



What does a bank look at when approving a credit application?

Once you have completed an application, the lending entity will look for the following components:

Income:

The ability to repay the debt is crucial. You will need adequate income to repay the new loan as well as any existing loans and personal expenses. (Examples of personal expenses include but are not limited to: utilities, taxes, insurance & fuel). The income must be dependable, reliable and expected to continue for the foreseeable future. Income can come from multiple sources, primary or part time employment, retirement, social security, pensions, disability, alimony, investment or rental income. There are ratios lenders look at when calculating an individual's debt vs. income, we will discuss these ratios in future articles.

Credit history & current debt load:

Have you paid your debt obligation such as bills, credit cards and other loans in a timely manner? The Bank will look at your past habits/behavior while deciding to lend you money. Your banker will also want to be sure that your debt load is not greater than the income you generate.

Capital or assets available:

Lenders expect the borrower to have a certain amount of their own money (capital) invested in the purchase, usually 20% to 30%. For example you request a loan for \$5,000 the lender will require you to come in with a minimum of \$1,000 or 20% of the purchase amount. This is sometimes called "skin in the game." The "skin in the game" capital could come from any number of sources such as a checking or savings account, investments, certificate of deposit or as a gift from a relative or friend.

Collateral:

These are the assets or items that the borrower offers the lender. If the loan is not repaid according to the agreement, the lender has the right to collect and liquidate the collateral using the proceeds to pay off the loan. Almost every lender uses some form of collateral. The lending entity should feel comfortable with the value of the collateral before advancing money to the borrower.

By: Dan Wilcox, VP, Chief Lending Officer

Helpful Hint.

Even if a lending entity agrees to lend you money make sure you feel comfortable with the amount of your monthly payment and always remember to include your other obligations and personal expenses.



Protecting Your Identity

Most of us have heard about identity theft. What is it? Identity theft is when another person gets personally identifiable information about us and they begin to conduct business as if they were us. When they acquire enough information about us, they can pretend to be us. At this point, they could get a driver's license in our name, open accounts in our name, get credit cards in our name, etc.

There are several steps we can take to protect ourselves from identity theft:

- 1) Do not give anyone your computer passwords or debit card PINs.
- 2) Do not respond to computer pop-ups or messages asking for account numbers, user names, passwords, social security numbers, etc. unless you initiate the message. Banks and legitimate businesses will not ask for this type of information.
- 3) Be careful what information you give out on your cell phone when anyone around you can hear what you say.
- 4) Shred credit card offers that come in the mail. Don't just toss them in the trash where someone could use them to open accounts in your name.
- 5) Verify charges on your credit cards and verify transactions on your bank statements. If you see transactions that are not yours, contact the company immediately.
- 6) Pull your credit reports at least annually. We are allowed to get our free credit reports from the three main credit reporting companies once per year by going to annualcreditreport.com. These can be requested all at once or spread throughout the year by using a different company every 4 months.

Protecting Our Customers

It is important to The Family of Banks that we protect your information. When you call or come in to one of our offices, we will ask for a password, last 4 digits of your social security number or to see your picture ID. We care about you and want your finances to be **safe** with us.

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