

# State Department Federal Credit Union

## Topics of Interest

### What Are The Four C's Of Credit?

When you apply for credit, there are four primary considerations that will affect a lender's decision to approve or decline your loan application. Known as the 4 C's of credit:

- **Capacity** - what is your ability to repay the loan? Do you have a job or another income source? Do you have other debts?
- **Character** - will you repay the loan? Have you used credit before? Do you pay your bills on time?
- **Collateral** - if you fail to repay your loan, is there something of value that you agree to forfeit? For example, if you are buying your first car, it could be used as collateral to insure that you will repay the loan. If you default, you lose your car.
- **Capital (accumulation)** - what are you worth? Do you have other assets, such as a savings account, car, or certificate of deposit that could be used to repay the debt?

While federal and state regulations govern how lenders determine whether or not to accept loan applications, lenders make the decision primarily based on the 4 C's of credit. How you handle your credit transactions will determine your credit worthiness in the future and will greatly affect your access to credit.

Contact the major credit reporting companies once a year to review your file. The three major credit bureaus are:

<b>Equifax:</b>	800-685-1111	<a href="http://www.equifax.com">http://www.equifax.com</a>
<b>Experian:</b>	800-682-7654	<a href="http://www.experian.com">http://www.experian.com</a>
<b>TransUnion:</b>	800-916-8800	<a href="http://www.transunion.com">http://www.transunion.com</a>