

Thinking of borrowing with someone else?



Co-Borrower guide

When you choose to borrow money with other people – whether it's to purchase a new property, refinance an existing home loan or top up your existing home loan because you need the additional money – you all become 'co-borrowers'. It's important for each borrower to understand their rights, obligations and what the potential risks are, when they choose to borrow money with someone else.

This guide outlines important information to consider before applying for a home loan with someone else.

Key considerations for Co-Borrowers



What you'll need to know

- All borrowers will be on the home loan application – so your financial information such as income, assets and liabilities will be visible to all other borrowers. We'll use the information provided by all borrowers when we review and assess the home loan application.



Risks and Financial

- Each borrower is jointly and severally liable. This means you are responsible for the total debt and repaying the whole amount, in the event the other borrower(s) can't or won't pay.
- In the event of a default in repayments, we will give all borrowers notice to correct the default. If the default is not corrected, your credit rating may be affected.
- If a default is not corrected we can also exercise our right to sell the security property, which means you could lose your property (or other security provided) if this happens.
- If the proceeds from the sale of the security property do not cover the outstanding balance, including any fees and charges for your home loan, it's important to understand you may still owe a debt to us.
- Failure to pay any outstanding loan amount may result in adverse credit rating for all borrowers.



Other considerations

- If you're not sure about your obligations before signing the home loan contract, please talk to your Solicitor and/or Financial Adviser.
- If you are feeling pressured into applying as a co-borrower on a home loan, please let your Home Lending Specialist or Broker know immediately.



Will this home loan benefit you?

Under the Banking Code of Practice, we need to consider the ‘benefit’ you will receive from the home loan and are required to assess whether you are receiving a ‘substantial benefit’ from the loan.

This means you’ll:

Benefit	
	<ul style="list-style-type: none"> Receive some benefit, but less than other borrowers on the loan for the use of the loan funds, e.g. for assets purchased (a property or a car), debt refinance or other acceptable loan purposes; or Receive a non-financial benefit, such as living in a property, or driving a car registered in your co-borrower’s name.
Substantial benefit	<ul style="list-style-type: none"> Benefit at least the same amount as other borrowers on the loan for the use of the loan funds.

If you won’t receive a substantial benefit from the loan, we will only accept your home loan application if:

- You understand the difference between being a co-borrower and a guarantor;
- You understand the risks of being a co-borrower;
- You have provided an acceptable reason for becoming a co-borrower; and
- We are satisfied that you aren’t experiencing financial abuse.

Here are some examples to help demonstrate whether or not you will receive a substantial benefit.

Loan Purpose	How will the loan funds be used?	Do you receive a substantial benefit?
To purchase a property	You’re purchasing a house with your partner and you will each own 50%	Yes
	You’re purchasing a house with your partner and you will own 20% of the property while your partner will own 80%	No
To refinance credit card debt	You’re refinancing your credit card debt	Yes
	You’re refinancing someone else’s credit card debt	No
To pay for a holiday	You and your partner are going on a holiday and 70% of the loan funds will be used to finance your share of the holiday expenses	Yes
	You and your partner are going on a holiday and 30% of the loan funds will be used to finance your share of the holiday expenses	No

Other options – Guarantor or Property Share

If being a co-borrower isn't for you, there are other options available such as becoming a guarantor or guaranteeing with Property Share.

Security guarantor



You may be able to assist the borrower(s) as a guarantor by providing an additional security such as your property to secure the loan.

A guarantor is someone who agrees to be responsible for repaying a debt owed to us if the borrower(s) can't make their repayments. As a guarantor, you may be required to pay us any amounts up to the maximum shown in the guarantee, along with interest and reasonable enforcement expenses. If you (as the guarantor) are unable to pay the loan or cover the repayments, we may seek to sell your property (security provided) to cover the shortfall owed to us.

For more information on Guarantors go to commbank.com.au/guarantor-support

Property Share



Property Share allows you to split the cost of buying a property with multiple borrowers, whilst retaining individual control of your finances. This works by using your jointly owned purchase property as each other's security guarantee. The borrowers must be the sole owners of the property (no third-party guarantors) and show they can repay their home loan.

For more information on Property Share go to commbank.com.au/propertyshare



TIP: However you choose to set up your home loan, you need to consider the financial risks, including the risk of losing your security, property or other assets. Before proceeding with your application, we recommend you obtain independent legal and/or financial advice about your obligations as a co-borrower or guarantor.






Meet Jasmine and Liam

Jasmine and Liam have found a home they want to buy and discuss the different ways in which they can set up their home loan with their Home Lending Specialist or Broker. Learn about the differences and some of the risks below.

How does it work?

Here's an example to help explain the difference.

Loan Structure	Loan setup	What happens if Liam misses a loan payment?	What happens if Liam defaults on the loan?
Co-Borrower 	One loan is set up. Jasmine and Liam are both co-borrowers on the same home loan.	Jasmine is liable to make the minimum required repayment on the loan.	Jasmine will also be in default and if she can't clear the default then the property may be sold in order to pay off the debt.
Security guarantor 	Jasmine's mother Jenny has agreed to become their guarantor and provides her property as security. Two loans are set up. Both loans are in Jasmine and Liam's names only. Loan 1 – Is secured by Jasmine and Liam's purchase property. Loan 2 – Is secured by Jasmine and Liam's purchase property and Jenny's (guarantor) security.	Jasmine is liable to make the minimum required repayment on both loans.	Jasmine will also be in default. The property may be sold in order to pay off both their home loans if the default isn't cleared by either Liam or Jasmine. If the proceeds from the sale aren't enough to pay off both loans in full, then Jenny (guarantor) is now required to pay us (CommBank) any amounts up to the maximum shown in the guarantee, along with interest and reasonable enforcement expenses. If she is unable to pay the loan or cover the repayments, we may seek to sell her security property to cover the shortfall owed to us.
Property Share 	Two loans are set up. Loan 1 - Jasmine has a home loan set up in her name and Liam is a guarantor on her home loan. Loan 2 - Liam has a home loan set up in his name and Jasmine is a guarantor his home loan.	Jasmine is not liable to make the minimum required repayment on Liam's loan.	Jasmine will not be in default on her loan. The property may be sold in order to pay off both their home loans if the default isn't cleared by either Liam or Jasmine. Jasmine and Liam will receive a portion of any remaining sales proceeds based on title ownership and their outstanding debt.

If you decide not to proceed as a Co-Borrower

You can choose to withdraw your consent for the home loan application so long as you have not received any credit under the contract.

Withdrawal consent can be given by:

- Contacting your Home Lending Specialist or Broker directly; or
- Writing to us at the address or email address provided to you by your Home Lending Specialist or Broker.

We're here to help

If you have any questions or want more information:



Book an appointment with a Home Lending Specialist at commbank.com.au/appointment or contact your Broker.



Call us on **13 2224** (8am - 8pm any day)



Visit commbank.com.au/homeloans



Things you should know: This guide doesn't consider your individual objectives, financial situation or needs. Before basing any decisions on this information please:

- Consider its appropriateness to your circumstances.
- Consider obtaining professional advice specific to your needs, including financial, taxation and legal advice.

Loan applications are subject to credit approval and any loan offer includes full terms and conditions. Fees and charges apply – see our fees and charges brochure. All examples and scenarios are illustrative only. This guide is subject to change without notice.

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