

Real Estate Intelligence

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Justin Bevins

Thinking About Co-ownership with a Friend?

Friends often share holidays, vacation together and are there for all the important moments in life. So, why not buy a home together? Many consumers are considering joint ownership. It makes sense and can help those who may not have been able to afford a home on their own. Each owner can enjoy a real estate investment—it can even strengthen the friendship.

The opposite could happen as well. Friends can feud over the most trivial of things, placing the long-term housing investment at risk. Here are some tips for surviving coownership with a friend.

1. Be sure all parties are willing to disclose their financial information: Agree upon the type of home and location, and are comfortable with living with one another.
2. Consult with an attorney: A contract is vital, as is listing each person's name on the deed and the mortgage papers. The percentage of ownership must be clearly stated in the contract, including details of each person's share of the down payment and the way in which mortgage payments are to be divided. This sets the stage for deciding each one's share upon sale.

Get pre-approved for a mortgage: Mortgage companies aren't always thrilled with lending to two unmarried or unrelated people. Odds are those buying a home will need to jointly qualify as co-borrowers on a single mortgage in order to purchase a property held in tenancy in common or joint tenancy.

4. Understand each other's wants and needs: House options, mortgage rates and contract terms will be contingent on each individual's credit history, financial health and both short-term and long-term obligations. It's smart to discuss all of this ahead of time. During house-hunting, you may have different ideas on what you're looking for. It's smart to sit down and list the most important features to each and figure out what each is willing to give up.

5. Have an exit strategy: Job changes or unexpected romances could evolve where marriage will soon be in the picture. What happens then? This should be agreed upon before the house is bought. Once everything is agreed to and a mortgage commitment is in hand, things still aren't easy.

It's hard enough finding the perfect home, but to have to find the perfect home for two is even tougher. Friendships can stand the test of housing issues, so don't be scared off. Just make sure that when buying any real estate with friends, you don't let the friendship cloud your judgment.

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