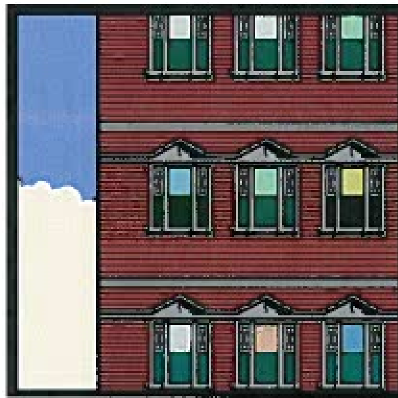
UNDERSTANDING CONDOS, COOPS AND OTHER COMMON-INTEREST COMMUNITIES



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"A man's home is his castle." That means he can do whatever he wants with it, right? Well, maybe. If his castle is perched all alone on a hill, what he does with it is pretty much his own business. But what if his castle is rather small and shoehorned between dozens of others, with more people's castles stacked on top and below? That's when the lord of each particular castle may need to be subject to a list of restrictions, in the interest of keeping everyone in the community happy.

That's what some 32 million people in the United States have discovered, those who own or live in the country's 150,000 common-interest communities. Whether it's an exclusive brownstone cooperative in New York City, a high-rise beachfront condominium in Miami or a cluster of townhouses in Des Moines, a common-interest community brings people together who share a certain vision of good living. These communities, most popular in areas where the cost of individual lots is prohibitive, are carefully designed to be attractive and relatively affordable. Many include special amenities like tennis courts and swimming pools. And unlike rental apartments, they allow residents to build equity in their own homes

The idea is catching on fast. The nation's first condominium, The Greystoke, was built in Salt Lake City in 1962. Counting condominiums, cooperatives and planned communities, common-interest communities encompassed 701,000 units by 1970. Five years later the number had jumped to 2,031,439. And by 1990, there were 11,638,921 units, housing one out of eight Americans.

The key to the success of these forms is also one of the biggest bugbears: strict restrictions on what owners can do with their property. The reason a spacious planned unit development is such an attractive place to live is that community regulations prohibit any given owner from painting his house purple or erecting a shed in the back yard. But those very restrictions also cause more tension and litigation than any other aspect of common-interest community living: whether Mrs. Taylor can keep her beloved Afghan hound or Mr. Smith can land his helicopter on the roof.

And because everyone is a part owner of the buildings and amenities common to all, when it's time to landscape the grounds or replace the windows, everyone has to pay. That aspect of community living causes nearly as much tension as the restrictions. For instance, a prestigious high-rise condo in Boston was in turmoil for months over whether to repair its leaky windows or replace them.

In theory, no one would buy into a common-interest community without examining its covenants and restrictions and agreeing to play by those rules. But in many cases a developer hoping to sell a unit makes promises that go against the community's restrictions --say, that it's perfectly fine to keep your potbellied pig. Or maybe you saw a reference in your deed to "covenants, conditions and restrictions," but didn't know that the homeowners' association created by those documents decides whether or not you may put up a fence.

If you own a unit in one of these communities, it's important to understand the form of the community, what laws and regulations govern it and how your community association operates.

WHAT'S YOUR TYPE?

Although the condominium has only been part of America's housing scene for some 30 years, the concept of shared ownership is much older. As early as the eleventh century, when many European towns were constricted by protective walls, German merchants devised a system for owning one floor of, say, a three-story residence. Belgium enacted the first true condominium statute in 1924, with other European and Latin America nations close behind. The condominium statute enacted in Puerto Rico in 1959 became the basis for early U.S. statutes, after a delegation of Puerto Rican businessmen convinced Congress to allow the Federal Housing Administration to insure mortgages secured by condominium units. Meanwhile, a few residential neighborhoods were pioneering concepts of shared ownership of a private park. In 1831, developer Samuel Ruggles created a board of trustees to maintain Gramercy Park for the enjoyment of the owners of the surrounding homes. More than a century and a half later, the board still entrusts each homeowner with keys to the park. In the past 25 years, consumer demand has spurred the burgeoning of common-interest communities nationwide. Creative developers have designed a wide assortment of variations on the theme, with a confusing array of names and forms of ownership.

