



WHAT DO THE FIVE C'S OF CREDIT MEAN?

When you apply for credit, find out what the lenders are searching for to increase your chances of being accepted.

F O R T U N E . R E N Y I . U S



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NON-PROFIT 501(C)(3) ORGANIZATION**

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THE CONTEMPORARY VALUE OF MENGZI'S IDEAL CHARACTER

The ideal character described by Mengzi demonstrates his rich background as well as his own personality theory and quest, which has a profoundly spiritual undertone. Despite the fact that Mengzi's character theory was developed during the Warring States Period, a period that is relatively

distant from modern culture, and despite the fact that it still contains antiquated utopian elements, his theory on character cultivation has significant contemporary worth. Utilize the positive components of Mengzi's theory of character to provide organic food for personality development and character building in contemporary culture.



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CHARACTER

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CHARACTER

Character is your credit history, or how you've previously handled debt. When you obtain credit cards and loans, you begin to build your credit history. Your account history may be shared by these lenders with credit agencies, who record it in records referred to as credit reports. The information is then used by organizations like FICO® and VantageScore® to determine credit ratings.

To assess if you are eligible for a loan or credit, lenders look at your credit scores and credit reports. However, the standards used by each lender to evaluate your credit history vary.

They will examine the specifics of your borrowing history and payment history while pulling your credit reports. Additionally, they will look for issues like missed payments, foreclosures, and bankruptcies.

Lenders may also establish minimal credit score standards. A higher credit score typically denotes a lower risk to the lender. Therefore, maintaining strong credit scores or raising them could help you become eligible for credit in the future.



THE JIALIANG AT COURT YARD OF MÈNGZǐ HOME

Jialiang is a measurement tool that has appeared in China for a long time. This Jialiang was made by Meng Guangjun, the 70th descendant of Mengzi, in the 15th year of Daoguang in Qing Dynasty (1835).

The appearance of Jialiang here is a symbol of power.



2

CHAPTER

CAPACITY

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CAPACITY

Your capacity entails your ability to repay back loans. Lenders can determine your ability by examining your debt load and comparing it to your income. Your debt-to-income (DTI) ratio is this. By totaling up all of your monthly debt payments and dividing that amount by your pre-tax monthly income, you may get your personal DTI ratio. After that, double that figure by 100.

A low DTI ratio typically means less risk for the lender because it suggests you might be able to handle taking on an extra monthly loan payment.

The Consumer Financial Protection Bureau advises homeowners to keep their DTI ratio for all debts at 36% or fewer, while renters should keep their DTI ratio at 15%–20% or less.

Here's an illustration: Your total monthly debt would be \$1,400 if your mortgage was \$1,000, your auto loan payment was \$250, and your student loan payment was \$150. To get your DTI ratio if your gross monthly income is \$5,000, follow these steps: $1,400/5,000$ equals a fraction of 28. When you want to know your DTI ratio as a percentage, multiply 0.28 by 100. This instance uses 28%.



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CHAPTER

CAPITAL

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CAPITAL

Your savings, investments, and other assets that you are willing to use as collateral for a loan are considered capital. One illustration is the down payment for a house. Generally speaking, the better your interest rate and loan terms are, the larger the down payment. This is so that you can demonstrate to the lender your degree of commitment and ability to repay the loan.

Your household's income is frequently the main factor in loan repayment. But capital gives the lender additional security in case anything unforeseen occurs that could influence your ability to repay them, such a job loss.



CHAPTER 4

COLLATERAL

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COLLATERAL

You can use collateral to create a security deposit, usually for a secured loan or secured credit card. The lender or credit card company may take your collateral if you are unable to make payments. If your creditworthiness prevents you from receiving a loan or credit card, offering collateral might help.

Depending on the type of credit you're seeking for, you may or may not be required to offer an asset as collateral.

The vehicle you purchase typically serves as collateral for auto loans. To open an account for a secured credit card, you would deposit money.

Secured credit cards and loans are seen as less hazardous by lenders, and therefore may be helpful for those establishing, repairing, or rebuilding their credit.



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CHAPTER

CONDITIONS

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CONDITIONS

Conditions comprise additional data that aids in determining your credit eligibility and the terms you receive. Before giving you money, lenders might take into account, for example:

How you intend to use the funds: As opposed to a personal loan, which can be used for anything, a lender might be more likely to lend money for a certain reason.

External factors: Before extending loans to you, lenders may also take into account circumstances beyond your control, such as the state of the economy, federal interest rates, and business trends. They enable lenders to assess their risk even when you have no influence over them.

WHY ARE THE 5 C'S IMPORTANT?

The five C's of credit assist lenders in determining risk and creditworthiness of a borrower. Additionally, they assist lenders in calculating an applicant's potential borrowing capacity and interest rate.

You must comprehend the five C's of credit in order to decide whether you want to apply for credit. They serve as a checklist you can use to manage your personal finances:

The five C's of credit may be useful to bear in mind while you establish credit and strive toward your financial objectives. You may have a higher chance of obtaining the financing you require if you can demonstrate a history of prudent credit use that reflects the five C's of credit.

- **Character:** Always pay your bills on time, and work to keep your credit utilization (the amount of credit you are currently using) low.
- **Capacity:** Only request the amount of credit you require. Lenders may be more convinced that you can afford a new loan payment if you have a low DTI ratio.
- **Capital:** Having cash on hand may make it easier for you to get a loan because it shows potential lenders that you are a serious borrower.
- **Collateral:** When applying for some loans and credit cards, you might need to submit collateral. You will be able to keep your collateral if you consistently make your payments on time and adhere to the loan's requirements.
- **Conditions:** Some of the circumstances that affect your credit application may be beyond your control. However, being conscious of them will help you determine whether you would be eligible for credit.



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you must first change yourself.

S U B S C R I B E A T

F O R T U N E . R E N Y I . U S



People with permanent property are persistent 有恆產者有恆心 Mèngzǐ promoted the idea that everyone should have a stable career and a comfortable lifestyle in order to attain social prosperity and the economic well-being of the nation.

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Mèngzǐ (Chinese 孟子; 372–289 BC.)