

# Did you know?

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## CO-SIGNING A LOAN

People often co-sign or guarantee a loan for a relative or friend without knowing what their responsibilities are.

### Is there a difference between co-signing and guaranteeing a loan?

Yes. If you guarantee a loan for someone who borrows money (the debtor), the lender must demand payment first from the debtor before going after the guarantor. But if you co-sign a loan, you are just as responsible to pay the loan as the debtor is. So the lender can demand payment from you before, or even instead of, the debtor.

### What can happen if I co-sign a loan?

If your son borrows money from a bank to buy a car and you co-sign his loan, things are fine as long as he makes all his payments on time. But if he can't make a loan payment, the bank can garnish (or take the money from) your bank account before you know anything about it.

### What can happen if I guarantee a loan?

If you guarantee the loan for your son to borrow money from a bank to buy a car, you may still have to pay the full amount. But first, the bank has to demand payment from your son before getting it from you.

Below are some suggestions to protect yourself.

- Make sure you read the loan contract very carefully. Can you pay off the loan if the borrower cannot?
- If you are not sure about your responsibility in the loan contract, get advice from a lawyer.
- If you decide to co-sign or guarantee a loan, ask the lender in writing to keep you informed in writing of all activity on the loan.
- You should also insist on a copy of every document you sign.

### For More Information

Lawyer Referral Service: 604- 687-3221 or toll free 1-800-663-1919. Talk to a lawyer for 30 minutes for \$25.

Dial-a-law: [www.cba.org](http://www.cba.org)