

Huge rise in friends buying joint homes

Ed Logue
July 17, 2009 - 4:05PM

Australians are ignoring warnings that they should avoid entering into joint property ownership with friends or family, a lender says.

The warning follows the release of data by direct lender MyRate.com.au showing a 300 per cent rise in the share of properties brought by groups of friends or family over the past six months.

MyRate managing director Kevin Sherman said the increase in joint ownership had been spurred by the gradual phasing out of the boost to the first-home-owners grant from October 1.

Tighter criteria for lending had also played a part.

"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," Mr Sherman said.

Mr Sherman said first-home buyers needed a larger deposit due to the tighter lending conditions and higher home prices and many were unable to buy on their own.

"They also want to buy now while the first-home-owner's grant is still in place," he said.

"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."

In October 2008, the federal government doubled the first-home-owners grant to \$14,000 for existing dwellings and tripled it to \$21,000 for new homes.

The boost will be lowered to \$10,500 for existing dwellings and \$14,000 for new homes from October 1 before the grant reverts to \$7,000 on January 1, 2010.

Canstar Cannex senior financial analyst Harry Senlitonga said the high cost of housing was a driver for joint ownership.

"It is getting hard for a single person to buy a house and you cannot break the house into pieces like shares," Mr Senlitonga said.

"That is why there are an increasing number of people doing it this way."

Many banks have tightened their rules for mortgage applications following the global financial crisis in September 2008, which has hindered potential homeowners, Mr Senlitonga said.

"Most of the banks now require a 10 per cent deposit and for a \$500,000 house, that means \$50,000 as a deposit," he said.

"For most of the first-home buyers, that is a significant amount of money."

Mr Sherman said friends or relatives considering a joint mortgage should proceed with caution.

All the terms for entering the agreement should be confirmed beforehand with the documentation to uphold all decisions, he said.

Mr Sherman said buyers should always prepare for the worst case of a friendship ending or family trouble and all parties should try to have an equal share in the arrangement.

This story was found at: <http://news.smh.com.au/breaking-news-business/huge-rise-in-friends-buying-joint-homes-20090717-dnze.html>