

## Trend shows friends uniting to beat tougher lending criteria

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Australia's leading direct lender MyRate.com.au has seen a 300% increase in the proportion of enquires lodged over the past six months of friends or relatives wishing to buy a property together.

Kevin Sherman, Managing Director of MyRate.com.au, believes this to be a reaction to the tightening of lending criteria since January and the desire to take up the first-home buyer's grant before December

"It's said you can't put a price on friendship, but more and more Aussie mates and siblings are testing this theory by buying their first property together. First home buyers are realising a bigger deposit is now expected and they simply can't afford it on their own. They also want to buy now while the first home owner's grant is still in place. Many lenders are demanding greater serviceability on the loan to assure themselves that it can be paid with many younger purchasers being asked to have Mum and Dad sign on as guarantors."

Recent ABS figures show the current number of dwellings bought by owner-occupiers is 29% higher than when the FHO grant boost was introduced\*. It has been reported that first-home buyers are responsible for over 95% of this increase\*. With lenders tightening up their policies since January 2009, many first home buyers are finding they can't satisfy the criteria alone.

Jack Post, 21 from Melbourne, has just bought his first house with his cousin and a good mate. "Buying a place together has been a great move for me. It's meant I'm entering the property market sooner and I'm able to pay my part of the mortgage while still saving. I'd definitely recommend it".

But Sherman warns that friends or family considering a joint transaction must treat it with caution. "It can be a fantastic opportunity but what happens if something goes wrong? There are too many horror stories that justify the old saying, 'never mix friends with business'."

He offers these tips to Australians considering entering the market together:

- Agree upfront all the terms for entering into this arrangement together, and make sure you have proper documentation to support all these agreed decisions
- If you're confused on how to look at it, treat it like a pre-nup to a marriage
- Envisage the worst case scenario - what would happen if your friendship breaks down? It probably won't but you have to be prepared
- Go in equally if you can, one party holding the power is recipe for disaster!