COMPREHENSIVE CONSUMER CREDIT POLICY

[BANK NAME] CONSUMER BANKING DIVISION

Effective Date: January 1, 2025

Policy Version: 2.0

Next Review Date: January 1, 2026

Policy Owner: Chief Credit Officer

Approved By: Board of Directors

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1. POLICY FOUNDATION AND GOVERNANCE

1.1 Policy Purpose and Objectives

This Consumer Credit Policy establishes comprehensive standards and procedures for all consumer lending activities at [Bank Name]. The policy serves as the primary governance document to ensure that all consumer lending activities are conducted in a safe, sound, and compliant manner while meeting the legitimate credit needs of our customers and communities.

The primary objectives of this policy are to maintain a diversified, high-quality consumer loan portfolio that generates appropriate risk-adjusted returns, ensure full compliance with all applicable federal and state laws and regulations, provide fair and equitable access to credit for all qualified applicants, establish clear underwriting standards that balance prudent risk management with customer needs, and support the bank's strategic goals for growth and profitability.

1.2 Scope and Application

This policy applies to all consumer lending products offered by the bank, including residential mortgages, automobile loans, home equity products, personal loans and lines of credit, credit cards, and overdraft protection programs. All employees involved in consumer lending activities must understand and comply with this policy, including loan officers, underwriters, processors, closers, servicing personnel, and management.

1.3 Governance Structure

The Board of Directors maintains ultimate responsibility for the bank's credit risk management and approves this policy annually. The Board delegates day-to-day implementation to senior management while maintaining oversight through regular reporting and review.

Table 1.1: Governance Responsibilities

Governance Body	Key Responsibilities	Meeting Frequency
Board of Directors	• Approve credit policy and risk appetite • Review portfolio performance • Approve significant policy exceptions • Ensure adequate capital and reserves	Quarterly
Credit Policy Committee	• Recommend policy changes • Monitor credit metrics and trends • Review new products • Oversee implementation	Monthly
Asset Liability Committee	• Review interest rate risk • Approve pricing strategies • Monitor funding and liquidity	Monthly
Loan Review Committee	• Independent credit review • Validate risk ratings • Assess underwriting quality	Quarterly

1.4 Credit Culture and Philosophy

The bank maintains a moderate risk appetite for consumer lending, emphasizing relationship banking and long-term customer value. Our credit culture values thorough analysis over speed, conservative underwriting during economic expansion, proactive portfolio management, transparent customer communication, and continuous improvement through training and development.

1.5 Lending Authority Matrix

Individual lending authorities are established based on experience, performance, and training. All loans exceeding individual authority must be approved by the next level or appropriate committee.

Table 1.2: Consumer Lending Authority Limits

Position	Mortgage Loans	Auto Loans	Personal Loans	Credit Cards
Loan Officer	Up to $250,000	Up to $50,000	Up to $25,000	Up to $10,000
Senior Loan Officer	Up to $417,000	Up to $75,000	Up to $50,000	Up to $25,000
Branch Manager	Up to $500,000	Up to $100,000	Up to $75,000	Up to $35,000
Regional Manager	Up to $750,000	Up to $150,000	Up to $100,000	Up to $50,000
Chief Credit Officer	Up to $1,500,000	Up to $250,000	Up to $250,000	Up to $100,000
Credit Committee	All amounts	All amounts	All amounts	All amounts

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2. RESIDENTIAL MORTGAGE LENDING

2.1 Mortgage Products Overview

The bank offers a comprehensive suite of residential mortgage products designed to meet diverse customer needs while maintaining appropriate risk controls. Our mortgage offerings include conventional fixed-rate mortgages with terms of 15, 20, and 30 years, adjustable-rate mortgages with initial fixed periods of 3, 5, 7, or 10 years, government-insured loans including FHA, VA, and USDA programs, jumbo mortgages for high-value properties, and specialized programs for first-time homebuyers.

