What Do Banks Consider Before Giving a Loan?

A bank looks at 5 things when deciding whether or not to approve a loan, called the "Five C's of Credit":

1. **Credit History:** This tells them how consistently you've made payments on any loans, credit cards, or mortgages in the past.
2. **Capacity:** The bank estimates how consistently you'll be able to make payments based on your income and other financial responsibilities.
3. **Collateral:** Any assets you own, like a car or a home, that the bank could take if you fail to pay.
4. **Capital:** Capital is usually the money you have in savings, investments, and retirement accounts that you could use to pay the bank if you can't repay the loan.
5. **Conditions:** The things a bank looks at before approving your loan, such as the market conditions or state of the economy and other things that might affect how you can repay the debt.

"Five C's of Credit":
1. Credit History
2. Capacity
3. Collateral
4. Capital
5. Conditions

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