Thinking of applying for a loan? Do you know what your bank will look at to determine your creditworthiness?

5 C's of credit to help determine your creditworthiness:

1. **Credit History/Character**

   This is how trustworthy and reliable you are. It refers to your reputation or track record for repaying debts. Qualifying for the different types of credit hinges largely on your credit history — the track record you've established while managing credit and making payments over time. Your credit report is primarily a detailed list of your credit history, consisting of information provided by lenders that have extended credit to you. While information may vary from one credit reporting agency to another, the credit reports include the same types of information, such as the names of lenders that have extended credit to you, types of credit you have, your payment history, and more.

2. **Capacity**

   This measures your ability to repay a loan by comparing income against recurring debts. Lenders need to determine whether you can comfortably afford your payments. Your income and employment history are good indicators of your ability to repay outstanding debt. Income amount, stability, and type of income may all be considered; as well as the ratio of your current and any new debt as compared to your before-tax income. This is called your Debt-to-Income ratio and is an important part of your overall financial health.

3. **Collateral (when applying for secured loans)**

   Collateral helps secure a loan. Loans, lines of credit, or credit cards you apply for may be secured or unsecured. A loan is secured when you are asked to pledge assets to the lender as security or collateral for the loan. This gives the lender assurance that if you were to default on the loan, they have a way of being repaid. With a secured product such as an auto or home equity loan, you pledge something you own as collateral. The value of your collateral will be evaluated, and any existing debt secured by that collateral will be subtracted from the value. The remaining equity will play a factor in the lending decision.

4. **Capital**

   While your household income is expected to be the primary source of repayment, capital represents your savings, investments, and other assets that can help repay the loan. This can be helpful should you encounter unforeseen negative circumstances such as, if you lose your job or experience other setbacks.

5. **Conditions**

   Lenders may want to know how you plan to use the money and will consider the loan's purpose, such as whether the loan will be used to purchase a vehicle or other property. Environmental and economic conditions, may also be considered.

If you have questions and/or are thinking of applying for a loan, call us @ 575-758-6700. For information about Centinel Bank visit our website www.centinelbank.com. Member FDIC. Equal Housing Lender.