2.2 Eligible Properties and Occupancy Types

The bank finances owner-occupied primary residences, second homes, and investment properties, subject to specific requirements for each occupancy type. Eligible property types include single-family detached homes, condominiums meeting agency requirements, townhomes and planned unit developments, and manufactured homes meeting specific criteria.

Table 2.1: Maximum LTV by Property Type and Occupancy

Property Type	Primary Residence	Second Home	Investment Property
Single Family	95% Conventional 96.5% FHA	90%	80%
Condominium	95% Conventional 96.5% FHA	90%	75%

Property Type	Primary Residence	Second Home	Investment Property
2-4 Units	85% Conventional 96.5% FHA	85%	75%
Manufactured Home	95% with land 90% without land	Not eligible	Not eligible

2.3 Borrower Eligibility and Credit Standards

All mortgage applicants must demonstrate creditworthiness through comprehensive evaluation of credit history, capacity to repay, capital reserves, and collateral value. The bank employs a holistic underwriting approach that considers all relevant factors while ensuring compliance with ability-to-repay requirements.

Table 2.2: Minimum Credit Score Requirements

Loan Program	Minimum Credit Score	Compensating Factors Required Below
Conventional Conforming	620	660 - Strong reserves or low DTI
FHA	580 with 3.5% down 500 with 10% down	620 - Documented reserves
VA	620	640 - Residual income analysis
Jumbo	700	740 - Significant assets
Portfolio	660	680 - Strong employment history

2.4 Income Documentation and Calculation

The bank requires comprehensive income documentation to verify the borrower's ability to repay the mortgage loan. All income used for qualification must be stable, continuing, and verifiable through third-party documentation.

For salaried borrowers, we require the two most recent years of W-2 statements, most recent 30 days of pay stubs showing year-to-date earnings, and written verification of employment. Self-employed borrowers must provide two years of complete personal tax returns, two years of business tax returns if applicable, year-to-date profit and loss statement, and CPA letter confirming business continuity.

Table 2.3: Income Calculation Methods

Income Type	Documentation Required	Calculation Method
Base Salary	Pay stubs, W-2s, VOE	Current gross monthly amount
Hourly Wages	Pay stubs showing YTD average	2-year average if variable
Overtime	2-year history on W-2s/paystubs	2-year average, must continue
Bonus	2-year history, VOE confirmation	2-year average, likely to continue
Commission	2-year history, tax returns	2-year average after expenses
Self-Employment	2 years tax returns	2-year average net income
Rental Income	Lease and 2 years tax returns	75% of gross rents received
Investment Income	2 years tax returns, statements	2-year average if continuing

2.5 Debt-to-Income Ratio Requirements

The bank calculates both housing expense ratio (front-end) and total debt-to-income ratio (back-end) to ensure borrowers maintain reasonable debt levels relative to income.

Table 2.4: Maximum DTI Ratios by Program

Loan Program	Maximum Front-End Ratio	Maximum Back-End Ratio	Exception Criteria
Conventional	28%	36% standard 43% with compensating factors	AUS approval, strong reserves
FHA	31%	43% standard 50% with compensating factors	Energy efficient homes, residual income
VA	No specific limit	41% guideline Higher with residual income	Strong residual income test
Jumbo	28%	38%	Significant liquid assets
Portfolio	30%	40%	Case-by-case review

2.6 Asset and Reserve Requirements

Borrowers must demonstrate sufficient assets for down payment, closing costs, and post-closing reserves. All assets must be verified through bank statements or other acceptable documentation. The bank requires a clear paper trail for all funds used in the transaction.

Table 2.5: Minimum Reserve Requirements (Months of PITI)

Loan Type	Primary Residence	Second Home	Investment Property
Conventional ≤80% LTV	0 months	2 months	6 months
Conventional >80% LTV	2 months	4 months	6 months
Jumbo	6 months	12 months	12 months
FHA/VA	0 months	N/A	6 months

2.7 Property Valuation and Appraisal Standards

All mortgage loans require a current appraisal performed by a certified or licensed appraiser independent of the transaction. The appraisal must comply with Uniform Standards of Professional Appraisal Practice (USPAP) and applicable regulatory requirements.

