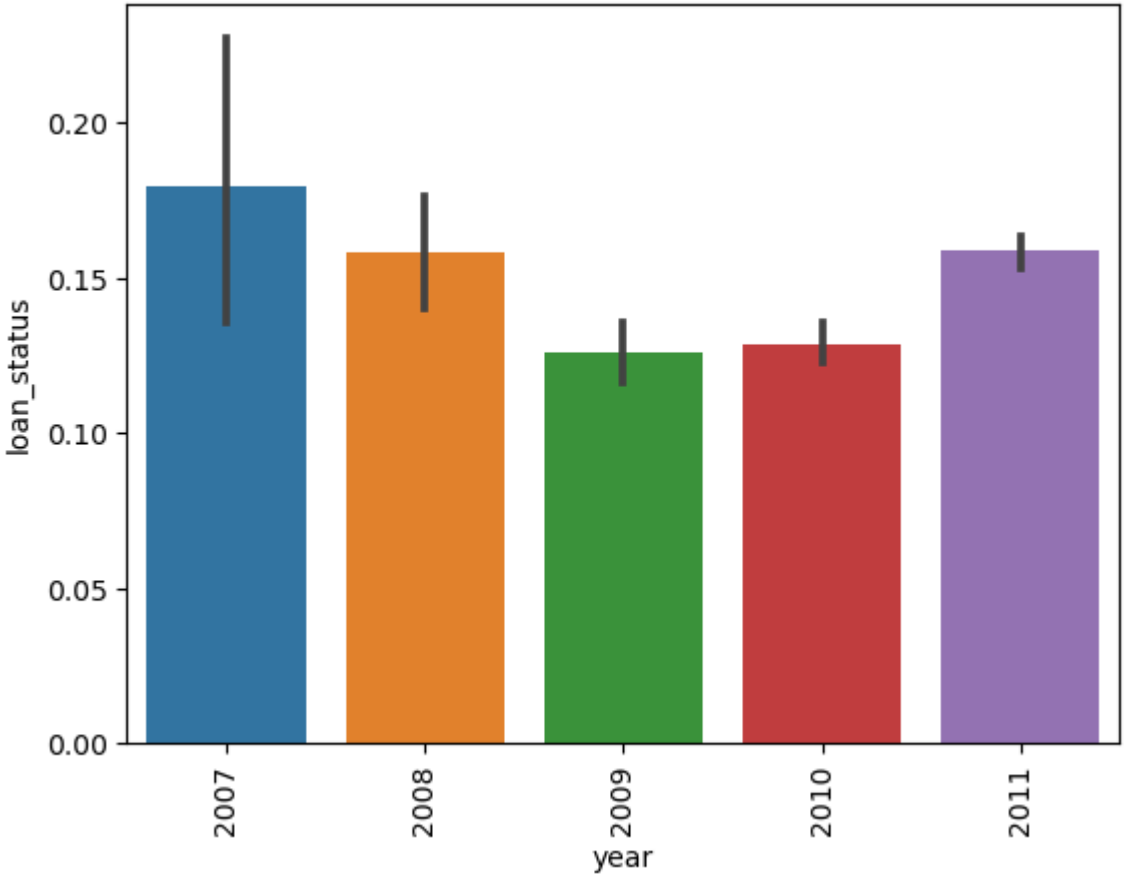
Most of the Defaulters take a loan for debt consolidation purpose.

