



RESIDENTIAL · GUIDE

Guaranteeing a family member's mortgage: what you're really taking on

A parent, a child, or a sibling asks you to guarantee their mortgage. Here is what that actually commits you to, and the questions to answer before you sign.

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Someone you love asks for your help getting a mortgage. Maybe it is a parent helping an adult child onto the property ladder, or an adult child helping an aging parent refinance. The lender wants a guarantor, and you are it. It feels like a formality, a signature to get a family member over the line. It is not a formality. A guarantee is one of the most serious financial commitments you can make, and it can reach your own money, your credit, and in some cases your own home. This guide explains what you are taking on, so you can make the decision with your eyes open, and so you can say "let me get advice first" without it feeling like you are letting your family down.

First: are you a guarantor, or a co-signer? They are not the same

Before anything else, find out exactly what the lender is asking you to be, because lenders and families use these words loosely and the difference matters.

- A guarantor promises to answer for the borrower's mortgage if the borrower does not pay. You are usually not a borrower yourself and often not on title to the property. Your liability is a backstop, but as you will see, a very real one.
- A co-signer (co-borrower) is usually a full borrower alongside your family member, responsible for the mortgage from day one, often on title to the property, and treated by the lender as an equal principal.

These carry different risks, different credit consequences, and different tax and title implications. Do not assume you know which one you are signing. Ask, and get it in writing. The rest of this guide focuses on the guarantor role, but flags where being a co-signer changes things.

The core risk: you can be made to pay the whole thing

Here is the plain reality. If you guarantee the mortgage and your family member does not pay, the lender can come after you for the debt. In many guarantees the lender does not have to chase the borrower first, and does not have to sell the house first, before turning to you. It can demand payment from you directly. People assume the guarantor is a last resort after everything else is exhausted. Depending on the wording, that is not how it works.

And what you are on the hook for is usually not just the original loan amount. A guarantee can extend to the whole obligation: the outstanding principal, the arrears, accruing interest, and the lender's costs of enforcement. The number you end up responsible for can be larger than the mortgage you thought you were backing.

The specific exposures to understand

Your own money and assets. If the borrower defaults and the lender calls on your guarantee, you have to pay. If you cannot, the lender can pursue you the way it would pursue any debtor, which can reach your savings and your other assets.

Your own home, if you pledged it. Sometimes a guarantee is backed by a charge against the guarantor's own property, or the family member's mortgage is structured so that the guarantor's home is security. If you are putting your own home up as part of this, you are risking your home for someone else's loan. This is the highest-stakes version and you need to know for certain whether it applies to you.

Your credit and your own borrowing power. A guarantee can sit on your credit profile and reduce how much you can borrow yourself, even while it is dormant and everyone is paying on time. If you plan to buy, refinance, or borrow in the coming years, guaranteeing a family member's mortgage can quietly limit you. If the borrower falls behind, missed payments can damage your credit too.

It can last longer than you expect. A guarantee does not necessarily end when you assume it will. Depending on the wording, it can continue through renewals of the mortgage, or survive changes to the loan, without you being asked to sign again. Some guarantees are difficult to get out of once given. You need to understand how and when your obligation ends, because "just until they get on their feet" is a hope, not a legal term.

You have little control, but full exposure. You are responsible for the mortgage, but you do not control the property, the payments, or the borrower's financial decisions. If your family member stops paying, remortgages, or runs into trouble, you carry the consequences without having held the wheel.

The family dynamic is a legal issue, not just an emotional one

Guarantees between family members raise a particular concern that the law takes seriously: whether the guarantor truly understood and freely agreed, or was influenced by the closeness of the relationship. A parent who cannot say no to a child, or a child who feels obligated to an aging parent, may sign something they did not fully understand or would not have agreed to at arm's length.

Two things follow from this:

- Lenders very often require you to get independent legal advice before signing a guarantee. That means sitting down with your own lawyer, separate from the borrower and separate from the lender, who explains the guarantee to you and confirms you understand it. This is not the lender being difficult and it is not a box-ticking exercise. It exists to protect you, and to make sure your agreement is genuine and informed. Take it seriously and use it. It is your opportunity to understand exactly what you are signing before you are bound.

- Getting your own advice is not an act of distrust. It can feel awkward to bring a lawyer into a family favour. It should not. Anyone asking you to guarantee their mortgage is asking you to risk your own financial security, and taking that seriously is reasonable and responsible, not disloyal. A family member who genuinely has your interests at heart will understand why you want to know what you are committing to.

Questions to get answered before you sign

- Am I a guarantor or a co-signer/co-borrower? Which one, exactly, and am I going on title?
- Can the lender come after me directly, without first pursuing the borrower or selling the house?
- What exactly am I liable for? Just the principal, or also arrears, interest, and enforcement costs? Is there a limit on my exposure, or is it open-ended?
- Is any of my own property being used as security? Is my home at risk?
- How and when does my obligation end? Does it survive renewals or changes to the mortgage? Can I be released, and how?
- What happens to my own credit and borrowing capacity while the guarantee is in place?
- What are the tax, title, and estate consequences for me, especially if I am going on title or pledging my property? (These need a tax advisor, and for the estate side, appropriate advice.)

If you cannot get clear answers to these, that is itself a reason to pause.

The consequences that go beyond the loan

A few dimensions worth naming, and worth taking to the right professional:

- Tax and title. If you are going on title or pledging your own property, there can be land transfer tax, principal-residence, and other tax consequences. These are for a tax advisor, not something to assume.
- Estate exposure. A guarantee can outlive the arrangement and affect your own estate. If you die while the guarantee is live, it can become a claim against your estate. This is worth coordinating with your own estate planning.
- The relationship itself. The hardest cost is not always financial. If the borrower defaults and you are left paying, the strain on the family relationship can be severe. Going in clear-eyed, with the risks understood and ideally with an honest conversation about what happens if things go wrong, protects the relationship as much as the finances.

Bottom line

Guaranteeing a family member's mortgage is not a signature of support, it is an assumption of real, direct financial liability. Depending on the wording, the lender can pursue you for the whole obligation without exhausting the borrower or the house first, the commitment can outlast your expectations and sit on your own credit, and if you have pledged your own home, that home is at risk. The close family relationship, far from making it safer, is exactly why the law expects you to get independent legal advice, which is there to protect you. Before you sign anything, find out whether you are a

guarantor or a co-signer, get clear answers to the questions above, and get your own advice. Talk to us, separately from the borrower and the lender, before you commit, and involve a tax advisor where your own property or title is in play.

This is general information about mortgage guarantees in Ontario, not legal or tax advice for your situation. What a guarantee commits you to depends entirely on its wording and your circumstances, and tax, title, and estate consequences require your own advisors. Talk to us before you sign a guarantee.

Questions about your own situation? Book a free consultation at lucianolegal.com/contact.html, call 647-479-4585, or email info@lucianolegal.com.

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