The bank requires interior and exterior inspection appraisals for all purchase transactions and most refinances. Desktop or exterior-only appraisals may be acceptable for certain low-risk refinance transactions. All appraisals must include at least three comparable sales from the subject neighborhood, adjustments for differences between subject and comparables, analysis of market conditions and trends, and assessment of property condition and needed repairs.

2.8 Mortgage Insurance Requirements

Private mortgage insurance (PMI) is required for all conventional loans exceeding 80% LTV. The bank offers borrower-paid monthly MI, lender-paid MI with rate adjustment, and single premium options based on borrower preference and qualification.

Table 2.6: MI Coverage Requirements

LTV Range	Coverage Percentage	Typical Monthly Cost
80.01% - 85%	12%	0.32% of loan amount
85.01% - 90%	25%	0.46% of loan amount
90.01% - 95%	30%	0.78% of loan amount
>95%	35%	0.97% of loan amount

2.9 Compliance and Quality Control

All mortgage lending activities must comply with applicable federal and state regulations. The bank maintains a robust quality control program including pre-funding reviews of high-risk loans, post-closing audits of a statistically valid sample, and ongoing monitoring of early payment defaults and other performance indicators.

Key compliance requirements include Truth in Lending Act (TILA) and RESPA integrated disclosures, Equal Credit Opportunity Act (ECOA) fair lending standards, ability-to-repay and qualified mortgage requirements, Home Mortgage Disclosure Act (HMDA) data collection, and state-specific licensing and disclosure requirements.

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3. AUTOMOBILE LENDING

3.1 Auto Loan Products and Programs

The bank offers comprehensive automobile financing for new vehicles, used vehicles, and refinancing of existing auto loans. Our auto lending philosophy emphasizes competitive rates, quick decisions, and flexible terms while maintaining strong credit standards and appropriate risk controls.

We finance new vehicles from franchised dealers with manufacturer warranties, used vehicles up to 10 years old with acceptable mileage, motorcycles and recreational vehicles on a selective basis, and refinances of existing auto loans from other lenders to retain quality customers.

3.2 Vehicle Eligibility Requirements

All financed vehicles must meet specific criteria to ensure adequate collateral protection throughout the loan term. The bank will not finance salvage or rebuilt title vehicles, commercial vehicles over one ton, vehicles with excessive modifications, or vehicles used for commercial purposes such as ride-sharing or delivery services.

Table 3.1: Maximum Loan Terms by Vehicle Age

Vehicle Age at Origination	Maximum Term	Maximum Mileage
New (current or prior model year)	84 months	N/A
1-2 years old	75 months	30,000 miles
3-4 years old	72 months	45,000 miles
5-6 years old	60 months	60,000 miles
7-8 years old	48 months	80,000 miles
9-10 years old	36 months	100,000 miles

3.3 Borrower Credit Requirements

Auto loan underwriting focuses on credit history, capacity to pay, and stability factors. The bank uses automated decision systems for most applications while maintaining manual review capabilities for complex situations.

Table 3.2: Auto Loan Credit Tiers and Requirements

Credit Tier	FICO Score Range	Maximum LTV	Rate Adjustment
Tier 1 (Super Prime)	740+	125%	Best rate
Tier 2 (Prime)	680-739	115%	+0.50%
Tier 3 (Near Prime)	620-679	105%	+1.50%
Tier 4 (Subprime)	580-619	90%	+3.00%
Tier 5 (Deep Subprime)	<580	Decline	N/A

3.4 Income and Employment Verification

Auto loan applicants must demonstrate stable income sufficient to support the proposed payment along with existing obligations. The bank requires proof of income for all loans exceeding $25,000 or when the payment-to-income ratio exceeds 15%.

Acceptable income verification includes recent pay stub showing year-to-date earnings, bank statements showing regular deposits, prior year W-2 or tax return, or written verification of employment for borderline applications. Self-employed applicants require additional documentation including two years of tax returns for loans over $35,000.

