

A GUIDE TO SMART CO-BUYING

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The questions to ask. The people to know. The steps to take.

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You can co-buy with anyone. While co-buying is most popular among family members and couples, anyone can buy with anyone:

- Just friends.
- Just Co-workers.
- Associates from a local sports league, and civic group. volunteer organization, or meet-ups.

There are no restrictions.

The only requirement is willingness.

None of the suggestions in this guide are required. In fact, most people won't do all or any of these things because they will not want to ask these questions or put in the work. Nevertheless, it is my desire to provide the structure for what smart co-buying looks like.

This can be done prior to closing on a purchase or after. Or, some parts before, some parts after. Ideally, the co-buyers will put in the effort prior to shopping for a home together and execute the checklist prior to closing. Commit to an action plan and get it done.

Given the common concerns that come with co-buying, this guide will provide options and ways to ease your mind.

Some concerns that may be swirling around your mind are:

1. What if I am the one putting in the down payment and they don't have anything to contribute, how will I get my money back when we sell or refinance?
2. What if the person I am buying with dies?
3. What if the person I am buying with has a life event, like job loss, disability, illness, or inability to work to take care of the family?
4. What if we need to replace a major home system like an HVAC unit, or hot water heater, who will pay?
5. How will the mortgage be paid? Are we splitting it and sending in partial payments?
6. What happens if I die?
7. What happens if I have a life event?
8. What if I am the one making the payment?
9. What if I need to move out?
10. What if they need to move out?

There are probably 100 more questions. Regardless of what it is, it could be addressed by assembling the following team to put a comprehensive plan together.

- Mortgage Professional
- Attorney
- Life and Disability Insurance Agent
- Banker

Together here's what they can put together for you:

1. The attorney can prepare a co-tenancy or a cohabitation agreement. This legal document addresses all details of your concerns starting with the big things like, how is ownership to be held, and what options are available if one of you passes away. It can also include how equity is distributed upon sale, or prior to sale. It can even address common areas and areas that are private and have restricted access. The attorney can also prepare a simple Will to specify your post-life desires to manage your equity share.

2. A life and disability insurance agent can ensure each person has sufficient life insurance to cover at a minimum their portion of the mortgage, so if they pass, the co-tenants can receive the benefit to pay down the mortgage.

3. A Banker can open a household account for the co-tenant. Co-tenants can set up automated payroll deductions for their portion of the payment plus extra for household maintenance. Then, a single autopay can come out of the account to pay the monthly mortgage payment.

4. The mortgage professional will qualify the individuals and advise them of maximum qualifying potential, inform them of payments, upfront costs, and guide the pair or group through hardships. For example, should a member pass away, and the surviving co-tenants receive life insurance proceeds to pay down the mortgage loan, the mortgage professional can guide them on options that include paying as agreed and paying off the loan early, or doing a re-cast, to reduce the payment based on the reduced principal balance.

Basic Contingency questions everyone should ask themselves:

- How much do I currently have in life insurance?
- Do I have a Will?
- If you don't have a basic will, even if you are single, you need to speak to an attorney. You need to appoint as the executor of your Will. Everyone needs to convey to a confident what their end-of-life plans are, regardless of age. Do you have a medical power of attorney? Be sure your confidant knows how to access your Will.
- Where do I want to direct my assets if I pass away?
- How much disability insurance do I have?
- How much life and disability do I have if I leave my employer?
- How much do I have available to contribute to a down payment and closing costs?
- How much will I have left over in reserves after closing for an emergency?

Please write your answers down in a journal at the end of reading this paper. Share this exercise with your co-buying counterparts. Get their answers.

These answers are important regardless of the relationship. Unless you are married, most people are not going to be included in any automatic distribution of your assets unless you own them jointly, you have a legal agreement in place, and they are named in your Will.

While this list of questions may be intimidating, I believe you will agree they are important. Being in a 30-year committed relationship with a friend and a mortgage should make you pause and ask these questions. Buying a home is a grown-up thing to do and these are the hard adult questions that everyone should address. Whether you choose to tie up all loose ends with a comprehensive plan is entirely up to you.

In a nutshell, here is a list of the next steps to take after asking the serious questions:

Checklist of Action Items:

- Contact a Mortgage Professional to learn about possibilities.
- Find a Home with a Realtor and win your offer
- Contact Attorney for Legal Agreement
- Contact the attorney for Will
- Contact a Life and Disability insurance agent for supplemental insurance.
- Close on Home
- Open a Co-tenant bank account for housing payments and expenses
- Set up Auto-Deduct from payroll.

The mortgage points:

- Buying a home with another person is a serious matter.
- There are risks associated with this, as with many other things in life.
- These risks can be mitigated with a plan and professional services.
- Be smart, take the first step, and contact a mortgage professional to see what's feasible for you.



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ABOUT Blackwell Mortgage of NC, LLC

Blackwell Mortgage of NC, LLC is a Raleigh, NC-based independent mortgage broker. April Blackwell, the Owner, and Certified Mortgage Adviser uses her 20-plus-year career in financial services and in mortgage origination to customize mortgage plans for clients and find them the best lender fit. Blackwell Mortgage of NC LLC is a purpose-driven company that donates a portion of all loan proceeds to their non-profit 1C1313.org to be used to match community donations for a multiplied impact on local non-profits that provide children and families with essential needs.

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