



A Quick Guide to Being a Guarantor for a Home Loan

By **[iCompareLoan Editorial Team](#)**

A guarantor or co-signer to a loan is a third party in a loan contract. In the event of a default by the borrower the co-signer is legally obliged to repay the loan. Thus, the decision to be a co-signer shall not be taken lightly.



Things to take note of

1. Why does the borrower need a co-signer?

More often than not, you might feel compelled to sign on the dotted line out of a sense of helpfulness or loyalty. However, when it comes to such a major financial undertaking, you will have to adopt an impersonal stance.

You must find out why the borrower needs a co-signer. If it is because he has a poor credit history,

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you should be wary about co-signing because if he is delinquent in his payment you will be liable for it.

2. Understand the responsibilities and terms of a co-signer as it is stated in the loan contract.

You should scrutinise the contract and understand the legal jargon.

As the person who asks you to co-sign is often a close friend or relative you trust, you may believe that he will make his repayment on time so you have no worries. Consequently, you gloss over difficult to understand terms in the contract, please do not run this risk. There are many home loan specialists, who will be happy to explain the terms of the contract to you for free. Try the professional and friendly mortgage consultants at www.iCompareLoan.com

Ramifications of co-signing

1. Affect your debt-to-service ratio (DSR)

Although you are not required to make any repayment on the loan unless the borrower defaults, financing institutions will still consider it as a financial liability when you apply for a loan yourself. Financing institutions may require you to declare if you are a guarantor.

Thus, the loan you are co-signing will add to your DSR and you may face difficulties in obtaining a loan. Or if you do obtain one, you may have to be contented with a lower loan quantum or higher interest rates (since banks with the best rates may not want to lend to you).

2. Added Financial Payments

If the borrower runs away, become insolvent or is not prompt in his monthly payment, the financier



will turn to you to service his debt.

Do note that being a guarantor will not be reflected in the credit report of the Credit Bureau (Singapore). So even if the borrower defaults or makes late payments, it will not have any bearing on your credit score.

3. Removal of co-signer's status

Unfortunately, being a co-signatory is almost cast in stone. It is impossible to remove yourself from the contract without the permission of both the borrower and the bank. Further, there are legal fees involved for removal.

For advice on a new loan, go [here](#).

For refinancing advice, go [here](#).

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We also help [property buyers](#) in their buying process by helping them avoid pitfalls from unscrupulous property agents. (We are not property agents, therefore there is no conflict of interests.)

We also developed a [proprietary home loan reporting tool](#) which provides amongst other things, 23 years SIBOR history as well as 6 years worth of SOR.

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