



Understanding Credit

The 3 C's of Credit

Character, Capital and Capacity

Character: From your credit history, the lender attempts to determine if you possess the honesty and reliability to repay the debt.

Capital: The lender may want to know if you have any assets such as real estate or personal property like an automobile, home, savings or investment that could serve as collateral if you fail to repay.

Capacity: Refers to your ability to repay your debts. The lender may look to see that you are working regularly in an occupation that is likely to pay enough income to pay for your credit use.

Indicate which of the three C's would be related to the following questions that a creditor might ask.

Question:	Which of the 3 C's?
1. Do you have a steady job? If so, what's your salary?	
2. Do you have a savings account?	
3. Have you used credit before?	
4. Do you pay your bills on time?	
5. What are your current living expenses?	
6. Can you provide character references?	
7. What are your current debts?	
8. What property do you own?	
9. Do you have a good credit report?	
10. How long have you been at your current job?	
11. How many other loan payments do you have?	
12. Do you have any investments?	
13. How many dependents do you have?	