

Mom considers buying home in teenage son's name

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Q: It has been a year since my foreclosure. I'm renting now, but the rent is high in Chicago where I live. If I bought another house and got a mortgage, that would save me \$300 a month, which would allow me to pay my debt and get my credit back together. I'd actually put the property in my son's name, although he is only 17. Is that OK?

A: It sounds as though you're in a tough situation. We don't know why you went into foreclosure, but you were clearly overextended financially.

You've reasoned that if you could just buy another house, interest rates are still so low that you'd be able to save \$300 per month and use that sum to pay off your debts and begin to repair

your credit history.

You have a 17-year old son with, you're assuming, pristine credit. The problem is that he's 17 and not 18. He's a minor, and you can't buy property in his name. That said, he'll be 18 soon enough, and you can then put your plan into action.

However, there are some concerns we'd like to raise so that you don't get surprised along the way. First, does your son really have the kind of credit he needs to buy a property? When someone that young buys property, they typically don't have much of a credit score. Your score is low because you went into foreclosure, and we're guessing your debt-to-income ratio is out of whack. Finding cash to put down on a house, create the required cash reserves, and use for closing costs could be problematic when

you're already hunting for an extra \$300 per month.

Your soon-to-be 18-year old probably doesn't have great credit, and he may have to pay a higher-than-expected interest rate penalty because of that, if he can actually qualify for a loan at all. In addition, he'll have to show he can qualify for the mortgage and that he meets the ability-to-repay rules. But if you have any hopes that your child will continue his education and go to college, this plan would pretty much tank that idea.

Here's some more potentially bad news: Once you put the house in his name, he'll own it. Not you, your son. That means if he decides to sell the property, take the money and run, you won't have much to say about it. Technically, it's his property and he can do with it what he wants.

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