WHAT DO LENDERS LOOK AT?

When you apply for a credit card, a personal loan, or any other type of credit, the lender must first evaluate if you are a good credit risk. When assessing credit risks, a lender looks at the ability of a borrower to meet loan obligations which will, to some extent, determine the pricing of the loan.

The success of your loan application largely depends on the following:

The 3Ps of credit

1 Purpose of borrowing	Lenders want to know why you are borrowing to assess the risks involved. The type of loan is then matched to your purpose for borrowing. If you are buying a house, then it is a housing loan while a hire purchase loan would be given to finance a car. The purpose and whether the loan is secured or unsecured will, among others, determine the interest rate and tenure of the loan
2 Payment ability	Your repayment capacity is vital. Lenders are keen to see enough surplus income or cash reserve to meet your new financial commitment. They would like to be assured of your stable income or continuity of employment. Here, your cash flow position is evaluated. An important indicator of your payment ability is your debt-to-income ratio

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