Buying A House Together

Buying a home is expensive. A lot of people want to have a home of their own but do not have enough cash or can't get enough funding to afford a mortgage. On the other hand, some people are looking for ways to be able to take advantage of tax benefits from being a home owner. So they turn to co-buying.

"Neither of us had a big enough chunk of money to put down for a home in a desirable neighborhood," Brian Free told the *U.S. News & World Report* about his decision to purchase a home with his friend. "However, aggregating our resources allowed us to find a home that suited our needs."

However, co-owning anything with a friend or relative comes with risks. But there are things you can do to reduce the risk of running into problems. Careful deliberation and planning is a must.

- **Think about how you will hold title**

The decision on how to hold title will affect your say in legal documents. Unmarried co-buyers can share a title as TIC (tenants in common) or as JTWROS (joint tenants with right of survivorship). Co-owners who are married can take title via community property or tenancy by the entirety.

- **TIC versus JTWROS**

With JTWROS both owners have equal shares in a home. When a co-owner has passed away, his share will go to the other owners. Consequently this means that the last surviving owner gets all the shares. In a TIC, the shares may or may not be equal. Each co-owner has its own title. Right of survivorship doesn't work in TICs. When a co-owner dies, his share will not go to surviving co-owners. Each co-owner can pass their share to their family members or whomever they want to will it to. TICs can be dissolved if a co-owner buys out the share of the other co-owner/s. Or to sell the home, one co-owner can file a partition action.

- **The similarities of a TIC and JTWROS**

In both ownership arrangements, owners have rights to the property. If it is rented or sold, co-owners each receive each will receive a part of the money that is according to their shares.

- **Secure a co-ownership agreement**

It is important to lay the ground rules and protect your share. It is wise to make things clear for all parties involved before problems arise. No matter how close you are with the co-owners, there is always a possibility that ownership issues will be challenged. A co-ownership agreement can help resolve the issue.

- **What are the ownership percentages?**

Joint tenants have equal shares. Co-owners in a TIC agreement can divide the shares based on the amount that each has put in for the down payment.

- **How are ongoing costs divided?**

They refer to ongoing costs like mortgage payments, property taxes, insurance, utilities and maintenance. The division of expenses like this should be part of the co-ownership agreement. Co-owners may divide this according to their shares or according to the amount of time each co-owner will put in to maintaining or improving the property. You may want to open a joint checking account so each co-owner can withdraw from this account to pay for ongoing expenses.

- **What if a co-owner wants to sell?**

The co-owner who wants to sell does not need to get the approval of the other co-owner as to whom they could sell it to. However, the other co-owner can object to the sale because of their right of first refusal.

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