

ATHENA FINANCIAL SERVICES

LOAN APPROVAL POLICY GUIDELINES

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SECTION 1: CREDIT SCORE REQUIREMENTS

Credit score is the primary risk indicator for loan approval decisions.

TIER 1 - LOW RISK

Credit Score ≥ 720

- Approval Criteria: Debt-to-Income ratio must be below 40%
- Maximum loan amount: Up to \$500,000
- Interest rate: Prime rate + 1.5%
- Required employment history: Minimum 12 months

TIER 2 - MEDIUM RISK

Credit Score 650-719

- Approval Criteria: Debt-to-Income ratio must be below 30%
- Maximum loan amount: Up to \$350,000
- Interest rate: Prime rate + 2.5%
- Required employment history: Minimum 18 months

TIER 3 - HIGH RISK

Credit Score < 650

- Approval Criteria: Special review required
- If annual income exceeds \$150,000: Consider approval with DTI $< 25\%$
- If annual income is below \$150,000: Automatic denial
- Maximum loan amount: Up to \$200,000
- Interest rate: Prime rate + 4.0%
- Required employment history: Minimum 24 months

SECTION 2: INCOME REQUIREMENTS

Minimum Annual Income: \$35,000

- Applicants earning less than \$35,000 annually are automatically denied
- Income verification required for all applicants

Employment Stability:

- Standard applicants: 12 months continuous employment
- Medium-risk applicants: 18 months continuous employment

- High-risk applicants: 24 months continuous employment
- Self-employed applicants: 24 months business operation (all tiers)

SECTION 3: DEBT-TO-INCOME (DTI) CALCULATION

Formula:

$DTI = (\text{Total Monthly Debt Payments} \times 12) / \text{Annual Income}$

Example Calculation:

- Monthly debt: \$2,500
- Annual income: \$80,000
- $DTI = (2,500 \times 12) / 80,000 = 0.375 = 37.5\%$

Maximum DTI by Risk Tier:

- Low Risk (Score ≥ 720): 40%
- Medium Risk (Score 650-719): 30%
- High Risk (Score < 650): 25% (if income $> \$150k$)

SECTION 4: SPECIAL CIRCUMSTANCES

First-Time Homebuyers

- Definition: No property ownership in the past 3 years
- Benefit: Add 5% leniency to DTI limits
- Example: Medium-risk applicant (30% limit) !' 35% limit with first-time buyer status

Self-Employed Applicants

- Additional requirement: 24 months business operation history
- Additional documentation: 2 years of tax returns required
- DTI calculation: Use average income from last 2 years

Co-Signers

- Permitted for medium and high-risk tiers
- Co-signer must have credit score ≥ 720
- Combined income used for DTI calculation

SECTION 5: AUTOMATIC DENIAL CRITERIA

The following conditions result in automatic loan denial:

- Credit score below 600 (no exceptions)
- Annual income below \$35,000
- More than 2 loan defaults in the past 5 years
- Current bankruptcy proceedings
- Debt-to-income ratio exceeds tier maximum by more than 5%
- Insufficient employment history for risk tier
- Fraud indicators detected (duplicate applications, identity mismatches)

SECTION 6: FRAUD DETECTION RULES

Multiple Applications

- If applicant has 3+ applications within 7 days: Flag for manual review
- If application amounts increase rapidly ($>50\%$ each time): Potential fraud
- Action: Deny and escalate to fraud team

Identity Verification

- SSN mismatch: Automatic denial
- Address verification failure: Manual review required
- Employment verification failure: Automatic denial

SECTION 7: BORDERLINE CASES

When DTI is within 2% of the tier limit:

- Conduct additional income verification
- Review for compensating factors (large down payment, savings, etc.)
- May approve with conditions (higher interest rate, shorter term)

Example Borderline Case:

Medium-risk applicant with 31.5% DTI (limit is 30%)
Consider: Employment stability, savings, other assets
Decision: Manager approval required

SECTION 8: DECISION DOCUMENTATION

All loan decisions must include:

- Clear approval or denial statement
- Risk tier classification
- List of rules applied from this policy
- Calculated DTI percentage
- Any special circumstances considered
- Reasoning for final decision

Format Example:

"APPROVED - Medium Risk Tier. Credit score 685 qualifies for medium-risk category. DTI calculated at 28.5% (below 30% limit). Employment history of 20 months meets 18-month requirement. First-time buyer status not applicable."

END OF POLICY DOCUMENT

For questions or policy clarifications, contact:
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