

# Loan Interest Rate Calculation for customer 255346

## Customer Profile

Age:	56
Income:	₹84,820
Loan Amount:	₹208,294
Credit Score:	597 (Very Poor)
Months Employed:	70
Number of Credit Lines:	3
Loan Term:	60 months
DTI Ratio:	0.5 (50%)
Education:	High School
Employment:	Self-employed
Marital Status:	Married
Has Mortgage:	Yes
Has Dependents:	Yes
Loan Purpose:	Auto
Has Co-Signer:	Yes

## Adjustment Breakdown

Factor	Value/Status	Adjustment (%)
Base Rate	-	6.50
Credit Score (597)	Very Poor	+5.00
Employment	Self-employed	+2.00
DTI Ratio (50%)	Very High	+3.00
Loan Term (60 mo)	60-84 months	+2.00
Loan Purpose	Auto (Secured)	-0.75
Age (56)	41-59 years	0.00
Education	High School	0.00
Marital Status	Married	0.00
Dependents	Yes	+0.50
Has Co-Signer	Yes	-2.25
Has Mortgage	Yes (Secured RE)	-2.00

## Calculation

Final Rate = 6.50

+ 5.00 (Very Poor Credit)  
+ 2.00 (Self-employed)  
+ 3.00 (Very High DTI)  
+ 2.00 (Long Loan Term)  
- 0.75 (Secured Auto Loan)  
+ 0.50 (Dependents)  
- 2.25 (Co-Signer)  
- 2.00 (Existing Mortgage)  
= 14.00%

# Final Interest Rate

14.00%

## Lender Notices and Recommendations

- **Credit Risk Warning:** The very poor credit score (597) is the most significant risk factor, contributing +5.00% to the rate. Strongly recommend:
  - Full credit history review
  - Explanation of any past delinquencies
  - Recent credit behavior analysis
- **Income Verification Critical:** Self-employment requires enhanced verification:
  - 3 years of tax returns
  - Business financial statements
  - Cash flow analysis for debt servicing
- **DTI Alert:** At 50%, this exceeds most lenders' comfort thresholds. Verify:
  - All debt obligations
  - Living expenses given dependents
  - Potential for income growth
- **Loan Structure Concerns:**
  - The 5-year term is unusually long for auto financing
  - Consider recommending shorter term (36-48 months)
  - Verify the auto collateral value covers loan amount
- **Co-Signer Protection:** While the co-signer helps (-2.25%), ensure:
  - Co-signer has independent repayment capacity
  - Proper documentation of joint liability
  - Co-signer understands obligations fully
- **Recommendations:**
  - Require full documentation package (tax returns, business records)
  - Consider requiring additional collateral
  - Recommend credit counseling due to poor credit history
  - Possibly reduce loan amount to lower risk exposure
- **Loan Decision:** Approve at 14.00% with strict conditions given multiple high-risk factors, but only with thorough verification of all financials and co-signer commitment.