

# 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

<https://www.wellsfargo.com/goals-credit/smarter-credit/credit-101/getting-a-loan/>

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Community Financial Education (“CFE”) partners with banks and other financial services companies to provide free financial literacy education to low to moderate income households.

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