3.5 Loan-to-Value and Advance Guidelines

The bank establishes maximum advance percentages based on vehicle type, borrower credit profile, and loan term. These limits ensure adequate collateral protection while remaining competitive in the marketplace.

Table 3.3: Maximum LTV by Vehicle Type and Credit Tier

Vehicle Type	Tier 1	Tier 2	Tier 3	Tier 4
New Vehicle - Purchase	125%	115%	105%	90%
New Vehicle - Refinance	110%	100%	90%	80%
Used Vehicle - Purchase	115%	110%	100%	85%
Used Vehicle - Refinance	100%	95%	85%	75%

The loan amount may include the vehicle purchase price, applicable taxes and government fees, extended warranty and service contracts (maximum $3,000), credit insurance products, and negative equity from trade-in (maximum 125% combined LTV).

3.6 Vehicle Valuation Standards

All auto loans require independent valuation using recognized industry sources. The bank accepts NADA Retail Value for dealership purchases, Kelley Blue Book Private Party Value for private sales, and Black Book values for vehicles over 7 years old.

For new vehicles, we use the manufacturer's suggested retail price (MSRP) or dealer invoice plus documented additions. The bank finances the lower of purchase price or applicable value guide, ensuring appropriate loan-to-value ratios from origination.

3.7 Dealer Relationships and Indirect Lending

The bank maintains an indirect lending program with franchised new car dealers and select independent dealers meeting our quality standards. All participating dealers must execute a dealer agreement, maintain appropriate licenses and insurance, demonstrate satisfactory business practices, and comply with all applicable laws and regulations.

Table 3.4: Dealer Reserve and Pricing Guidelines

Credit Tier	Buy Rate	Maximum Dealer Reserve	Rate Cap
Tier 1	4.99%	2.00%	6.99%
Tier 2	5.49%	2.00%	7.49%
Tier 3	6.99%	1.50%	8.49%
Tier 4	9.99%	1.00%	10.99%

3.8 Insurance Requirements

All financed vehicles must maintain comprehensive and collision insurance with maximum deductibles of $1,000. The bank must be listed as loss payee on all insurance policies. Forced-placed insurance will be obtained for vehicles lacking required coverage, with costs charged to the borrower.

Gap insurance is strongly recommended for loans exceeding 100% LTV and required for loans exceeding 110% LTV. The bank offers gap insurance through approved providers, with premiums included in the loan amount subject to LTV limits.

3.9 Title and Lien Perfection

The bank must obtain a first lien position on all financed vehicles. Electronic lien and title (ELT) is used in participating states, while paper titles are perfected and stored securely in non-ELT states. All titles must be perfected within 30 days of loan closing, with follow-up procedures for any delays.

3.10 Portfolio Management and Performance Standards

The auto loan portfolio requires active management due to rapid collateral depreciation and changing market conditions. Key performance metrics are monitored monthly with appropriate action taken for adverse trends.

Table 3.5: Auto Portfolio Performance Standards

Metric	Target	Warning Level	Action Required
30+ Day Delinquency	<2.0%	2.5%	Enhanced collections
60+ Day Delinquency	<0.5%	0.75%	Recovery review
Net Charge-offs	<1.0%	1.5%	Underwriting review
Average Credit Score	>700	<680	Tighten standards

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4. HOME EQUITY PRODUCTS

4.1 Home Equity Product Suite

The bank offers both closed-end home equity loans and home equity lines of credit (HELOCs) to meet varying customer needs. These products provide homeowners access to their home equity for debt consolidation, home improvements, education expenses, and other legitimate purposes while maintaining the bank's secured position.

Home equity loans feature fixed rates and terms, predictable monthly payments, and loan amounts from $10,000 to $500,000. HELOCs offer variable rates tied to Prime, draw periods up to 10 years, revolving credit during draw period, and conversion options to fixed-rate loans.

4.2 Property and Borrower Eligibility

Home equity products are available on owner-occupied primary residences and second homes. Investment properties may be considered on an exception basis with reduced advance rates and enhanced pricing. All properties must be single-family residences, condominiums, or townhomes with clear title and adequate insurance.

