Consider A Co-Signer

What Is A Co-Signer?

- A cosigner is someone who guarantees that if the borrower cannot pay back the loan, they will be legally responsible to pay back the debt
- Co-Signer must demonstrate:
- Stability
- Ability to pay
- Willingness

Why Use A Co-Signer?

- Primarily, it is done to allow people to buy a home while their future income catches up with their financial obligations
- Another reason why people ask for a relative to help as a co-borrower is to help overcome slight credit deficiencies
- Example: Person attending college away from their hometown, and parents may co-sign on the purchase of a home

Difference Between Co-Signer & Guarantor

- A Co-borrower is just another applicant, such as the spouse or siblings buying a house together
- Co-signer is usually brought on to add strength to a mortgage application
- A guarantor would personally guarantee the mortgage repayment, however, a notable difference with a guarantor is that a guarantor will only go on the mortgage (the debt) and not on the title of the property (asset)

Fannie Mae B2-2-04: Guarantors - Co-Signers

- Guarantors and co-signers are credit applicants who do not have ownership interest in the subject property as indicated on the title
- Sign the mortgage or deed of trust note
- Have joint liability for the note with the borrower
- Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker

FHA Non-Occupying Co-Borrower Rules and Guidelines

- FHA will allow the non-occupying borrower to be either a relative or a close friend
- For the non-occupying co-borrower the following conditions will have to be met:
- A complete two year history of both credit, employment and residence will be required
- The person must have a valid social security number

Loan Ratio - Down Payment

- The maximum loan-to-value ratio of 96.5%, for a 3.5% down payment, is allowed if the co-borrower is related to the buyer
- Since many FHA buyers are able to obtain a gift of a down payment from their parents or relatives, the non-occupying co-borrower can skip the usual paperwork associated with the gift and simply use their funds for the down payment

Finding the lowest mortgage rates