Trusted and explainable decisions in agentic-based applicationsA black background with colorful squares

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Loan Policy Document

**Loan Approval Policy (US)**

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Purpose:

To establish clear criteria for the approval or rejection of loan applications for customers in the United States to ensure consistency and mitigate risk.

Scope:

This policy applies to all individual loan applications submitted to Acme Bank within the United States.

Eligibility Criteria

To be considered for a loan, applicants must meet the following requirements:

\* Age: Applicants must be at least 18 years old.

\* Residency: Must be a resident or citizen of the United States.

\* Credit Score:

\* Minimum credit score of 600.

\* Applicants with credit scores below this threshold may be rejected or offered alternative loan terms (e.g., higher interest rates or co-signer requirements).

\* Income:

\* Minimum annual income of $30,000.

\* Proof of income (pay stubs, tax returns, or bank statements) must be provided.

\* Employment Status:

\* Applicants must have stable employment or a reliable source of income.

\* Self-employed individuals must provide at least 2 years of financial records.

\* Debt-to-Income Ratio (DTI):

\* The maximum allowable DTI is 40%. (DTI is calculated by dividing total monthly debt payments by gross monthly income.)

\* a DTI of up to 62% is allowed if the borrower owns his house.

\* Loan Amount:

\* The loan amount requested must be within a range of $5,000 to $50,000.

\* Loan amounts exceeding the maximum limit will be subject to additional approval.

Loan Application Process

Submission:

Applicants must complete an online or in-person loan application form.

All required documentation (proof of identity, income, and credit history) must be submitted with the application.

Credit Check:

A credit check will be conducted to assess the applicant's creditworthiness.

Soft inquiries for pre-approvals and hard inquiries for final approval will be performed.

Review:

The application will be reviewed by the loan officer or automated loan approval system.

The decision will be based on eligibility criteria, credit score, and risk assessment.

Approval/Denial:

Approval: Applicants who meet the criteria will receive loan terms, including interest rates and repayment schedules.

Denial: Applicants who do not meet the criteria will receive a notification stating the reason(s) for rejection and any corrective actions that may improve future applications.

Loan Terms & Conditions

Interest Rates:

Interest rates are determined based on the applicant’s credit score and the loan amount.

Rates typically range from 5% to 15% APR (Annual Percentage Rate).

Repayment Period:

Standard loan repayment terms range from 12 to 60 months.

Late Payment Penalties:

Late payments will incur penalties of $25 or 5% of the monthly payment, whichever is greater.

Prepayment Option:

Loans may be repaid early without penalties unless otherwise specified in the terms.

Exceptions and Special Cases

Co-Signers:

If the applicant does not meet the credit score or income criteria, they may apply with a co-signer who meets the necessary qualifications.

Manual Review:

In cases where the applicant’s situation is not clearly addressed by the criteria, a manual review by a senior loan officer may be conducted.

Review and Updates

This policy is subject to periodic reviews and updates as needed to align with regulatory requirements and market conditions.