Still, certain characteristics can be found in all common-interest communities. Unlike the haphazard growth of most residential areas, these communities are designed specifically for a certain type of community living by a single developer (or in the case of existing buildings, a single converter). They're created by a specific set of documents, usually drawn up by the developer and subject to change by the membership. And when the developer or converter bows out, the community's affairs are governed by an association of all unit owners through its elected board. The board has the authority to enforce the restrictions and collect assessments to pay for maintenance, operation and improvements.

These mandatory assessments set common-interest communities apart from other housing developments, giving you both the advantages of pooled resources and the disadvantages of common control.

There are three basic types of common-interest communities with three distinct types of ownership: the cooperative, the condominium and the planned community governed by a homeowner's association. You can't tell which is which by looking at the architectural form of the buildings--for example, in some states **site condominiums** look just like single-family detached homes but the land, not the home, is part of the condominium--but the form of ownership has significant legal implications. Be sure you know what type yours is. (The form of ownership is specified in the community's **declaration**, essentially its constitution, which is found in the public record.) The oldest--and now least common--form is the **cooperative**, found primarily in New York and Chicago. In a cooperative, you buy into a corporation or association that owns the entire building. You pay a monthly rent or "maintenance charge," which is a proportionate share of the association's cash requirements for mortgage payments, operation, maintenance, repair, taxes and reserves. But you don't actually own any real estate--the cooperative association owns it all. And you are a tenant of the cooperative association, which is the landlord. A **condominium** is essentially the opposite: you have exclusive title to the air space within your own unit, and you share ownership of the common elements (such as corridors, elevators and tennis courts) with all the other unit owners as tenants in common (see chapter one). You're free to mortgage your unit or sell it. As in a cooperative, all unit owners must pay their share of the assessment for operation, maintenance, repair and reserves. The association is responsible for enforcing the rules and maintaining the common elements, but in most cases it doesn't actually own anything.

A **planned community**, a common-interest community that is neither a condominium nor cooperative, usually takes one of two forms. The **planned unit development** (PUD) is a hybrid combining certain aspects of cooperatives and condominiums. In these communities, you the homeowner hold title to a unit--in many cases, a single-family, detached house, often including the land underneath it and the air above it. But all common areas, such as parks and playgrounds, belong to the incorporated association, which all owners are required to join. The association is responsible for maintaining common areas and, in some cases, house exteriors. You pay a monthly, quarterly or annual assessment for common area expenses and reserves. In another form, the **reciprocal easement community**, a common easement crosses the individually-owned parcels, so that common driveways, party walls and shopping centers are maintained jointly by the owners through assessments. Note that the legal form of the community has nothing to do with its architectural design. For instance, a townhouse community--one with attached two-story houses--may be organized as a condominium, a planned community or even a cooperative. An urban brownstone might be converted into a cooperative or a condominium. Because some states have stricter regulation of condominiums than of cooperatives and planned unit developments, developers in those states sometimes choose a legal form that you wouldn't expect from looking at the buildings. In Connecticut, for example, there are PUD townhouses, single-family detached cooperatives, and reciprocal-easement high rises.

GOVERNING LAWS

Imagine a crazy quilt, with snips and scraps of many-patterned fabric sewn together every which way. That's a fair image of the laws governing common-interest communities. While some federal

laws have provisions aimed at condominiums, most of the substantive law--and confusion--lies in an ever-changing patchwork of state statutes. Then each individual community is governed by its own declaration and articles, a set of bylaws, and various regulations and decisions promulgated by the association board. Finally, given the extensive litigation over the authority of particular associations, various courts have interpreted statutes, rules and regulations, often based on common law (not statutory) principles developed over the centuries.

