


# How to Avoid a "Surprise" Decline

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Usually the person sitting in front of you knows their credit score better than anyone else, and when they are approved or declined for a credit card or loan, they receive the answer they expected. However, every so often, you likely run into a patient who is legitimately “surprised” when declined.

While a low credit score may be to blame, often there is another culprit - their annual income, and underestimating this figure.

Since the CARD Act of 2009, banks are required to evaluate every credit card and loan application based upon the patient’s ability to repay the debt. To do so, they calculate a “debt-to-income” (DTI) ratio for each patient. The bank adds up all debt reported on the patient’s credit report and compares it to the annual income entered by the patient on the application. If the DTI ratio is too high, the bank is required to decline the patient or give them a credit limit that won’t overextend the patient.

The problem with this method is that often patients forget to include income sources resulting in an inaccurate DTI ratio.

To avoid the “surprise” decline due to inaccurate DTI ratios, patients should be reminded to include all sources of income, in order to repay the debt including:

- Full or part-time employment
- Freelance work or small business
- Household income from spouse, partner, adult child, parent, or grandparent
- Government payments such as social security benefits or disability
- Income from investments such as 401Ks, IRAs, and/or pensions
- Alimony, child support, and/or separate maintenance income\*

\*If they don't wish to have alimony, child support and/or separate maintenance income considered as a basis for repaying the obligation, they should not include it in their annual income amount.

In addition to forgotten income, many patients report their net income (take-home pay) rather than their gross income.

Hopefully with a little guidance at the time of application, your patients will only be surprised with how much they are approved for!

**TO REACH A MEMBER OF THE ALPHAEON TEAM - ANYTIME**

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