Table 4.1: Maximum CLTV by Property Type

Property Type	Home Equity Loan	HELOC	With PMI
Primary Residence	80%	80%	90%
Second Home	75%	75%	80%
Investment Property	70%	65%	N/A
Condominium	75%	75%	80%

4.3 Underwriting Requirements

Home equity underwriting considers the combined exposure of all liens against the property. Minimum credit score requirements are 660 for home equity loans and 680 for HELOCs, with pricing adjustments for lower scores. The bank requires full income documentation for all home equity products.

Table 4.2: Debt Service Coverage Requirements

CLTV Range	Maximum Total DTI	Housing Ratio
≤70%	45%	33%
70.01%-80%	43%	31%
80.01%-90%	41%	28%

4.4 Valuation Requirements

Property values for home equity products may be determined through full appraisals, automated valuation models (AVMs), or broker price opinions (BPOs) depending on loan amount and risk factors. Full appraisals are required for all loans exceeding $250,000 or 80% CLTV.

Table 4.3: Valuation Requirements by Loan Amount

Loan Amount	≤70% CLTV	>70% CLTV
Up to $100,000	AVM acceptable	BPO minimum
$100,001-$250,000	BPO minimum	Full appraisal
Over $250,000	Full appraisal	Full appraisal

4.5 Line Management and Draw Procedures

HELOC draws may be accessed through multiple channels including checks, online transfers, debit cards, and branch withdrawals. The bank monitors utilization patterns and may reduce or freeze lines showing signs of distress or property value decline.

Annual reviews are conducted on all HELOCs exceeding $100,000, including updated credit reports, property value verification, and payment history review. Lines may be reduced or frozen for delinquency, significant credit deterioration, or property value decline exceeding 10%.

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5. PERSONAL LOANS AND LINES OF CREDIT

5.1 Personal Loan Products

The bank offers both secured and unsecured personal loans for various consumer purposes including debt consolidation, major purchases, medical expenses, and home improvements. Personal loans feature fixed rates and terms, no prepayment penalties, and simplified documentation compared to secured loans.

Unsecured personal loans range from $2,500 to $50,000 with terms from 24 to 84 months. Secured personal loans may be secured by deposit accounts, marketable securities, or other acceptable collateral with more favorable rates and higher advance amounts.

5.2 Credit and Income Standards

Personal loan underwriting emphasizes credit history, debt-to-income ratios, and relationship factors. The bank uses risk-based pricing with rates determined by credit score, loan amount, and term.

Table 5.1: Personal Loan Credit Requirements

Credit Score	Maximum Unsecured	Maximum DTI	Minimum Income
720+	$50,000	45%	$30,000
680-719	$35,000	40%	$35,000
640-679	$25,000	38%	$40,000
Below 640	Secured only	35%	$40,000

5.3 Documentation and Verification

Unsecured personal loans under $25,000 may use simplified documentation including stated income with reasonability check, single credit bureau report, and bank statement verification. Loans exceeding $25,000 require full income documentation including pay stubs, tax returns for self-employed, and verification of employment.

5.4 Personal Line of Credit Features

Personal lines of credit provide revolving access to funds with variable rates tied to Prime plus margin. Lines range from $5,000 to $100,000 based on creditworthiness with access through checks, online transfers, or branch withdrawals. Annual reviews ensure continued creditworthiness with automatic renewal absent adverse changes.

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6. CREDIT CARDS

6.1 Credit Card Product Portfolio

The bank offers a tiered credit card portfolio designed to meet diverse customer needs while managing risk appropriately. Products include secured cards for credit building, basic cards with no annual fee, rewards cards with cash back or points, and premium cards with travel benefits and higher credit limits.

6.2 Underwriting and Account Opening

Credit card underwriting utilizes automated decision systems with manual review for borderline applications. Minimum requirements include age 18 or older, valid Social Security number, verifiable U.S. address, and minimum credit score of 580 for secured cards or 650 for unsecured cards.