Condominium statutes vary considerably from state to state, and many lack protections for consumers. While some provide only the barest framework for creating a condominium, others are incredibly complex and detailed. Florida, where nearly 3 million people live in condominiums, understandably has the most extensive regulation of all--perhaps because of the number of retirees accustomed to an active life, who now put their energy into demanding legislative solutions to problems they face with their associations. In 1991, Florida's legislature passed 161 amendments to its condominium statute--including four separate laws regulating bingo. (Several of these were changed again the following year--before they even became effective.)

Documents

Under normal circumstances, unit owners primarily need to be aware of the documents governing their own community. State laws require common-interest communities to prepare these documents and make them part of the public record.

If you want to know the basics about your community's land, buildings and other improvements, the location of each unit, the common elements, and the intended use of each unit, take a look at the **declaration of condominium**, also called a **master deed**. The same document for a planned unit

development is called in most states the **declaration of covenants** and **restrictions**, or sometimes just **restrictions**. This document has to do with the physical arrangement; under laws of many states, it need not contain much in the way of operational detail.

For an understanding of your community's legal setup and management structure, take a look at its **articles of incorporation** (these are called **articles of association** in non-incorporated associations). The articles include the power of the board to make, alter and repeal reasonable bylaws.

The more detailed information you might need to know is most likely contained in the **bylaws**. Bylaws tell how the managing board will be elected and define its duties and powers. They tell whether the board will manage the property or engage a management firm. They contain ground rules critical to settling disputes that might arise, such as how assessments and reserves are to be determined and to what extent board decisions bind unit owners.

Although bylaws in most corporations may be altered freely by the board of directors or by a simple majority of the members, many condominium statutes require a two-thirds or even three-quarters majority to change the declaration or bylaws--which is often nearly impossible to get given the apathy of many unit owners. States that have adopted the Uniform Condominium Act allow a bit more flexibility, to allow communities to adapt to changing conditions. Wherever you live, though, get used to your community's bylaws because they're almost certainly here to stay.

If you're concerned about details of community living, ask about additional **rules and regulations** your board might have established in the course of operating the community. They might specify how parking spaces are allocated, how big residents' dogs may be, and what color draperies are allowed to show through the windows. Generally the rules and regulations govern the common elements, while restrictions on the interior of the unit are found in the declaration.

If you believe that your board has overstepped its authority in a given regulation, it's possible to have a judge review it. For instance, a dissident board member in a Chicago condo complex sued his board in an effort to ensure fair elections. The board kept itself entrenched for years through its system of proxy voting that garnered votes from absentee ownership. In reviewing such cases, courts tend to consider four questions:

- **Is the rule consistent with the declaration and other superior documents?**

- **Was the rule adopted in a good faith effort to serve a purpose of the community?**

- **Are the means adopted to serve the purpose reasonable?**

- **Is the rule consistent with public policy?**

If a court rules that the answer to one of these questions is no, it might throw out the rule in question.

YOU AND THE ASSOCIATION

If you belong to the National Berry Pickers' Association, membership is voluntary and it's up to you whether to follow the directives of the leadership. Not so with the associations governing most common-interest communities. If you own one of the units, you're a member. And if the association within its powers adopts a rule, it has the legal authority to enforce it. A community association

gains its authority from the legal documents that created it: the declaration, articles and bylaws. State statutes often back up that authority, whether in the statutes governing non-profit corporations, the specific condominium or common-interest community act, or both. Broadly speaking, a community association may hold property, sue and be sued, receive gifts and bequests, make charitable contributions, make contracts, borrow or invest money, and assess unit owners for their share of the expense of maintaining and operating the community. Some state statutes grant even more far-reaching powers.

The board of directors is elected by the membership to carry out day-to-day operations and oversee enforcement of the rules and restrictions. A typical board has five to seven members elected on a rotating basis and a set of officers.

