



What Do We Look at When Reviewing a Loan Application?

Every financial institution must follow federal regulation with regard to their lending practices. In addition, each has their own particular policies and procedures when reviewing loan applications, which may differ from lender to lender. Now, throw in the specific borrowing needs and unique credit history for each applicant. So, what exactly, do our underwriters consider when reviewing your loan application? Let's take a closer look at the basics, to help give you a better understanding of our review process.

Ability to Repay. First and foremost, we need to verify that you can afford making monthly payments on the amount requested. We do this by obtaining your proof of income – recent paystubs, Social Security or retirement benefit statements, tax forms, etc. Then, we take your gross monthly income and divide it by the total of your outstanding monthly payment obligations. This gives us your debt-to-income ratio, and determines whether or not you have the ability to repay.

Employment History. This goes hand-in-hand with determining your ability to repay. We prefer to see that you've had the same employer for at least one year or more. But, don't worry if you've recently started a new job. We'll look at your previous employment information – Are you within the same job field, or spent several years with your last employer? Multiple jobs with short employment periods or gaps between jobs may adversely affect your ability to repay. In short, we want to see that you have a steady income, which is likely to continue.

Loan-To-Value (LTV). This ratio comes into play for loan requests involving collateral, such as vehicle, mortgage refinance, and home equity line of credit loans. The LTV is determined by taking the requested loan amount and dividing it by the value of the collateral (vehicle or home). We need to verify that the loan amount does not exceed the collateral value. Note that in certain situations, we may lend up to 130% of a vehicle value. However, the maximum LTV for a mortgage refinance or home equity line of credit loan is 85%.

Credit History. A credit bureau report is pulled for each loan applicant, and there are many factors we consider when reviewing your overall credit history:

- **Credit Score.** Your credit score is not the end-all-be-all when decisioning your loan application. However, it does give us an overall sense of where your credit history is trending. Plus, your credit score is used to determine the interest rate, maximum loan amount, maximum LTV, loan term, and other specifics for your loan request.
- **Payment History.** We look at the payment history for each of your current and past loans, known as "trades." Have you made all payments on-time? Are there late payments, and if so, how many? Are any of your current trades past-due? Your payment history helps us determine whether we have reasonable belief that you'll pay us back.

- **Derogatory Items.** Bankruptcies, collections, charge-offs, repossessions, and foreclosures are all derogatory items that we look for. If they are included, have they been paid or are they still outstanding? Derogatory items help determine your repayment history.
- **Pay Available.** This is a fancy way to say how much overall credit you have available on your credit cards and other credit lines. Are your credit card balances right at their credit limits, or “maxed-out?” Or, are you carrying smaller balances in relation to the credit limits? This is especially useful information when reviewing personal loan or Visa credit card applications.
- **Credit Inquiries.** We look to see when and where your credit has been pulled in the past. Are there multiple recent inquiries from different types of creditors? This may indicate that you have opened several new trades which are not yet reporting to the credit bureau.

Again, these are just the basics, and other factors may be considered on a case-by-case basis. **Our goal is to help members succeed financially.** We never want to approve a loan request that we feel is not in the best interest of our member. A rejected loan application is not always a bad thing. While we are not financial advisors, our staff may suggest the steps to take in order to get approval on your next loan request.

Ready to apply? Contact a Loan Officer at **216-581-5581** or submit an [online application](#) today!