

# 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

$$\begin{aligned} \text{Final Rate} &= 6.50 \\ &+ 5.00 \quad (\text{Very Poor Credit}) \\ &+ 2.00 \quad (\text{Self-employed}) \\ &+ 3.00 \quad (\text{Very High DTI}) \\ &+ 2.00 \quad (\text{Long Loan Term}) \\ &- 0.75 \quad (\text{Secured Auto Loan}) \\ &+ 0.50 \quad (\text{Dependents}) \\ &- 2.25 \quad (\text{Co-Signer}) \\ &- 2.00 \quad (\text{Existing Mortgage}) \\ &= 14.00\% \end{aligned}$$

## Final Interest Rate

14.00%
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## 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.