

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

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Collateral (‘Security’)	The borrower’s ‘security’ for the proposed loan.	<ul style="list-style-type: none">• Type of security (property/land/vehicle/etc.)• Value and marketability of the security• Security age, location and attributes	<ul style="list-style-type: none">• Do you have sufficient ‘security’ for the loan?• Is the security for the loan acceptable to the lender?	<ul style="list-style-type: none">• Detailed security register providing purchase date, current valuation, photos if relevant, any other relevant information.
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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.