Table 6.1: Credit Card Approval Matrix

Credit Score	Product Type	Credit Limit Range	APR Range
750+	Premium Rewards	$5,000-$50,000	14.99%-18.99%
700-749	Standard Rewards	$2,500-$25,000	17.99%-21.99%
650-699	Basic Card	$1,000-$10,000	20.99%-24.99%
580-649	Secured Card	$200-$2,000	23.99%-26.99%

6.3 Credit Line Management

Initial credit lines are established based on credit score, income, and existing obligations. The bank conducts regular account reviews with credit line increases for responsible usage and decreases or closure for adverse credit changes. Automatic increases may be offered to accounts showing consistent payment history and low utilization.

6.4 Pricing and Fee Structure

Credit card pricing includes variable APRs tied to Prime rate, annual fees based on product benefits, and standard transaction fees. The bank maintains competitive pricing while ensuring appropriate risk-adjusted returns.

Table 6.2: Credit Card Fee Schedule

Fee Type	Basic Card	Rewards Card	Premium Card
Annual Fee	$0	$0-$95	$95-$495
Balance Transfer	3% (min $10)	3% (min $10)	3% (min $10)
Cash Advance	5% (min $10)	5% (min $10)	5% (min $10)
Foreign Transaction	3%	0%	0%
Late Payment	Up to $40	Up to $40	Up to $40

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7. CREDIT ADMINISTRATION AND OPERATIONS

7.1 Application Processing Standards

All credit applications must be processed promptly and accurately with target turnaround times established by product type. Mortgage applications require Loan Estimate delivery within three business days, complete file assembly within 10 days, and underwriting decision within 48 hours of complete file. Auto loans target 2-hour decisions for dealer applications and same-day decisions for direct applications.

7.2 Documentation Standards

The bank maintains comprehensive documentation standards to ensure loan quality, regulatory compliance, and legal enforceability. All loans must include executed application with all required disclosures, current credit report within 90 days, income and asset verification as required, properly executed note and security agreements, and evidence of required insurance.

7.3 Loan Closing and Funding Procedures

Loan closings must be conducted by qualified personnel following established procedures. Requirements include verification of borrower identity, review of all documents for accuracy, obtaining proper signatures and notarization, collection of required funds, and disbursement according to authorization. All loans must be funded within established timeframes while maintaining appropriate quality controls.

7.4 Post-Closing Quality Control

The quality control unit conducts post-closing reviews to ensure compliance with policy and regulatory requirements. Reviews include 10% sample of all consumer loans, 100% of loans with exceptions or overrides, focus on documentation completeness, compliance with underwriting standards, and accuracy of fees and disclosures.

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8. RISK MANAGEMENT FRAMEWORK

8.1 Three Lines of Defense Model

The bank employs a three lines of defense model for consumer credit risk management. The first line includes lending staff responsible for following policies and procedures. The second line encompasses risk management and compliance functions providing oversight and monitoring. The third line consists of internal audit providing independent assessment of controls and processes.

8.2 Credit Risk Assessment

Credit risk is assessed at both the individual loan and portfolio levels. Individual loan risk considers the five Cs of credit: character (credit history), capacity (ability to repay), capital (down payment and reserves), collateral (property or vehicle value), and conditions (economic and market factors).

Table 8.1: Risk Rating Framework

Risk Rating	Characteristics	Portfolio Target
Low Risk	Credit score >740, DTI <30%, LTV <70%	40-50%
Moderate Risk	Credit score 680-740, DTI 30-40%, LTV 70-80%	35-45%
Acceptable Risk	Credit score 620-679, DTI 40-45%, LTV 80-90%	10-20%
High Risk	Below standard criteria, requires exception	<5%

8.3 Portfolio Monitoring and Reporting

Management receives comprehensive portfolio reports monthly including delinquency and charge-off trends, origination volume and quality, concentration analysis by product and geography, profitability metrics, and compliance monitoring results. The Board receives quarterly reports summarizing portfolio performance against established risk appetite and tolerance levels.

