2. Character

It can be defined as the behavioral traits leading to whether the developer will make good on their commitment. It describes the person’s: reputation, honesty, treatment of others and integrity. Typically, character is the lenders way of summing up a borrower's determination to pay according to their commitment. It is best tested by how they behaved during periods of cash shortages, hard times, and poor business conditions. How the business treats it's: employees, suppliers, stockholders, bankers and clients is a material indicator of Character… of the management team and the company in general.

We can track character negatively, or, the lack of it, by checking the borrower’s previous payment history. Information reflecting negatively on the integrity of the borrower is critical. Credit reports provide the necessary statistics, but of course, their inherent weakness is their reliance on past performance. No one’s willingness to pay is tested in good times. It often takes enduring a difficult financial period to find out if a borrower will honor their promises and meet their commitments. The key to assessing character, from a lender’s perspective, is the willingness to pay (fulfill a commitment). This is probably the most difficult of the seven C’s to determine because it can be somewhat more subjective than objective.

**Lender’s Commentary:** As lenders for decades, we believe that determining the borrowers “Character” crucial in that we won’t do business with a person who has questionable character. However, good character does not materially affect our decision to fund their project. Clues that help us determine character include: management’s personal and business reputation, whether management is “greedy” or do they give back to other organizations. Another measurement is... has management treated their employees with dignity and respect or are they only out for themselves. The Enron debacle is a good example of what can go wrong when an excellent team of experienced professional’s gets together, but have questionable Character. Our view is, if we would be willing to lend the person thousands of dollars on a “handshake”... they passed. Otherwise, keep assessing

**EB-5 Investor guidance:** The EB-5 investor probably has little chance to directly make a project “Character” determination. Therefore, the investor should make this assessment of the EB-5 Regional Center people to determine how they focus on this issue with their projects.

**Bottom line:** demand to see the Regional Center's credit write-up on the project developer / sponsor. The credit write-up by the Regional Center should include a statement about the average credit rating for the individuals (and for the business) and a summary of
the financial condition, net worth, past development activities, any lawsuits, criminal charges and bankruptcies.