

THE FOUR "Cs"

What Underwriters Look For

CREDIT, CAPACITY, COLLATERAL, CHARACTER

Credit:

A lender wants to know that you are a good credit risk. They determine this by looking at a current credit report. Your credit report is a "snap-shot" of your past and current debt, current available credit and a rating of your repayment history. Each credit bureau will "score" your history. Most "conforming" lenders require a score of 620 or above.

Capacity:

This is simply a measure of your financial capacity to repay the requested loan. It is measured by dividing your total outstanding debts (including the new proposed payment) by your gross "useable" income. Most "conforming" lenders will allow 33% of your income to be used for housing expense and 36 - 41% for all obligations, including housing expense. These ratios are simply guidelines and may be "stretched" depending on the strength of the complete loan package.

Collateral:

The lenders need to insure the property being held as collateral is structurally sound and the value is acceptable for the loan program requested.

Character:

Character is a catchall phrase that is basically an underwriter's subjective determination of your overall financial picture. Generally they look at your job stability, probability of continued employment, ability to save money and your probable willingness and ability to pay back the money borrowed.