8.4 Stress Testing Program

The bank conducts regular stress testing of the consumer portfolio to assess potential losses under adverse scenarios. Testing includes baseline economic projections, moderate recession scenarios with unemployment at 8%, and severe recession scenarios with unemployment at 10% and home price declines of 20%. Results inform capital planning, reserve methodology, and underwriting adjustments.

8.5 Model Risk Management

All models used in consumer lending undergo regular validation including credit scoring models, automated underwriting systems, pricing models, and ALLL/CECL models. Validation includes annual model performance review, periodic independent validation, ongoing performance monitoring, and override tracking and analysis.

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9. REGULATORY COMPLIANCE

9.1 Fair Lending Program

The bank maintains a comprehensive fair lending program to ensure equal access to credit for all qualified applicants. The program includes regular fair lending training for all staff, statistical analysis of lending patterns, mystery shopping and testing programs, marketing review for discriminatory language, and complaint tracking and resolution.

9.2 Truth in Lending Act Compliance

All consumer loans must comply with TILA requirements including accurate APR calculations and disclosures, proper timing of initial and final disclosures, right of rescission for applicable transactions, ability-to-repay analysis for mortgages, and qualified mortgage standards compliance.

9.3 Real Estate Settlement Procedures

Mortgage loans must comply with RESPA requirements including Loan Estimate delivery within three business days, Closing Disclosure delivery three business days before closing, prohibition on kickbacks and unearned fees, affiliated business arrangement disclosures, and proper escrow account management.

9.4 Fair Credit Reporting Compliance

The bank ensures FCRA compliance through permissible purpose documentation, adverse action notice delivery, risk-based pricing notices, accurate credit reporting, and timely dispute resolution. All staff accessing credit reports receive annual FCRA training.

9.5 Privacy and Information Security

Customer information is protected through comprehensive privacy and security programs including initial and annual privacy notices, opt-out procedures for information sharing, secure systems and physical controls, vendor management standards, and incident response procedures.

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10. PORTFOLIO MANAGEMENT

10.1 Portfolio Composition Targets

The bank maintains diversification targets to avoid concentration risk while meeting strategic objectives. Target allocations include residential mortgages 40-50%, auto loans 25-35%, home equity products 15-25%, personal loans and credit cards 10-20%, with no single product exceeding 60% of total consumer portfolio.

10.2 Performance Measurement

Portfolio performance is measured against internal targets and external benchmarks. Key metrics include net interest margin by product, risk-adjusted return on capital, efficiency ratios, customer acquisition costs, and lifetime value calculations.

Table 10.1: Portfolio Performance Targets

Metric	Target	Warning Level	Action Level
ROA	>1.25%	<1.00%	<0.75%
Net Charge-offs	<0.75%	>1.00%	>1.50%
NPL Ratio	<1.00%	>1.50%	>2.00%
Efficiency Ratio	<55%	>60%	>65%

10.3 Product Profitability Analysis

Regular profitability analysis ensures each product contributes appropriately to bank earnings. Analysis includes direct interest income and expense, fee income allocation, operating cost allocation, credit loss provisions, and capital allocation charges.

10.4 Market Analysis and Strategy

The bank conducts regular market analysis to identify opportunities and threats including demographic trends, competitive positioning, regulatory changes, economic forecasts, and technology developments. Strategic adjustments are made based on analysis while maintaining risk discipline.

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11. COLLECTIONS AND RECOVERY

11.1 Collection Philosophy

The bank's collection philosophy emphasizes early intervention, respectful treatment of customers, flexible workout options for temporary hardships, and maximization of recovery while minimizing costs. All collection activities comply with applicable laws and regulations.

11.2 Collection Stages and Strategies

Collections follow a staged approach with increasing intensity based on delinquency severity. Early stage collections (1-29 days) include automated reminders and courtesy calls. Mid-stage collections (30-59 days) involve dedicated collector contact and payment arrangements. Late stage collections (60-89 days) include intensive efforts and loss mitigation review. Charge-off stage (90+ days) involves charge-off processing and recovery placement.

