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8 COMMON QUESTIONS RELATING TO CO-SIGNING A MORTGAGE

Alberta - BC – Ontario – Manitoba – Saskatchewan

1. What is a co-signer?
2. What is the difference between a co-signer and a guarantor?
3. When is a co-signer generally required?
4. When can a co-signer be removed from their mortgage obligation?
5. What can one do if a co-signer wants to be removed, but the main applicant isn't ready?
6. Will co-signing a mortgage negatively affect the ability to obtain other financing?
7. If asked to be a co-signer or guarantor, what should I do?
8. Will a co-signer or guarantor on a private mortgage equate better rates, fees, and terms?

FAQ 1: What is a co-signer?

Answer: A co-signer is most commonly a family member relative, but can be anybody that is willing to guarantee the mortgage loan you are applying for. If you miss payment or default on the loan, (including bankruptcy); it will negative impact both parties equally. For people who want to apply for a mortgage but have weak credit, getting a co-signer with better credit or with a more stable employment history can make the process go more smoothly. Basically, a co-signer is also liable for the terms of the mortgage and also has an interest in the purchase of the home. Married couples who co-sign are each receiving a 50 percent interest in the home. If a single person has a friend or relative co-sign, that friend or relative also has a 50 percent interest in the home

FAQ 2: What is the difference between a co-signer and a guarantor?

Answer: A lot of people use the terms “guarantor” and “co-signor” as though they mean the same thing, but the roles are actually quite different. If someone acts as our co-signor, his name goes on the title as well, and he shares the legal responsibility for making the payments. A guarantor has put down a personal guarantee if you default on the payments, but his name does not appear on the title, so he has no right to the property.

FAQ 3: When is a co-signer generally required?

Answer: There are several reasons why banks might require a guarantor or co-signor. If you need to boost your income, a co-signor can cover the gap. This person also has to come to closing and sign all the mortgage paperwork because his name appears on the title as well, until the borrower qualifies for his own loan and can take over the note.

FAQ 4: When can a co-signer be removed from their mortgage obligation?

Answer: Once credit and income are improved you can apply to have the co-signer removed. You will need to contact your lender and apply as if it is a new application. The lender will have you re-confirm your information such as: employment, income, and debts to ensure you qualify on your own. If you do not qualify the co-signer will remain until you can.

FAQ 5: What can one do if a co-signer wants to be removed, but the main applicant isn't ready?

Answer: One can apply for financing with a new lender, or seek out alternative or private lending options. In order to qualify with a non-bank lender, there needs to be sufficient equity. If no finance options are available, one may need to sell the property. In some cases, if the arrangement isn't working, and if a co-signer is determined to be off the property, the co-signer can request to the lender to initiate a legal proceedings. This is a costly method as it increases the legal costs, but also hinders further refinance or sale efforts.

FAQ 6: Will co-signing a mortgage negatively affect the ability to obtain other financing?

Answer: Yes. If one becomes a co-signer, it directly affects their borrowing power, and can negatively impact their ability to qualify for other loans while acting as a co-signer. Most banks now report all mortgages to the credit reporting agencies. Most Private Lenders do not report mortgage loans to credit reporting agencies.

FAQ 7: If asked to be a co-signer or guarantor, what should I do?

Answer: If someone has asked you to be a co-signer or guarantor, you need to have a strong financial position – because you are promising to satisfy the whole debt for the mortgage if the borrower defaults. If you agree to serve as one, the lender will look closely at your credit, and you also have to disclose your income, assets and liabilities. At Amansad Financial, we believe that a co-signer or guarantor should only be used as an absolute last resort.

FAQ 8: Will a co-signer or guarantor on a private mortgage equate better rates, fees, and terms?

Answer: Rarely. With a private mortgage loan, a bulk of the decision is based on the condition of the property, down payment or equity in the property as it relates to its location. In addition, common sense affordability, and the ability to repay, or refinance the loan at the end of the term is relied on. In some cases where an approval is doubtful, a co-signer or guarantor may be requested for that a private lender/investor feels more comfortable with issuing the loan.

As an Alberta Based Mortgage Broker with DLC Brokers for Life Inc.; Amansad Financial provides traditional bank financing, non-traditional, and private equity creative solutions to customers. Amansad Financial focuses on Alt-A, Private Equity Lending & Alternative Mortgage Solutions. If a borrower doesn't fit a bank mold but have the necessary down payment or equity; obstacles can be overlooked with our [private mortgage lending partners](#). With adequate equity or down payment, security, or a combination of both... a solution will likely be found. Borrower credit is the least of our worries.