Credit Policy

Your Credit Policy determines the level of risk you are willing to accept from new commercial lending customers.

In this simulation, you will set a Credit Policy for each customer segment across both Lines of Credit and Commercial Real Estate Loans. Within each segment, you have three choices regarding Credit Policy:

- Conservative
- Moderate
- Liberal

A Conservative credit policy will lead to lower approval rates (making loan growth more difficult), but will ensure your new loans are of the highest credit quality (i.e., fewer delinquent loans and fewer charge-offs). A Liberal credit policy will lead to higher approval rates (making loan growth easier), but will provide a portfolio with lower overall credit quality (i.e., more delinquent loans and more charge-offs).

Credit Policy	Approval Rates	New Customers	Loan Losses
↗	↘	↘	↘
As you make your Credit Policy more conservative….	...your approval rates will drop…	…leading to fewer new customers….	…but your credit losses will go down

In evaluating this decision area, you will need to balance loan growth with loan quality. The chart to the right shows the approval rates you can expect for different credit policy decisions in each customer segment.

Credit Policy Impact on Approval Rates Commercial Loans	Small Business	Middle Market	Large Corporate
Conservative	40%	50%	60%
Moderate	50%	60%	70%
Liberal	60%	70%	80%

Note: Keep in mind, adjusting your credit policy only impacts new loans.