Table 11.1: Collection Contact Strategy

Days Past Due	Contact Method	Frequency	Primary Goal
1-15	Text/Email	Days 3, 7, 10	Reminder
16-29	Phone Call	Every 3 days	Payment promise
30-59	Dedicated Collector	Daily attempts	Arrangement
60-89	Senior Collector	Multiple daily	Resolution
90+	Recovery Specialist	As appropriate	Maximize recovery

11.3 Loss Mitigation Options

The bank offers various loss mitigation options for borrowers experiencing financial hardship including payment deferrals for temporary situations, loan modifications for permanent income reduction, short sales for underwater mortgages, and deed-in-lieu arrangements as last resort. All modifications must be properly documented and approved according to authority levels.

11.4 Charge-off and Recovery

Loans are charged off according to regulatory requirements: 120 days for residential mortgages, 180 days for closed-end consumer loans, and per regulatory guidance for credit cards. Charged-off accounts are pursued through internal recovery efforts, collection agency placement, asset recovery and remarketing, and legal action when appropriate.

11.5 Bankruptcy and Deceased Accounts

Special procedures apply to bankruptcy and deceased borrower accounts. Bankruptcy cases require immediate cessation of collection activity, proof of claim filing, reaffirmation agreement consideration, and monitoring through discharge. Deceased accounts involve estate notification, successor liability determination, and appropriate claim filing.

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12. POLICY EXCEPTIONS AND OVERRIDES

12.1 Exception Authority

Policy exceptions may be granted for loans with compensating factors that offset specific guideline variances. Exception authority follows the standard approval hierarchy with additional requirements for multiple or significant exceptions.

Table 12.1: Exception Approval Requirements

Exception Type	Approval Authority	Documentation Required
Single minor variance	One level up	Compensating factors
Multiple minor variances	Two levels up	Written justification
Significant variance	Credit Committee	Full analysis and justification
Multiple significant	CEO/President	Business case and risk assessment

12.2 Compensating Factors

Acceptable compensating factors include substantial assets or reserves, long-term banking relationship, additional collateral or guarantors, proven repayment history, and strong co-borrower. Each exception must be supported by specific compensating factors that meaningfully reduce risk.

12.3 Exception Tracking and Monitoring

All exceptions are tracked in the loan origination system with regular reporting to management and the board. Performance of exception loans is monitored separately to validate approval decisions and identify needed policy adjustments.

12.4 Override Process

System-generated decisions may be overridden with appropriate approval and documentation. Overrides require clear documentation of reasoning, higher level approval than standard authority, and enhanced monitoring post-origination. Override patterns are analyzed quarterly to identify training needs or system adjustments.

12.5 Annual Exception Review

The Credit Policy Committee conducts annual review of exception performance including volume and types of exceptions granted, performance versus standard loans, effectiveness of compensating factors, and recommendations for policy adjustments. Results inform policy updates and training priorities.

APPENDICES

Appendix A: Glossary of Terms

[Comprehensive definitions of all technical terms and acronyms used in the policy]

Appendix B: Regulatory Reference Guide

[Quick reference for applicable federal and state regulations with key requirements]

Appendix C: Product Quick Reference Sheets

[One-page summaries of each product's key features and requirements]

Appendix D: Forms and Disclosures

[Sample forms and required disclosures for each product type]

Appendix E: State-Specific Requirements

[Matrix of state-specific variations in requirements and procedures]

Appendix F: System and Technology Standards

[Technical requirements for loan origination and servicing systems]

POLICY APPROVAL AND REVISION HISTORY

This policy has been reviewed and approved by:

Credit Policy Committee:
Date: _________________
Signature: _________________

Chief Risk Officer:
Date: _________________
Signature: _________________

Chief Executive Officer:
Date: _________________
Signature: _________________

Board of Directors:
Date: _________________
Board Secretary: _________________

Revision History:

- Version 2.0 - January 1, 2025 - Comprehensive update
- Version 1.5 - July 1, 2024 - Regulatory updates
- Version 1.0 - January 1, 2024 - Initial policy

Next Scheduled Review: January 1, 2026
