

Answer on question #58020 - Management / Other
Briefly explain six principles of lending (3 marks)

Lending has six basic principles. They are:

- collectibility;
- maturity;
- availability at a fee;
- provision;
- purposive character;
- differentiation.

A collectability means that a borrower must pay back money which he contracted debt, because the money isn't his property.

A maturity means that a borrower takes money for a designated period, which a lender set. In the end of this period a borrower must pay back all the money.

An availability at a fee means a necessity of payment for using of credit resources.

A provision means that a lender wants to have guarantees that a borrower will pay back money in time and entirely. A borrower can give his property or bail granter as provision.

A purposive character means that money is taken by a borrower on defined goals. The goal of credit can be written in a credit contract.

A differentiation is used by lenders when they want to classify borrowers and their credits depend on a size and other credit conditions.