

# The 5 C's

The 5 C's	Description	Factors lenders consider	Your loan application needs to answer these questions	Additional Information you can provide to answer these questions
<b>Character</b>	The borrower's reputation, integrity and 'willingness' to repay.	<ul style="list-style-type: none"> <li>• Loan repayment history</li> <li>• General savings history</li> <li>• Stability (e.g. years in profession)</li> <li>• Credit bureau history e.g. Dunn &amp; Bradstreet, Veda, Experian *</li> </ul>	<ul style="list-style-type: none"> <li>• Have you repaid your debts on time?</li> <li>• Do you have a good history of saving?</li> <li>• Do you have stable income/cash-flow/employment?</li> <li>• Do you have a history of defaults, writs, judgements or bankruptcy?</li> </ul>	<ul style="list-style-type: none"> <li>• Copies of all compliance related payments such as GST and tax returns</li> <li>• Copies of bank statements for investments and savings</li> <li>• Historical financial information</li> <li>• Credit Bureau report</li> </ul>
<b>Capacity</b>	The borrower's ability to repay.	<ul style="list-style-type: none"> <li>• Income</li> <li>• Debt obligations</li> <li>• Living expenses</li> <li>• Dependents, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• How much do you earn and is this sufficient to meet your repayments?</li> <li>• How stable are your earnings - will you continue to be able to 'service' your debts?</li> <li>• What are your plans should things change?</li> </ul>	<ul style="list-style-type: none"> <li>• Budgeted Profit and Loss statement</li> <li>• Cash flow forecast</li> <li>• Risk management strategies</li> <li>• Marketing strategies</li> </ul>
<b>Capital</b>	The borrower's financial position.	<ul style="list-style-type: none"> <li>• Amount of asset and liabilities</li> <li>• Type / liquidity of assets</li> <li>• Type / nature of liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Are you in a strong enough financial position?</li> <li>• Could you sell (liquidate) your assets if you needed to reduce debts and how long would it take?</li> </ul>	<ul style="list-style-type: none"> <li>• Historical balance sheets for past 3 years</li> <li>• Budgeted balance sheets for the next 3 years</li> </ul>
<b>Conditions</b>	The lenders 'terms' of providing the loan.	<ul style="list-style-type: none"> <li>• Repayment schedule</li> <li>• Pricing (interest rate and fees)</li> <li>• Conditions precedent (something that must happen before funding)</li> <li>• Conditions subsequent (during the loan)</li> </ul>	<ul style="list-style-type: none"> <li>• Do you understand what you may need to give your financier?</li> <li>• Will you be able to meet all of the 'conditions' of the loan?</li> <li>• Do you understand what may happen if you 'breach' a term of the loan?</li> </ul>	<ul style="list-style-type: none"> <li>• Summary of loan terms and conditions in loan application</li> </ul>

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<b>Collateral</b> (‘Security’)	The borrower’s ‘security’ for the proposed loan.	<ul style="list-style-type: none"><li>• Type of security (property/land/vehicle/etc.)</li><li>• Value and marketability of the security</li><li>• Security age, location and attributes</li></ul>	<ul style="list-style-type: none"><li>• Do you have sufficient ‘security’ for the loan?</li><li>• Is the security for the loan acceptable to the lender?</li></ul>	<ul style="list-style-type: none"><li>• Detailed security register providing purchase date, current valuation, photos if relevant, any other relevant information.</li></ul>
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\*Credit bureaus keep records of all persons who have defaulted on any payments. This includes payment default on telecommunications and other service providers. The main credit bureaus are Dun & Bradstreet, VEDA and Experian. It is a good idea to check your credit history with these companies before applying for a loan. All potential lenders will run a check before approving a loan.