

# New research shows that your looks, creditworthiness may go hand in hand

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New research suggests that a person's appearance may play a role in whether they are deemed trustworthy by financial lenders. Credit: Rice University

New research suggests that a person's appearance may play a role in whether they are deemed trustworthy by financial lenders. The study is summarized in a working paper by Jefferson Duarte at Rice University's Jones Graduate School of Management and Stephan Siegel and Lance Young, both of the University of Washington.

The paper, "Trust and Credit," found that [borrowers](#) on the peer-to-peer lending site Prosper.com who are perceived as trustworthy are more likely to have their loan requests granted. The research revealed that a seemingly untrustworthy person must promise to pay an interest rate almost 2 percent higher than those deemed trustworthy to have the same

chance of getting a loan.

"We found that people take into account someone's appearance when engaging in commercial transactions -- even in situations where a lot of information about the parties involved is available," said Duarte, associate professor in [real estate finance](#) at Rice.

### **Using Prosper.com [loan data](#)**

Duarte and his colleagues looked at 6,821 loan applications submitted to the popular online peer-to-peer lending site Prosper.com, where people seeking [loans](#) are matched up with people willing to lend money. At Prosper.com, borrowers submit information such as their credit profile, job history, [education](#) level and income along with terms of a loan they wish to obtain. The borrowers may also supply photographs and a statement about why they are seeking a loan or its intended use. At that point, lenders look at the borrowers' profiles. If lenders are interested in offering the borrower a loan, they place a bid for their business. If there are enough bids, the loan application is filled; otherwise, the loan application expires. Of the 6,821 applications used by the researchers, 733 became loans.

The researchers then turned to [Amazon.com](#)'s Mechanical Turk (MTurk), a site that brings together people who need a task done with people seeking work. The research team supplied 25 MTurk "workers" with only the photographs of the borrowers and asked them to rate the borrowers' trustworthiness on a scale of 1 to 5. They were also asked to assess the probability that the person in the photograph would repay a \$100 loan. With these responses, the researchers built a measure of trustworthiness based on the photographs.

Armed with the physiognomy-based trustworthiness measures, the team found that perceived trustworthiness of borrowers correlates with the

ratings on their credit history filed at Prosper.com. That is, the MTurk workers could distinguish people with high [credit scores](#) from people with low credit scores based solely on the photographs.

The researchers also found that people perceived as trustworthy default on their loans less often, even after accounting for credit scores. "This implies that the pictures revealed something about borrower creditworthiness that is not accounted for in traditional credit scoring models," Duarte said.

Another finding: Lenders on Prosper.com use the information in the picture when deciding to make a loan -- even with all the information that is available about the borrower's credit history. People perceived as trustworthy get loans more often, even after accounting for traditional creditworthiness measures, such as credit scores.

More information: To read the complete study, visit [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1343275](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1343275).

Source: Rice University ([news](#) : [web](#))

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