

How To Qualify For And Establish Good Credit

Contributed by Cornie Herring
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Character

{bot_wrgoogle}When you promptly pay principal and interest on your mortgage, student loans, credit card and other loans, you established a good character. By demonstrating a strong sense of character, you persuade the lender to trust that you will make a good-faith effort to pay your bills even if you run into financial difficulties.

Capacity

Capacity measures your financial ability to assume a certain amount of debt. Whenever you apply for a loan, the lender will ask for your annual income statement and your investment portfolio and he/she also want to get to know your other income sources. Many banks set minimum income requirements that your must meet to qualify for certain dollars of credit. The higher your total earning, the larger your credit capacity will be. Besides considering your sources of income, lender also takes into consideration of your existing debts. They prefer it if no more than a maximum of 36 percent of your income pays your total fixed expenses, and if no more that 28 percent of your income pays for housing, either mortgage or rent. The more debt you incur, the less credit lenders extend.

Capital

Lenders consider stocks, bonds, mutual funds, real estate, collectibles, cars and other asset as your capital that they can disposal to retire your debts if your character and capacity do not prove sufficient. Sometimes, lender may need you to pledge your capital/asset for your loan if your character and capacity are not sufficient to persuade lender to approve your application.

The Benefit of Having Good Credit

Lenders love people with good credit record to borrow money from them. That's why people with good credit get a better offer in applying for credit. Among the benefits of being a good credit are: the lower interest rate, faster application approval, more attractive packages with more choices. It's mean "Save More Money If You Have Good Credit". If you have good credit, you even can negotiate with the lender to lower down the interest else you will turn your head to other lender.

In Summary

Having a good credit score means you have more options available to you. You can get loans with better terms and rates and you have more available to you when it comes to types of loans. Good credit record build over time, hence it's never too early to start to establish good credit record for yourself and qualify for better options at the time your need it

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This site is an informational website on credit basics, debt consolidation and bankruptcy.