

Have you been asked to Co-Sign a Loan?

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WHAT DOES CO-SIGNING MEAN?

You are being asked to guarantee another person's debt.

- If the borrower does not pay the debt, you will have to pay it.
- The loan will be on your credit report and could keep you from getting other credit. (Lenders consider a co-signed loan to be one of your obligations.)
- You are being asked to take a risk that a professional lender won't take. If the borrower met the financial requirements for the loan, a co-signer wouldn't be needed.

WHAT HAPPENS IF THE BORROWER DOESN'T PAY?

- If the original borrower doesn't pay the debt, you will have to!
- You may have to pay up to the full amount of the debt plus late fees and collection costs not just half.
- The creditor may try to collect from you first without trying to collect from the original borrower.
- Studies show that if the original borrower defaults or fails to pay the loan, 3 out of 4 co-signers are asked to pay the debt.

WHAT IF I HAVE TO COSIGN A LOAN?

Despite the risks there are sometimes you may have to co-sign. A child may need a first loan or a friend or family member may need help. Consider the following:

- How much is the loan for?
- Know how much you are liable for.
- Can you afford to pay the loan?
- Are you being asked to secure the loan with your property such as a car? If so, you could lose that property if the borrower doesn't pay.
- Ask that the lender notify you immediately, in writing, if the borrower misses a payment.

Co-signing should be a last resort if no other options are available.

Contact Three Rivers Legal Services if you are having problems relating to the co-signing of a loan. Call to see if you would be eligible based on the federal poverty guidelines and the priorities of this program.

THINK TWICE

If someone asks you to be a "character witness" so he or she can get a loan, **THINK TWICE!!** Lenders, in general, are not interested in what a nice person the borrower is. They want someone to come to for their money. That person could be you if you co-sign for a loan.