

[Sample Lender Policy]

Policy on Relationships and Character Assessment in Lending Bias Mitigation Policy and Protocols

Executive Summary

At [Bank Name], we consider borrower “character” as part of underwriting, but only when it provides factual, repayment-related insights. Staff may use documented repayment history, credible references, and applicant repayment plans. Staff may not use personal impressions, likeability, or unrelated affiliations. All information must be gathered fairly, documented clearly, and shared without bias. Staff must disclose any relationships with applicants and recuse themselves when appropriate. Credit memos must contain only factual information. Conversations about applicants must stay professional and fact-based.

In short: Use facts, avoid favoritism, disclose relationships, and keep the process fair.

1. Purpose

The purpose of this policy is to establish clear standards for how [Bank Name] assesses borrower “character” and the use of relationships in underwriting decisions. While traditional character assessments and personal relationships can provide valuable context, they also present risks of bias and favoritism. This policy ensures that such information is gathered and used in ways that are equitable, transparent, and consistent with regulatory expectations and [Bank Name]'s mission to expand fair access to credit.

2. Scope

This policy applies to all [Bank Name] staff and board members engaged in lending activities, including loan officers, underwriters, credit analysts, and credit committee members. It governs how information is collected, documented, and shared in loan underwriting, and it applies to all consumer, small business, and commercial lending products.

3. Policy Statements

- Character and relationship-based considerations may be used only when they provide relevant, factual, and verifiable insight into repayment ability.

- The presence or absence of a relationship with [Bank Name] staff, board, or partners may not be used in itself as a factor in credit decisions.
- All information considered must be documented in the loan file and subject to review.
- [Bank Name] prohibits subjective assessments such as personal impressions, social familiarity, or general statements of “good character” that are not linked to repayment history.

4. Acceptable and Unacceptable Information

Acceptable information includes:

- Historical repayment records or references from vendors, suppliers, landlords, or other creditors.
- References from technical assistance providers, nonprofit partners, or other financial institutions.
- Applicant’s credible repayment plan, including strategies for managing hardship.
- Documented examples of applicant resilience and financial responsibility.

Unacceptable information includes:

- General or subjective statements (examples: “he’s a nice guy,” “she is a good person”).
- Personal likeability or social connection with [Bank Name] staff or board.
- Affiliations with clubs, schools, or other organizations unrelated to repayment.
- Timeliness or polish in application responses (such as grammar or communication style).
- Social media, online profiles or third party business review sites, unless transparently disclosed to the applicant beforehand and supplemented with applicant-provided context.

5. Methods for Gathering Information

Acceptable methods include structured applicant interviews (in-person, phone, video), standardized questionnaires, and reference forms for third parties.

Information gathering must be:

- Clear, barrier-free, and respectful of applicant constraints (time, language, technology access).



- As simple as possible, requiring only information that informs repayment likelihood.
- Avoids excessive jargon and conducted using plain, supportive language that normalizes applicant questions and help-seeking.
- Designed to encourage applicants to tell their story in a way that highlights resilience and repayment ability.

6. Relationships and Affiliations

Principle: The presence or absence of a relationship, in itself, should not be used to assess likelihood to repay.

Acceptable relationship-based information:

- Existing [Bank Name] customer relationships (deposit accounts, previous loans, program participation).
- Referrals from vetted technical assistance providers, nonprofits, or co-lenders.
- Documented references from vendors, suppliers, or customers.

Not acceptable:

- Personal friendships, family connections, or social ties to staff or board.
- Indirect affiliations (clubs, schools, faith communities, professional associations) without direct repayment evidence.
- Halo effects, such as expediting an application based on familiarity.

Safeguards:

Staff or board members with a disclosed relationship must recuse themselves from the credit decisioning process whenever possible. Any [Bank Name] staff or board member who has a relationship with an applicant must disclose it in writing using the Relationship Disclosure Form. The disclosure must include:

- Nature of the relationship.
- Whether the staff or board member has factual knowledge of repayment history.
- Supporting documentation, if applicable.

7. Credit Memo Guidelines

- Credit memos may only include factual, verifiable information gathered through approved methods.



- Credit memos may not include subjective language, personal opinions, or hearsay.
- If relationship-based information is used, the memo must specify how it was validated and its relevance to repayment.

8. Staff Communication and Hand-offs

- Staff must not share personal impressions, subjective descriptions, or opinions about applicants.
- Internal discussions should be limited to factual process updates and verified information.
- If subjective commentary is shared, colleagues must remind the staff member of this rule and avoid relying on that information. Repeat violations should be reported to management.

9. Training and Oversight

- All lending staff and board members involved in credit decisioning will receive annual training on equitable character assessment, unconscious bias, and trauma-informed banking.
- The Compliance team will review a sample of loan files and credit memos each quarter to ensure adherence to this policy.
- Credit committees will include, where possible, community representatives to bring broader perspectives into underwriting.

10. Review

This policy will be reviewed annually by [Bank Name]’s Credit Risk and Compliance teams, with input from community partners, to ensure alignment with regulatory standards, industry best practices, and [Bank Name]’s mission of equitable access to credit.

