



# Ex-friend out, new co-owner in

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**Q** I co-own a condo with an ex-friend and would like to buy-out his share. I cannot afford to be the sole owner, but I have found another person to co-own the same condo with me. What is the process in buying out the first co-owner for the prospective new co-owner without getting a real estate agent involved?

**A** You're right; you probably don't need a real estate broker to handle your issue. But you will need either a real estate attorney, title company or settlement agent to handle the transaction. In essence, you're going to need your ex-friend to sell his interest in the condominium to this new person who will co-own the property with you.

Keep in mind that your ex-friend is selling his interest, and that sale will be similar to a sale of the whole condominium. If your new co-owner is buying out your ex-friend using cash and will not need a lender, your paperwork will be less. But, your ex-friend will have to convey his interest to your new co-owner by deed and you'll likely need a settlement agent to handle the transaction.

There are limited situations you can avoid using

a settlement agent and obtaining title insurance, you have to be pretty savvy and knowledgeable in real estate to do it that way. There are pitfalls and risks in buying real estate, and even though you've owned the property with your ex-friend and assume that you know the status of your property, your new co-owner might be incurring risks in accepting documentation from your ex-friend without doing his own due diligence or by working through a title company.

For example, if your ex-friend has tax problems with the IRS, those tax problems could become your new co-owner's problems. For this reason, if you live in a place where real estate attorneys are customarily used in residential transactions, you should hire one to help you out. If you live in a place where you don't usually use real estate attorneys, you can either try to find one or hire a good settlement agent and your new co-owner should get title insurance on his purchase of his interest in the condominium.

Lastly, if you and your ex-friend had a mortgage loan on the property, you might have to handle the whole transaction through a refinancing. At the time you refinance the loan, your ex-friend would transfer his ownership interest to your new co-owner and you and the co-owner would take out a new loan on the condominium. If you don't

do it this way and you have a loan on the property, we don't see why your ex-friend would want to sell his share of the condominium without being released from the loan obligation that he and you signed.

If your ex-friend sells his share of the condominium without being released from the loan obligations, he could find himself having his credit damaged if a loan payment is not made on time or, worse, if you stop making the loan payments all together. For this reason and for a cleaner break with your ex-friend, you'd want the condominium ownership to match any loan obligations. That means if you have an old loan, you should pay that off and take out a new one.

Please consult with an attorney to help you better understand the situation and choices you have.

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