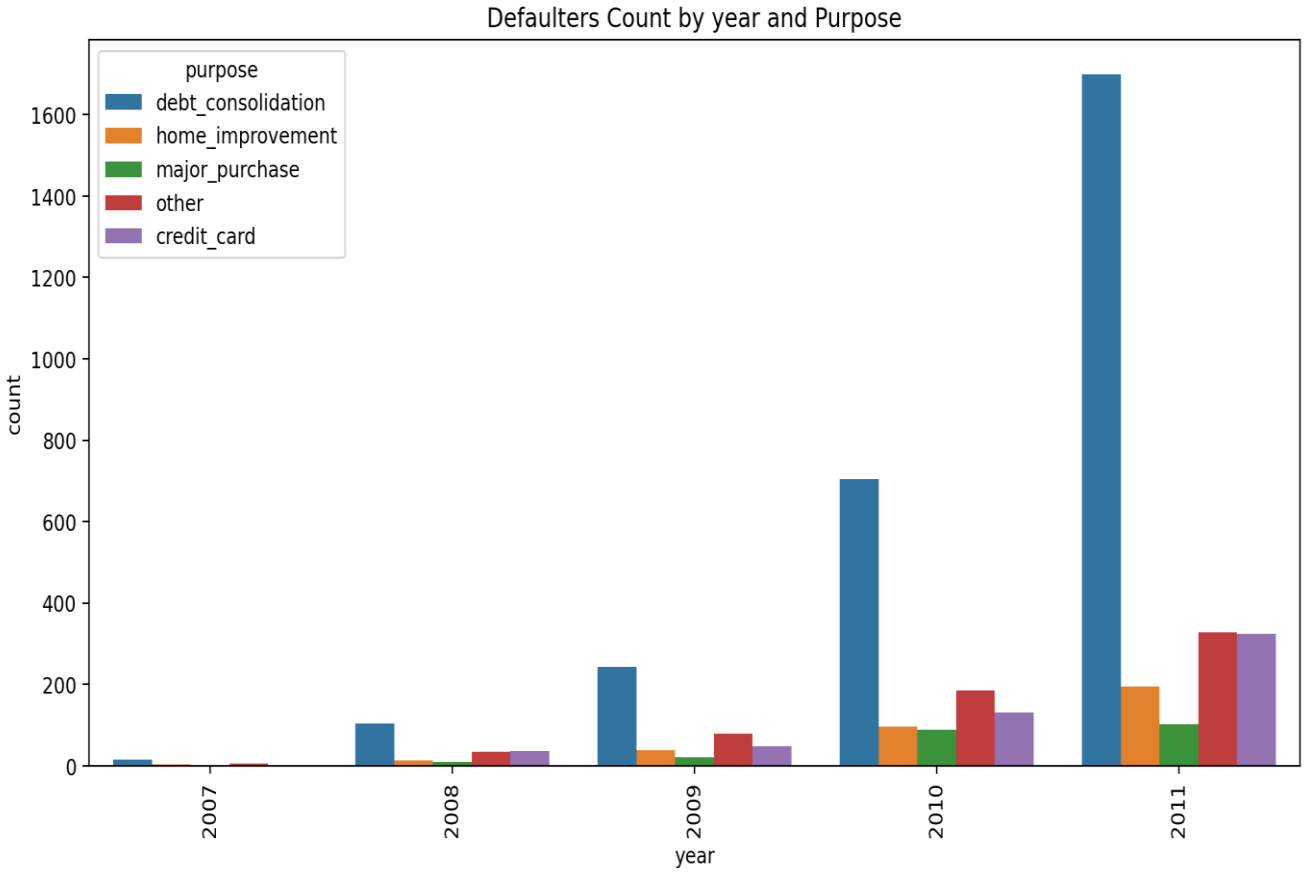
Bankruptcies Wise Analysis



Most of the Defaulter have 0 bankruptcies.

