

## A Message from the President of the Youngstown Columbiana Association of REALTORS®

Released November 15<sup>th</sup>, 2020

### WHY YOU SHOULD NEVER COSIGN FOR YOUR CHILDREN

By, Patrick Burgan



I'll admit it, I had an awesome childhood. I mean, I might have the coolest parents in John and Jackie Burgan. While they made my childhood, and even now into my adult years, fun and rewarding, they were also very committed to "tough love" when needed. Like when I got my first car and my father wouldn't cosign on a loan for me.

"What the hell, JB?" That was pretty much my reaction.

But even at that young age, my father explained to me why he will *never* cosign with me on ANYTHING, especially a house. While I didn't understand it then, I now realize that father really did know best, especially when it comes to cosigning on a home for your child. Cosigning puts more than your child's dreams of owning a home at risk.

#### *Risk to Your Credit*

You've risked everything for your children: don't risk your credit. When co-signing on a home, you become the person on the hook for the loan. If your child doesn't make his/her payment, the bank is coming after you. As a cosigner, the loan becomes part of your credit history, which means it impacts how much you will be able to borrow, should you need to do so.

#### *Risk to Your Bank*

Lenders judge all of us based on our likelihood to repay a loan. Their business is making money...and they're good at it! If the bank says your child isn't right for a home loan, they're probably right. If the bank thinks your child's poor credit, or lack thereof, is a sign of a lack of experience in responsibly borrowing money, you should listen to them. The risk for them is too great, which means it should be too great for you as well.

#### *Risk to Relationships*

I know it is hard to believe, but I haven't always been the son who made life better or easier for my parents. But through it all, we've become closer and stronger. However, when money is involved, mending fences aren't always easy. Delinquent payments incur more than just late fees, it creates animosity. If the goal is to teach being responsible with money, cosigning on a mortgage is not the way to go. When you cosign on a home loan, you aren't helping them, you're just enabling them and setting you both up for an inevitable argument.

#### *Co-borrow Instead*

If after reading this you think I'm crazy and you're committed to helping your child out, at least take this approach: co-borrow. While cosigners and co-borrowers both share legal responsibility for debt, here is a BIG difference between the two. The biggest difference is that when you co-borrow, you still have a responsibility for the debt BUT you also own the property as well. If you and your child are co-borrowers on a home mortgage, for example, you would both have your names on the title to the house, which means, if your child

skips town on the payments, you actually have property that you can own and take over from them. If you cosign on a loan, you are just on the hook for the payment with nothing to show for it.

Over my lifetime, I am very grateful for everything my parents have provided me. They have taught me a sense of right and wrong, empathy and a belief that good things happen to good people. However, when it comes to cosigning on a home, tough love has always been the best teacher that has both of our interests at heart.

*Patrick Burgan is the 2020 President of the Youngstown Columbiana Association of REALTORS®*