

# The 5 Cs of Business Credit

The 5 Cs of business credit are:

## **1.Character**

## **2.Capital**

## **3.Capacity**

## **4.Collateral**

## **5.Conditions**

Character is all about you. It's about your personal history, your stability, and how reliable you are. This variable is more subjective than the others, and is one of several reasons it is beneficial to do business with a bank where you have built relationships with the people who work there. In determining your character, the lender may look at your education, your work history, your personal income, and personal credit history. Again, it's important to remember that this is one area of business credit where relationships do matter!

Capital is about how much you have invested in your business. Whether you are seeking a bank loan or a loan from a private investor, the lender will want to see that you are heavily invested in your own business. Generally speaking, the more of your personal money that you've invested in your business, the better it will look to a potential lender. (After all, if you're not confident enough to invest in your business, why should they be?) Capacity is about your ability to repay a loan according to the terms. Things like cash flow, payment history, and the assets and resources of any person providing a personal guarantee will play a part in determining your capacity to pay back a loan.

Collateral is something offered up as security for a loan. Anything from equipment to inventory to a home you own can be considered collateral. It may be easier to get approved for loans with collateral, and many loans will require it. In some cases, the more that you can offer as collateral, the more likely you will be to get approved.

"Conditions" may mean any number of things, some of which could be out of your control. The current economy, for instance, may play a role in your ability to get approved for a loan. Other things that they may look at include your industry and its economical status, and the purpose of the loan.



**KREDITRISE.**

1-888-687-0777

info@kreditrise.com

715 Frederick Road Suite 3

Catonsville, MD 21228

If your industry is suffering and businesses in your industry are struggling, it could negatively affect your ability to get approved. Some loan purposes are more readily approved than others, too. Loans for riskier purposes such as new and unproven expansions are generally less likely to be approved.



**KREDITRISE**

1-888-687-0777

[info@kreditrise.com](mailto:info@kreditrise.com)

715 Frederick Road Suite 3

Catonsville, MD 21228