



Women's World Banking

GENDER BIAS SCORECARD FOR LENDERS

There are many ways to measure and track fairness in lending. This scorecard offers some of the more common fairness indicators used by Women's World Banking in its diagnostic process with lenders. Paying attention to these indicators, particularly over time, will offer institutions an evidence base so they can identify areas in which they excel and areas for improvement. Since not all credit processes are the same, the list of fairness-related questions that an institution will ask might vary, and we hope institutions will interpret and adapt these questions to their needs. The six dimensions of fairness in Women's World Banking's Gender Bias Scorecard are: 1) credit score, 2) approval rate, 3) loan amount, 4) interest rate, 5) collateral size, and 6) characteristics of rejected candidates. The complete descriptions of these dimensions and how to measure them are reflected below. To use this scorecard you will need individual-level data on past loan applicants including credit score, decision, loan terms, and any relevant control variables.

HOW TO CHECK YOUR CREDIT PROCESS BIAS

1

ESTABLISH A CLEAR DEFINITION OF FAIRNESS

For example, women applicants have an equal probability relative to men applicants with similar risk characteristics of being approved for credit, being rejected for credit, and receiving the same credit terms.

2

ESTABLISH RELEVANT CONTROL VARIABLES

Using a list of the most influential variables in your approval process, choose 3-4 variables which should be indicative of creditworthiness regardless of gender.

- a. *For example, income may be a strategically relevant variable that, regardless of gender of the applicant, maintains high explanatory power in creditworthiness. This is a valid control variable.*
- b. *GPS location or number of Facebook friends may be low priority variables that are highly subject to gender bias but with low strategic importance to the approval process. These are invalid control variables.*

The right mix of control variables will vary by institution and business model.

3

EVALUATE FOR BIAS

Using gender-disaggregated data, answer the questions on the next page to assess bias. The word "average" denotes the arithmetic mean. For more advanced analysis, separate applicants into subcategories by risk quantile, or apply the scorecard to separate steps in the lending process, for example, automated systems compared against loan officer assessments.

4

ASSESS THE MAGNITUDE OF BIAS

Starting with the questions outlined here, make an assessment of the magnitude—and resulting financial and consumer impacts—of each bias dimension on your portfolio. How much does this bias cost your company? How many people does this bias exclude or disadvantage unnecessarily?



Women's World Banking Gender Bias Scorecard for Lenders

QUESTION	ANSWER <i>Your institution's responses go here!</i>	EXAMPLE <i>Sample responses from the United Bank of Banking</i>
1 Do men and women borrowers have the same average <u>credit score</u> to indicate creditworthiness while controlling for relevant variables? Yes/no?		Yes
If not, which gender has a higher <u>credit score</u> ?		n/a
What is the magnitude of this gap?		n/a
2 Do men and women applicants have the same <u>likelihood of receiving a credit offer</u> , controlling for relevant variables? Yes/no?		No
If not, which gender has a higher <u>likelihood of receiving a credit offer</u> ?		Men
What is the magnitude of this gap?		Men are 65% likely, women are 55% likely.
3 Do men and women who are extended credit offers receive the same average <u>loan amount</u> while controlling for relevant variables? Yes/No		No
If not, which gender on average has a higher <u>loan amount</u> ?		Men
What is the magnitude of this gap?		Men's average is \$3500 and women's average is \$2900.
4 Do men and women who are extended credit offers receive the same average <u>interest rate</u> while controlling for relevant variables? Yes/No		Yes
If not, which gender has a lower <u>interest rate</u> ?		n/a - we use a fixed interest rate.
What is the magnitude of this gap?		n/a
5 Do men and women who are extended credit offers have the same average <u>collateral requirement</u> while controlling for relevant variables? Yes/No		No
If not, which gender has a lower <u>collateral requirement</u> ?		Men
What is the magnitude of this gap?		Men's collateral requirement is \$400 or equivalent, women's is \$500 or equivalent.
6 Do men and women rejected applicants have the same average <u>credit score</u> while controlling for relevant variables? Yes/No		No
If not, which gender has a lower <u>credit score</u> ?		Men
What is the magnitude of this gap?		Rejected women received a 350 on average, rejected men receive 300.

HOW TO SCORE

Count the number of "yes" answers to the headline questions above and list this answer here.

WHAT YOUR SCORE MEANS

1-2	Highly biased on multiple dimensions
3-4	Moderately biased on multiple dimensions
5-6	Little to no bias on multiple dimensions

RESULTING SCORE

SAMPLE SCORE

2/6

Check your bias!