

# WHAT TO INCLUDE IN A CO-OWNERSHIP AGREEMENT.



**1** The Parties

**2** The Property

**3** The Term

**4** The Finances

**5** The Extras

When drafting your co-ownership agreement you can modify and match the agreement you use to best meet the needs of you and your co-owner. No two co-ownership agreements need to be the same and each one should include terms and conditions determined by you and your Mate before buying a property together.

A co-ownership agreement is a legally binding contract, and as such, using a legal document and or seeking legal advice is really important when you draft the agreement. Just like this info sheet- Mortgage Mates is not a law firm and does not provide legal advice on how to co-own, we simply point you in the right direction.

Before we delve into the discussion points on what to include in a co-ownership agreement, we also want to confirm who a co-ownership agreement is for, and for us, that is EVERYONE. If you are buying a house with another person, whether it be a Mate you matched with on our website, a friend you have known for years, or your partner that you see forever with, a co-ownership agreement is something you need, and should have in place, before you buy.

**Legal documents templates** defines a co-ownership agreement as follows:

*'A Co-Ownership Agreement is simply a written understanding describing the terms under which your [property] will be purchased and used. The agreement spells out the responsibilities and privileges of the various co-owners. This agreement can suit many needs, for example, documenting a time share type agreement for a [property]. No matter the specific scenario this agreement is drafted so that each co-owner will be clear about what they can and cannot do.'*

The level of detail and complexity in the contract can again be determined by the users, and can include financial and practical terms only, and/ or co-living options for when you both live in the co-ownership property.

As defined **Legal Documents Templates** some terms to consider could include:

- *The parties*- the Mates who are entering the co-ownership arrangement and who are looking to own a home together.
- *The property*- the house or home you are intending to buy or build.
- *The Term*- how long you intend to live in the property and or the length of time you intend to own the property for. Your co-ownership agreement can include a different term for the time you live in the property and for the length of time that you own the property for. As an example, you may initially choose to co-live in the property with your Mate for three years, and then, as and when you meet a partner or decide to purchase a property independently, continue to own the property as an investment for a further two years after you move out.
- *The ownership*- the type of co-ownership you intend to use. For our Mates we recommend Tenants in Common, however there are alternative options and you should seek legal advice to find out which option works for you.

- *Property maintenance*- who is responsible for the maintenance of the home from a practical and financial perspective. This may alter and or have different legal obligations depending on whether you are co-owning to live together, or co-owning as an investment and renting the property out.
- *Personal property*- this term allows you to determine who owns the internal items in the home, e.g. furniture and how this may be split as and when you exit the property.
- *Bank accounts*- how do you manage the costs associated with the property? This might include the payment of the mortgage, bill payments and insurance payments. Do you want to have a joint account to pay bills out of and to pay in the monthly associated costs, or will you continue to use your own bank accounts and split the payments equally? Also important to consider is whether there is a savings niche you want to have in place during the period you co-own, and if so, will this remain in a joint account to ensure visibility, and to ensure any spends are pre agreed before use.
- *Mortgage obligations*- how are the payments made, when are the mortgage terms reviewed and what savings amounts are needed to be in reserve for the duration of the period of ownership.
- *Use of the property*- is the property going to be lived in, rented out, or a bit of both? Perhaps you and your Mate will own the home and rent out a spare room, meaning you need to think about how you enjoy and manage living together and the legality of renting a room out. This will also vary depending on whether the room is rented out long term or whether it is an Airbnb arrangement. These types of terms might seem less important than the financial considerations, but they impact the enjoyment of your home life day to day and should be considered as important as any other parts of the agreement.
- *Insurances*- in particular consider the insurances that maintain the safety of the property and the safety of your agreement. These are of paramount importance to discuss upfront and before confirming a sale. This would include housing specific insurances like content and building insurance but could also include income based insurances such as income protection insurance so you can manage the cost of the property, should un for- seen risks come your way.

- *Anything Else!* This list is by no means exhaustive but it is a starting point for the items you can consider including in your agreement. Setting out the purpose of your ownership will help predetermine the areas you may want to focus on. For example, if you intend to co-invest, you may want to determine where the profit is placed/how it is used. (Is it saved to cover maintenance costs for example, or will it be used to reinvest in future properties), and what style of rental property will be it? E.g. a private rental, an Airbnb or a social investment property in the not for profit space. If you are intending to co-live in the property, you may want to look at whether a partner can move in, and how that impacts the cost of co-owning, or complete a separate co-living agreement to manage the behaviour of both Mates.

Regardless of which road you decide to go down ownership wise, make sure you feel comfortable in how you are going to own and ask all the questions you need to make it work for you. Whether you use a pre populating contract or speak to a lawyer one on one, develop an agreement that meets your short, medium and long term goals and aspiration as co-owners.

If you are still unsure- take a look at our Co-Ownership Manual which answers more questions about to co-own and what steps you need to take to do this safely.

***Mortgage Mates.***