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CO-OWNERSHIP:

AN AFFORDABLE WAY TO BUY A HOME

Jeremy Wilson, 38, was frustrated with paying high strata fees and wanted a bigger backyard for his dog.

When Wilson and his wife Kim started looking at single-family homes in Richmond, their frustration only grew.

"We found that what we could afford and what we wanted was miles apart," says Wilson. "In our price range, the homes were either really small bungalows or in complete disrepair."

The couple came up with an idea that is growing in popularity in cities across B.C. – co-ownership. Whether it's with roommates, co-workers, friends or family members, people are increasingly buying and sharing a home as a group and splitting the expenses.

The Wilsons approached Kim's mother and asked if she wanted to purchase a home with them. At the time, Kim's mother Jean owned a townhome but lived alone and was fighting cancer. It seemed to be a win-win situation.

"We knew we could all live under the same roof and it gave Kim peace of mind that her mother was nearby," says Wilson.

They ended up pooling their finances and buying a 2,500-square-foot home in Steveston for nearly $900,000.

"We never could have bought this house on our own," he says, adding that after Kim's mother passed away, her half-share of the home was divided between Kim and her sister, who now lives in the lower suite. "We split the expenses three ways and we've never had a problem."

MIXER MORTGAGES

Colin Lawrence, mortgage development manager at Vancity, says this trend is why the lender created the Mixer Mortgage in 2006.

"We wanted to address this issue of co-ownership and we came up with a checklist to help our members decide if this is the right option for them," says Lawrence.

Essentially, a mixer mortgage is not unlike a regular mortgage –payments are due each month, and if payments go into arrears the lender can foreclose. The exceptions are that the mortgage can be split into multiple parts, so one owner can opt for a fixed rate and the other can choose variable, and payments can come from separate accounts.

THE RISKS

Although it seems very alluring to buy a home where you are sharing the costs with family or friends, there are many pitfalls.

Randy Klarenbach, real estate lawyer at Richards Buell Sutton LLP, asks, "What happens if one owner loses their job gets sick and can't work or moves out of town? A lender can't foreclose on half a property."

If one party can't pay their share, he adds, it becomes the other person responsibility to make the mortgage payments or risk losing the house.

"Bottom line, it's a huge financial risk," he says.

DRAW UP AN AGREEMENT

As with any financial arrangement, Lawrence concedes there are drawbacks.

But he maintains that if all parties come in with eyes wide open, with a workable plan with expectations drawn up and good legal advice, co-ownership can work well.

"Everyone must be aware of all of the things that can go wrong – that's why Vancity provides its members with an agreement checklist," adds Lawrence.

It's been five years since Wilson entered into a co-ownership agreement and "it's been fantastic … the only drawback is the lack of privacy."