

Should I Accept Cosigners for the Lease Agreement of My Rental Property? by Allbusiness.com*

Maintaining lease agreements with just one person can be tricky enough, but adding a cosigner can add complexity. But if you find a promising tenant who lacks an extensive credit history -- or has a spotty credit history -- a cosigner can provide you with financial peace of mind.

A cosigner on a lease functions much like the cosigner on a loan; he or she agrees to pay the rent if the tenant is unable to pay. There are many instances where a tenant may require a cosigner on their lease agreement. If your tenant is young and has not had a chance to establish their credit, they may need one of their parents or friends to cosign on their lease.

Another common reason for needing a cosigner can develop if you require that your tenant's rent amount be less than a certain percentage of their entire income. Some landlords do this to ensure that their tenants are living within their means and will be able to make their rent payments each month. If an otherwise-perfect tenant's income is too low to satisfy your maximum percentage requirement, you can ask that he or she add a cosigner to ensure that the rent continues to be paid throughout the lease term. Here are some things to consider before you institute a cosigner policy.

1. **Analyze the financial status of the cosigner.** You need to determine that the cosigner will be able to live up to his or her guarantee obligations.
2. **You must be able to get in touch with the cosigner.** In the event that your tenant cannot meet their rental obligations, you will need to have a way to get in touch with their cosigner to collect the money that is owed to you. Discuss your options and procedures with the cosigner before the actual lease agreement has been signed.
3. **The cosigner must be aware of all of the implications of signing the agreement.** It is especially important that the cosigner know the term of the lease. Not all cosigners will be willing to take on this responsibility. Discuss the agreement with both the tenant and the cosigner so that everyone is clear on what will be expected of them. In some instances, you may be able to work out an agreement where the cosigner will only be liable for a part of the term of the lease, until the tenant proves that he or she is trustworthy and can afford your unit.
4. **Will you allow more than one cosigner?** In some cases, your tenant may wish to have more than one cosigner. This lessens your risk and spreads the obligation for the duration of the lease out over more people. This option may be best for a young tenant that does not have established credit.

But cosigners are not the only way to protect yourself against unpaid rent. You may be able to work out an agreement with the applicant for a specific amount of rent in advance or a larger security deposit. This lessens your liability and gives the applicant a way to prove that they can handle the rental payments.

Allowing cosigners is a serious consideration and one that should not be taken lightly. You will need to carefully weigh these points before deciding on your final options. Before you institute any new lease policy, discuss the implications with your attorney to make sure that you are on solid legal ground.

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