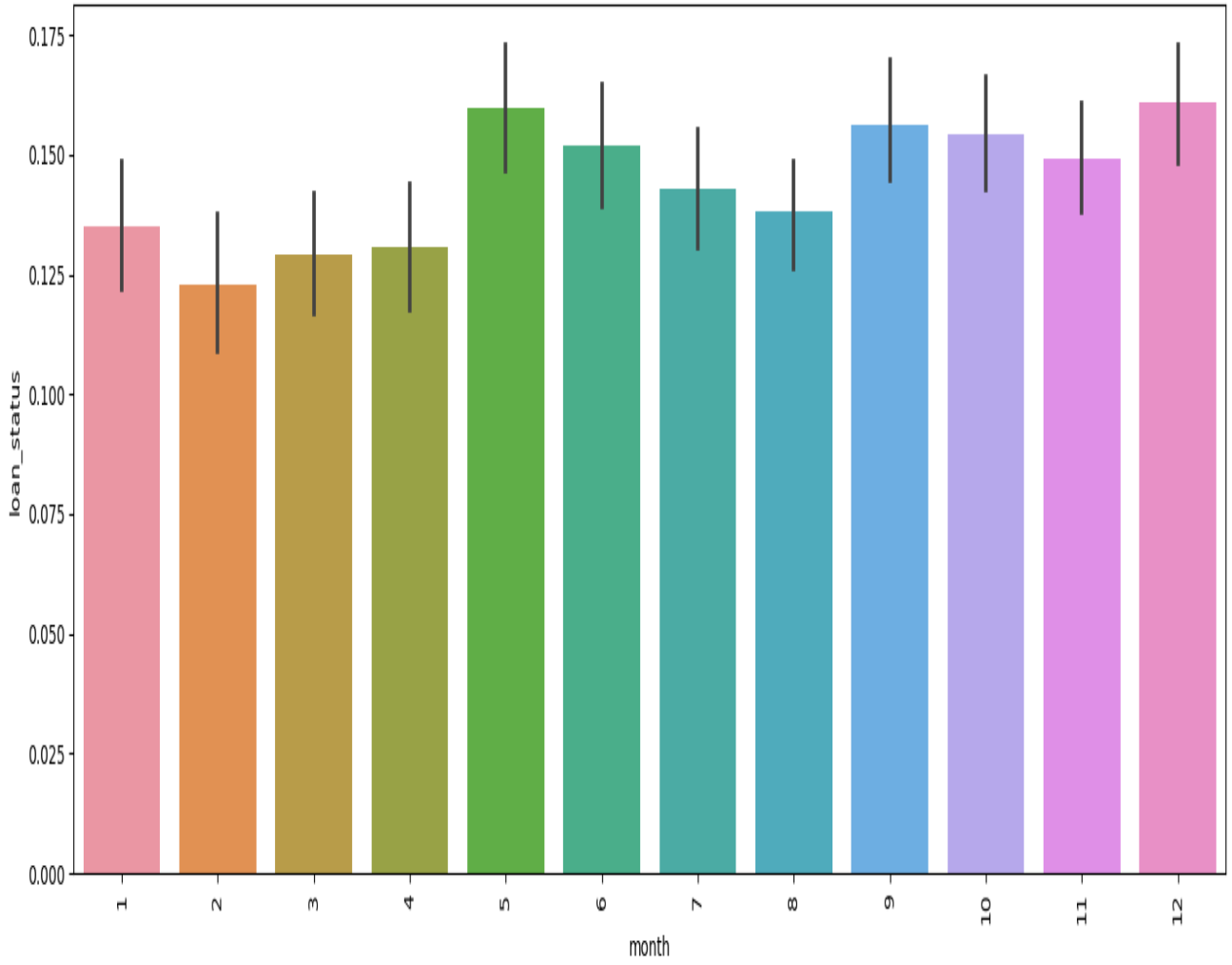
Year-wise Default Trends Analysis

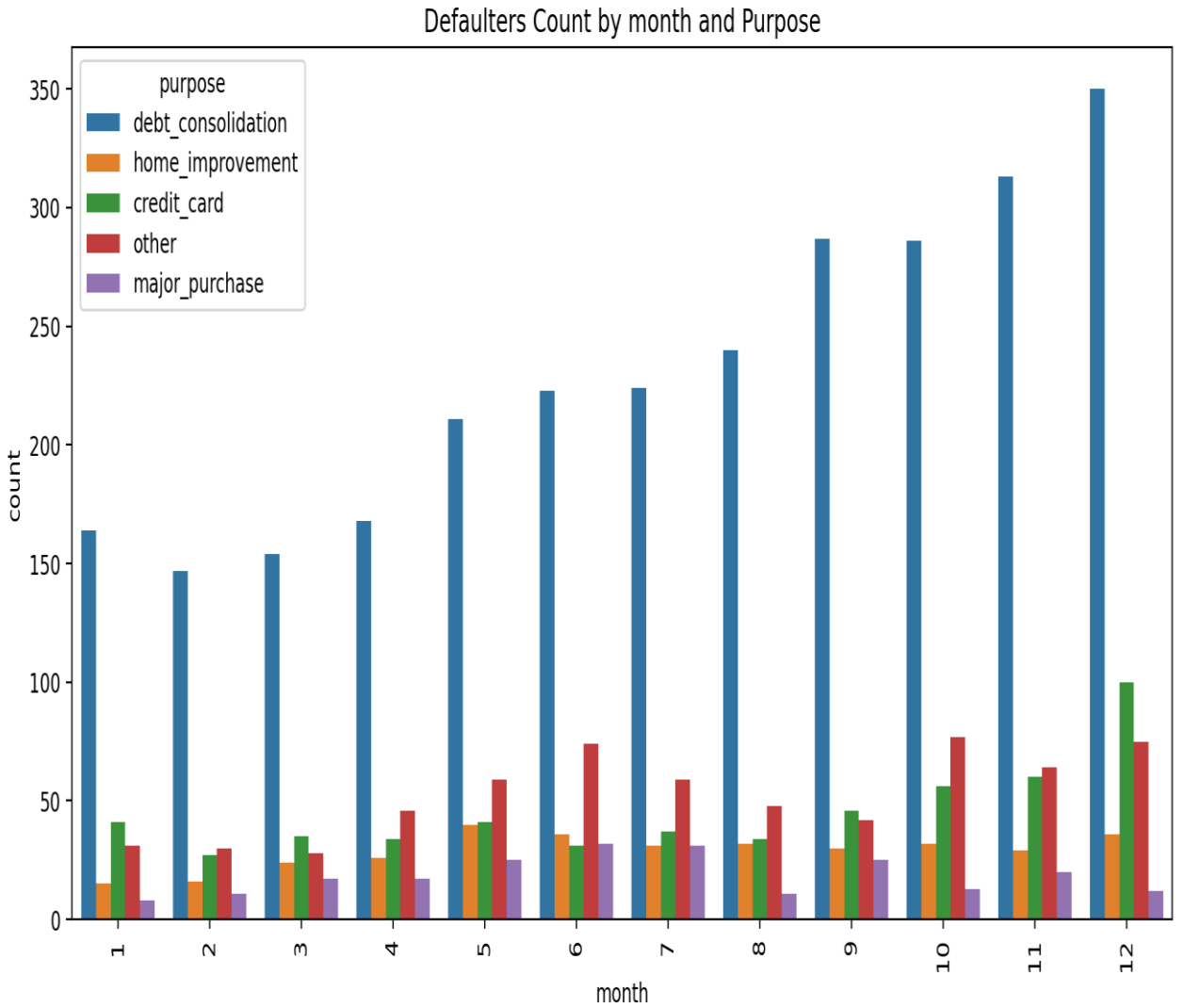




- **Most of the defaulters are fail to pay their loan on or before due time in the year of 2009,2010,2011.**
- **2007 to 2008 Year by Year defaulters is low.**
- **Again 2009 to 2011 defaulters are Higher by year & Highest in 2011.**

Month-wise Default Trends Analysis





Most of the defaulters are fail to pay thier loan on or before due date in the month of October,November & December.

->> 📌 **Recommendations Based on Analysis**

1. Risk-Based Interest Adjustment
Loans issued to customers with Grade B,C & D (especially sub-grades like B3, B5, C1, etc.) should be charged higher & medium interest rates or subjected to stricter terms, as these categories show a significantly higher default rate.

2. Stricter Loan Approval for Employment History
Customers with employment length of 1, 7, or 10 years means experts show a higher likelihood of default. Employment verification and job stability analysis should be prioritized during approval.

3. Defaulters Due for Specific Purposes
Applicants seeking loans for "debt consolidation" purposes should be evaluated more carefully, as these purposes are common among defaulters.

4. Home Ownership Analysis
Borrowers with "Rent", "Mortgage",home ownership types are more likely to default. "Mortgage" holders appear more reliable and can be treated as lower risk.

5. Verification Status Checks
Even borrowers with "Verified" or "Not Verified" status have high default rates. This indicates that verification alone is not sufficient, and other risk indicators should be considered.

->> 📌 Recommendations Based on Analysis

6. Term-wise Risk Adjustment
Loans with a 36-month term show a higher default rate. Consider applying more Strickly credit checks or insurance for these term loans.

7. Time-Based Lending Strategy for Defaulters
Most defaults occurred in 2011, particularly in the months of October,November and December.

8. Bankruptcy Is Not the Only Indicator
Most defaulters have “0 bankruptcies”, indicating that relying solely on bankruptcy history to judge credit risk is insufficient.

9. Debt to Income Ratio
Most defaulters have “”Medium debt ratio””, indicating that Normal dti ratio get higher defaulters.

10. Most Common Purpose That Find In Defaulters
Most defaulters Purpose is “”Debt-Consolidation””, indicating that Be Carefull Before Apply a loan for this Purpose.

Thank You