When buying property with a partner...

With the rising cost of living and many would-be homeowners struggling to afford purchasing a property on their own, many have decided to share costs and increase their chances of approval by choosing to buy a home with a partner.

Image: www.freedigitalphotos.net

This is according to Adrian Goslett, CEO of RE/MAX of Southern Africa, who notes that co-ownership is becoming a very attractive option for unmarried buyers who want to get into the market as soon as they can.

"Many consumers are aware of the fact that the market is changing and beginning to favour sellers. Inventory of homes available to buyers is in short supply at the moment, making it increasingly more difficult for buyers to get their foot in the door. Choosing to buy a property with a partner, friend or family member gives buyers more options and strengthens their financial standing," says Goslett.

"In today's property market affordability is essential, and partnering with someone can make the venture of purchasing a home far more affordable for both parties."

An increase in joint applications

According to FNB Homeloan data there has been a significant increase in joint applications over the last quarter. Goslett points out that this is largely due to the fact that it is far easier to get bond approval on a dual income as opposed to a single income.

"The average bond issued is between R950,000 and R1 million, which means that the applicant would have to earn a gross salary of around R30,000 to qualify based on an interest rate of 9.25% and a repayment period of 20 years. The simple fact is that there are many South Africans who fall way below this salary bracket, but who still want to own property. For them, applying for finance with a partner can make that bond amount feasible," explains Goslett.

He notes that while many banks no longer offer consumers joint cheque or savings accounts, due to the vast number of buyers who are choosing to co-own with another party, many lenders do offer joint home loan accounts or mortgage packages that cater specifically for this situation.

Goslett provides a few pointers to buyers applying for a joint home loan:

- Shop around to find the best home loan to suit your requirements
- Have all relevant documentation on hand when applying
- Monthly bond repayments consist primarily of interest repayments, so know the interest rate payable on the loan and reassess after a five year period.
- As a rule of thumb, the bond repayment along with taxes and property insurance shouldn't exceed 25% to 30% of your joint income

"There are several advantages of a joint home loan, such as the possibility of a higher bond amount and the shared financial burden with all costs divided. Each of the buyers can contribute towards the deposit, bond repayments and other financial responsibilities associated with home ownership," says Goslett. "However, while all parties share in the benefits, they also share in any financial penalties that may come about as a result of late or skipped payments on the home loan. Therefore it is important for them to understand the complexities and the risk of owning a home with someone else."

Discuss all matters

He notes that it is important for both partners to discuss all matters before entering into a joint home loan agreement. This will ensure that each person has a clear understanding of what is expected of them. "It is advisable that there is an agreement reduced to writing that stipulates what each party is responsible for and how certain situations that may arise will be handled. This agreement should be signed by both parties, as it will protect them should any dispute arise in the future," adds Goslett.

"Aspects that should be covered include issues such as what each one wants from the venture, how long they plan to live together, and what happens if one wants to sell their share of the property in the future. As with any property purchase, the parties must have an idea of their future plans and how this could impact on the partnership. For the partnership to be viable, both parties will need to be in agreement with all factors that impact the property."

Goslett notes that in order to protect both co-owners, each partner should keep a record of all documents and payments made that relate to the property they jointly own. If one person defaults on any of the payments, all partners will be held liable.

"This shows the importance of choosing the right person to partner with. If problems occur in the relationship or things change, both parties are still liable for the debt from the bank's point of view. The relationship will need to be based on complete trust and honesty, where financials matters can be discussed openly. This way any financial issues that arise can be dealt with in the appropriate manner before they become problematic. An additional precautionary measure would be for each partner to draw up a last will and testament addressing what happens to the property should anything happen to them," advises Goslett.

He concludes by saying that while markets conditions may be challenging for buyers, through sharing the deposit and bond repayments, those who are unable to show the necessary affordability on their own can still get their foot in the door by purchasing with a reliable partner.