

FRIENDS AND LOVERS

Lenders will often allow you to borrow more money if you buy with a friend or a partner. But is it really such a good idea?

In these days of high house prices, it is very difficult for a single person to get onto the housing ladder. Nowadays, some lenders allow at least two friends to buy together, and some will allow three or four people to share the same mortgage.

It is often wise to speak to a registered New Zealand Mortgage brokers Association (NZMBA) broker if you are considering this option. Such a broker can help give the necessary advice to protect all of you: locate/discuss with your solicitor and choose the lender that is right for your situation.

Remember, buying with a friend or a partner might seem like a good idea now – but what if you hit a rocky patch later down the line? Before you get carried away on a tide of optimism and Danske Mobler furniture, consider what will happen if relations between you and your mate become strained.

It is important to draw up legal contracts to cover every possible eventuality. For example, what if one person wants to sell up? Can they only sell their share to someone the others agree to live with?

Joint Options

There are two ways of jointly owning a property; becoming tenants-in-common or joint tenants.

As a tenant-in-common, you will have a distinct share in the property and the shares can be divided as you wish. This is probably the most suitable method if you are contributing different amounts of money to the property, as the shares can be divided accordingly. In this case, your share of the home will go to your estate when you die.

As joint tenants, you will have an equal stake with your co-owner and, if you die, your share of the property will automatically go to them. This method is usually most suited to life partners.

In either situation, you are jointly and independently responsible for the entire mortgage – so if the other person can't afford to pay their share, you must cover it or face being pursued by the mortgage lender.

Whichever method of tenancy you choose, ask your solicitor to draw up a 'deed of trust', which details each person's share of the property. And be aware that, while your finances are linked via the mortgage, your credit record is also linked. A bad mark on your partner's credit record will also show upon your own.

Get a boarder (or two)

If you want to live – but not buy – with friends, why not buy a property and rent out a room to your mate?

Only some lenders will take boarders into account and usually up to a maximum of \$100 pw each with no more than two boarders.

Case Study (names changed)

Chris George, a 29 year old architect, bought a \$450,000 house on Auckland's North Shore with friends, Ronald and Ali. He used broker website mortgagehelp.co.nz to submit his initial enquiry. After gathering the required information and using the broker's advice to put together the correct documentation and get the best mortgage for their purposes, they settled on a loan from Sovereign Home Loans. All three parties are individually responsible for paying the mortgage.

"I was renting for 10 years and just pouring money down the drain. Buying with friends was the only way I could get on the Auckland property ladder," Chris explained.

"Each person is legally responsible for paying their share of the mortgage and we have other legally binding arrangements between us." The only major downside, he says, is organising everyone to get their act together. "It is a complex process, getting everyone to gather their documents etc, but the broker helped enormously."

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