How To Know what your lending officer is looking for

WITH OREGON PACIFIC BANK

Applying for a loan often accompanies an important event in your life, like buying your first car, financing your dream home, or starting your own business. You owe it to yourself to make the process as stress free as possible, and understanding the inner workings of how your creditworthiness is evaluated can help.

Before you apply for the loan, it is a good idea to check your credit report for any outstanding debt or collections. There are three major credit reporting companies in the nation: Experian, EquiFax, and TransUnion. You can order a free credit report from each of the three credit reporting companies once per year online at www.annualcreditreport.com. If you find an error on your report or a collection for debt you didn't request, you may have fallen victim to identity theft and should contact the credit reporting companies right away to report the fraud.

When you pick up your loan application, ask your loan officer for a checklist of all the documents you will need to submit with the application. The list will differ depending on if you are applying for a personal or business loan, but at the very least you will probably be expected to fill out a financial statement and present additional documentation such as your tax history and pay stubs. For a business, be sure to have a business plan written out and ready for review. Having all your documents ready up front will speed up the application process.

After you turn in the loan request, your loan officer will look through your documentation, pull a credit report, and gather other information to judge your creditworthiness. There are many factors that come into play when applying for a loan, and though your credit history is an important part, it's not the only piece of information that will be examined. Your loan officer will focus on the following points, known commonly as the "5 C's of Credit".

Capacity:
Do you have the capacity to repay the funds you are requesting? Your past and current income, employment, and outstanding debt will be examined to be sure that you can comfortably repay your loan.

Collateral:
When applying for a secured loan, you will be asked to provide collateral, such as the property you own or are looking to purchase. In the case of a mortgage loan, the home you are buying will be used as the collateral to secure the loan. Other assets, cash, or investments can also be used as collateral. However, this is only part of the whole picture. The value of your collateral does not determine your creditworthiness if the other conditions are not met.

Capital:
Your lender will want to know that you have other financial resources you can rely on if you lose your job or go through a difficult time. They will look at your investments, savings accounts, and any other assets you have that could be substituted for income if needed. It is a good idea in general to have a savings account with at least six months of living expenses tucked away at all times.

Conditions:
Understanding the purpose of the loan and how the proceeds will be used is also part of the lending process. For investment purpose loans, your lender may want to weigh the current economic conditions against how the loan proceeds will be invested.

Character:
Your willingness to repay the debt is a critical component of qualifying for a loan. Your lender may evaluate this by reviewing your credit history and investigating how you have paid past obligations. If you do not have a credit history, or if more background is needed, your lender may call on your landlord to get a history of your rental payments, or your utility company to see if you have any past due bills.

If you wish to apply for a consumer, business, or mortgage loan at Oregon Pacific Bank, contact us at 541-997-7121. You can also email any of our loan officers directly by obtaining their contact information from www.opbc.com. Our lending team is powered by local decision makers who will meet with you in person to help walk you through the loan application process and answer any questions you have along the way.