

5C's of Credit Cheat Sheet: Boost Your Creditworthiness

This cheat sheet will help you understand the factors lenders consider when evaluating creditworthiness. Your responses to these questions can help you better prepare for discussions with potential lenders.

This checklist comes from a podcast with Rob Roach, Director of Underwriting.

Character points to your historical financial record

- Do you have a history of making payments on time?
- Did you remain in good standing with any previous lenders?

Tip: Make sure your credit history is correct and accurate on your credit report.

Capacity refers to the debt load your company can sustain

- What is your current Earnings Before Interest Taxes and Depreciation ("EBITDA") compared to existing or proposed debt level?
- How has your EBITDA trended over the last three years?

Tip: Consistent earnings help build lenders' confidence in the financial strength of your book of business.

Capital refers to how much equity the company has available

- Do you have a solid financial plan with realistic projections?
- Have you budgeted for potential contingencies?

Tip: Make sure you have the ability to support your business operations outside of debt with consistent cash flow.

Collateral pertains to the assets used to secure the loan

- How will the loan purpose improve your future cash flow or grow your book of business?
- What is the value of your book of business?

Tip: Lenders will consider the value of your business in relation to the estimated loan amount.

Conditions are the specifics of the loan and the external factors that may influence it

- What is the current economic climate?
- Are there any industry-specific factors that could impact your ability to repay the loan?

Tip: While you can't control external factors, be aware of the economic conditions and how they might affect your finances, terms, and level of risk.