

# Co-borrowing



## Here's what you need to know



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# What it means to be a co-borrower

If you're applying for a home loan and are considering borrowing money with someone else, we want you to understand what's expected as a co-borrower, plus any risks and financial responsibilities you will have.

To help you decide on whether this is right for you, we recommend you seek independent legal and financial advice before proceeding with your application.

## Let's look at the key aspects of co-borrowing and how it works with HSBC.

When you become a co-borrower, you're taking a loan with another person (or persons), and everyone agrees to repay the loan.

If one co-borrower misses any repayments, then the other co-borrower/s will be responsible for the entire loan and making any required repayments. This includes whenever the co-borrower chooses not to or is unable to contribute.

As a co-borrower, this means you are responsible for the whole loan both jointly and individually.

# The risks and financial responsibilities of co-borrowers

## Key considerations:

### 1. Financial transparency:

As co-borrowers, you will need to share and disclose your financial information, including your income, assets, and liabilities with each of your co-borrowers on the application.

### 2. Combined assessment:

Your loan application is assessed based on the financial position of all the borrowers together.

### 3. Shared liability:

Each co-borrower is responsible for the full amount of the loan and its repayments.

### 4. Credit impact:

Late or missed repayments may affect all borrowers' credit scores.

### 5. Security risks:

In the case of non-payment or unpaid defaults, HSBC may need to sell the property to recover any outstanding debt.

## Other factors



### Seek advice

If you are unsure about your responsibilities as a co-borrower, seek advice from a solicitor or financial adviser before proceeding.



### Don't be pressured

If you feel you are being forced into becoming a co-borrower, you should let us know straight away to see if we can help.



### Think ahead

You should also consider the potential impact of relationship changes and make sure you fully understand your commitments as a co-borrower.



# Will you receive a benefit under the loan?

We will consider in our assessment whether you, being a co-borrower, will receive a benefit from the loan. This may be in the form of a financial benefit, non-financial benefit or substantial benefit.

Let's look at a few examples of each.



## Financial benefit

A financial benefit is where you will receive a benefit from the ownership of an asset (e.g. property or car) or debt refinance.



## Non-financial benefit

A non-financial benefit is where you receive a benefit outside of ownership. Like living in a home purchased solely in the other co-borrower's name.



## Substantial benefit

A substantial benefit is where you will receive a reasonably proportionate benefit from the loan or a reasonable portion of the loan is used to repay debts or other obligations owned by you.

### For example, if you bought a home with one other co-borrower:

- 25% or more ownership **would** provide a substantial benefit.
- less than 25% ownership **will not** provide a substantial benefit to you.

If we assess that you will not receive a substantial benefit from the loan, then we will only accept your application when you are in a spousal relationship (married / de facto) and:

- we've explained the risks involved and the difference between being a co-borrower and a guarantor;
- you have a valid reason as to why you want to become a co-borrower; and
- you enter into the agreement voluntarily, i.e. you're not being pressured or forced.



# Differences between being a co-borrower and guarantor

There are few differences to consider when looking to become a co-borrower or guarantor, we'll take you through these in the table below:

	Co-borrower	Guarantor
Loan repayment responsibility	Each co-borrower is responsible for repaying the loan, even if the other co-borrowers can't or won't pay.	A guarantor only becomes responsible to repay the loan when the borrower(s) haven't met their obligations, and we ask the guarantor to pay any outstanding.
Missed repayments / not met	If repayments are not being met, we may ask any one of the co-borrowers or all, to bring the back into order.	We will not ask a guarantor to recover any payment before first taking steps to collect from the borrowers.
Repayment amounts	Co-borrowers are responsible for the full loan amount, its interest and repayments.	Guarantors are only responsible for any outstanding amount payable under the guarantee that can't be recovered by the borrowers.
Financial difficulty	If any or all co-borrowers are experiencing financial difficulty, they may contact us either individually or collectively to explore how we might be able to assist.	If we require a guarantor to pay under the guarantee, they may contact us for assistance, but the amount of help is limited when compared to a borrower / co-borrower.
Privacy and information	A co-borrower is entitled to all information about the loan and all co-borrowers.	A guarantor is only entitled to the information relevant to the loan and the guarantee they provide.

## Taking your next step

Before you sign the loan, make sure you understand the terms of the loan agreement, the benefit you'll receive, and your ability to make any or all repayments you're required to.

## We're here to help

At HSBC, we are committed to help you make confident and informed financial decisions when building wealth through property.

If you need more information;

**Go to** [hsbc.com.au/home-loans](https://www.hsbc.com.au/home-loans)

**Speak with** your HSBC Home Loan Manager or Broker today.

### Important information

Terms, conditions, fees, charges, and HSBC lending criteria apply to all HSBC Home Loans. This document does not take account your individual objectives, financial situation, or needs. Before making any decisions, we recommend that you consider whether it's appropriate for your circumstances.