

# Comprehensive Loan Evaluation Policy Document

## 1. Introduction

This document outlines the policies and procedures used to evaluate loan applications. It defines how interest rates are calculated, how risk categories are determined, and what eligibility rules are applied before approving or rejecting a loan request. The goal is to ensure fair, transparent, and consistent decision-making based on quantifiable parameters.

## 2. Interest Rate Policy

Interest rates are assigned based on the applicant's credit score and income level:

- Credit Score  $\geq 800$ : 8.5%
- $750 \leq \text{Credit Score} < 800$ : 9.0%
- $700 \leq \text{Credit Score} < 750$ : 10.5%
- $650 \leq \text{Credit Score} < 700$ : 12.0%
- Credit Score  $< 650$ : 14.5%

Modifiers:

- If EMI exceeds 40% of income: Add 0.5%
- If savings  $< 10\%$  of loan amount: Add 0.5%
- Home loans receive a 0.25% discount over standard rates

## 3. Risk Categorization

Risk levels are determined by credit score, repayment history, and EMI-to-Income ratio:

- Low Risk: Credit Score  $\geq 750$ , no missed EMIs in 12 months, EMI  $\leq 35\%$  of income
- Medium Risk: Credit Score between 650-749, up to 1 missed EMI, EMI between 36%-50%
- High Risk: Credit Score  $< 650$  or more than 1 missed EMI, EMI  $> 50\%$

Applicants in the High Risk category are typically not eligible unless mitigated by collateral.

#### **4. Loan Eligibility Rules**

All applicants must meet the following minimum requirements:

- Minimum monthly income: Rs. 30,000
- Maximum EMI-to-Income ratio: 50%
- Credit card utilization should be below 75%
- Minimum savings must be 10% of requested loan amount
- Loan tenure requested must not exceed 20 years

Failure to meet any of the above may result in rejection or requirement of a co-applicant.

#### **5. Decision-Making Process**

Loan decisions are made by evaluating financial data against the above policies using automated agents.

Each decision is accompanied by a rationale explaining whether the loan was approved or denied and why.

The final approval is based on combined scoring from:

- Financial standing
- Repayment history
- Spending behavior

- Risk category
- Policy compliance

All evaluations are reviewed periodically to ensure compliance and transparency.