Example National Bank

From: Pat Medown, Chief Loan Officer
To: All loan officers

Date: 1 Oct 2025

Everyone,

It has come to my attention recently that there has been some confusion about the criteria that we use in evaluating applicants for new loans. This has caused some inconsistencies with our loan approvals, and have caused some significant negative feelings. To address this, I wanted to clarify things, while still giving you loan officers the flexibility to evaluate specific cases as needed.

There are different criteria for both the debt:equity ratio and for the "personal evaluation" criteria that is in the customer's file. In general, this criteria varies by loan type, however in some cases it also varies by the amount requested. See below.

To clarify some terms, since some of you seem to have forgotten:
- "Debt to Equity Ratio" determines the most debt they may have with us (including existing and new loans) based on how much they have on deposit with us. You can determine the minimum equity by taking the total debt and dividing it by this number.
- "Customer rating" is a simplified rating that is based on the latest summary written by a loan officer that is in the client's file. This will evaluate their entire loan history with the bank, not just current loans. While the officer does not need to specify this rating precisely, you can keep these descriptions in mind, going from best to worst:
  - Excellent: The client has a perfect record with us, with several loans whose payments were never late. This should be reserved only for our best clients.
  - Great: The client has had several loans with us with only infrequent late payments.
  - Good: The client either has only a few loans with us that have never been late, or several loans with occasional late payments.
  - Fair: The client has a few loans with us that are sometimes late.
  - Poor: The client has no loans with us or loans that are frequently late.

Auto Loans under $10,000
- Debt to Equity Ratio: 5
- Customer Rating: Fair or better

Auto Loans $10,000 and up
- Debt to Equity Ratio: 7
- Customer Rating: Good or better

Recreational Vehicles (including motorcycles, boats, campers, and similar equipment)
- Debt to Equity Ratio: 6
- Customer Rating: Good or better

Home Improvement under $20,000
- Debt to Equity Ratio: 4
- Customer Rating: Fair or better

Home Improvement $20,000 and up
- Debt to Equity Ratio: 6
- Customer Rating: Fair or better

Personal Loans under $100
- Debt to Equity Ratio: 1000
- Customer Rating: Poor or better

Personal Loans $100 up to $500
- Debt to Equity Ratio: 500
- Customer Rating: Fair or better

Personal Loans $500 up to $5000
- Debt to Equity Ratio: 200
- Customer Rating: Good or better

Personal Loans $5000 and up
- Debt to Equity Ratio: 100
- Customer Rating: Great or better

If there are any questions, please feel free to contact my office.
Sincerely,
P. Medown