



Activity:

Assessing Your Qualification Potential

This activity guides you to honestly evaluate where you currently stand in terms of ability to qualify for a loan. You will assess your potential for loan qualification based on the 'five Cs' presented above: character, capacity, capital, collateral, and conditions.

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Fill out each section below to assess your current status in terms of the 'five Cs' for loan qualification.

Character

Your credit record and payment history.

	Excellent	Good	Fair	Poor
Credit Score				
Credit History				
Income Stability				

Capacity

Your ability to pay off the loan.

Income	Above Average	Average	Below Average	None
Debt to Income Ratio	<20%	20 – 30%	31 – 40%	>40%

Capital

The amount you have to pay up-front toward the loan; i.e. your down payment.

Down Payment Percentage	>25 %	25 – 15%	14 – 5%	<5%
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Collateral

The asset you offer as security against the loan; for example, a home, vehicle, or savings account.

Value of Collateral Relative to Loan Amount

If your loan is secured with collateral, what percentage of the total loan amount does your collateral cover? (In other words, if you defaulted on the loan, how much of your loan would the value of the collateral pay off?)

_____ %

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Conditions

The terms of your loan, including the principal, interest rate, repayment term, and payment amount.

I have an accurate budget in place and can afford the payment on the loan.

The monthly payment will not consume the majority of my available budget (remaining disposable income after all other expenses are accounted for).