It's up to the association board to enforce the rules and restrictions when a unit owner ignores them. One way is by levying fines against the owner. If the owner refuses to pay, the board may file a lien against the property and, if necessary, foreclose on it to get the money. Another approach is for the association to sue the violator, seeking an injunctive order to stop the practice in question. A violator who refuses to follow the court order could be in contempt of court.

In theory, any unit owner may sign a complaint against a neighbor to initiate a mini-court process that could lead to fines. In practice, though, most unit owners are hesitant to sign formal complaints against people next door, even though they voice their concerns loudly to the board. If the community hires a management company--standard practice in larger communities--the company's routine maintenance inspections include checking for violations of the restrictions. The employee who discovers the infraction then serves as a complaining witness to the board, which more than likely will start by sending someone to talk to the violator. Most board members try to be

even-handed in their enforcement, as they don't want to be criticized for nailing one violator and winking at another.

If the board decides to resort to the courts, it must do so promptly or risk losing the authority to enforce the restriction. If the restrictions say you can't build a tool shed and you do anyway, board members can't walk past it every day for a year then sue to have you remove it.

Although association disputes do land in court--more often than you might suppose--board members spend most of their time dealing with much more mundane matters. Mrs. Bennett keeps parking in Mrs. Anderson's space. Mr. Bates insists on storing an old refrigerator on his balcony. Ms. Brattleboro is furious about the new special assessment.

Serving on a board is often a difficult, thankless job, and when one member resigns it may be hard to find a suitable replacement. Some associations are debating the advisability of allowing associations to pay people for serving on the board. Very few states prohibit it.

One of the most thankless tasks of the association board is also one of the most important: assessing owners for the kinds of improvements, maintenance and services that keep up their property values. When the board raises the monthly assessment or votes for a special assessment, expect fur to fly. Members may share walls and walkways but they rarely share a common view of just what projects need to be done and how much they should cost. Some plan to stay a long time and want long-term solutions; others have plans to move on soon and don't want changes that cost more money than they're worth in the short run. And some simply can't afford to pay a sharply increased monthly assessment.

In a few states, associations may not raise the assessment more than a set amount without approval from the membership. In Illinois, for example, condominium boards must hold a referendum of unit owners if their budget increase is more than 15 percent. And many

condominium declarations adopted 10 or 15 years ago set similar dollar caps on assessment without owner approval. Some declarations require approval for assessments for improvements costing more than a certain amount, but not for maintenance expenses no matter how large.

Some state statutes and declarations mandate certain levels of reserves, to guard the community's financial stability and prepare for inevitable capital expenditures. Even without a mandate, a board is wise to build up an adequate reserve to avoid having to require a massive special assessment when the furnace gives out.

When unit owners are doing well, they may grouse about the assessment but chances are they'll pay it. But what if a unit owner is in serious financial trouble, with several thousand dollars worth of assessments unpaid? If the owner goes bankrupt, the creditors line up for their share of what's left--and the community association is normally far down the line, well behind the bank that holds the mortgage. But if the association can't obtain the bankrupt owner's assessment, all the other property owners in the community have to cover it.

One provision of the Uniform Common Interest Ownership Act, in effect in Pennsylvania, West Virginia, Connecticut, Alaska and several other states, is to give community associations a "super-priority lien," putting them first in line for the bankrupt unit owner's share of the past six-month's assessments. Numerous states are considering this provision, with, as might be imagined, considerable opposition from the banking lobby.

COPING WITH PROBLEMS

As you might expect whenever people live side by side, problems do arise. Here are a few of the most common, with some suggestions on dealing with them.

- **If you want a variance.** Under the rules of most community associations, you can't make changes to the exterior of your home without the consent of the board. Often the board delegates the review of plans to an architectural control committee that sets standards and uses them to rule on whether you can add a skylight or put on a screen door. As a homeowner, you submit your plans to the committee and cross your fingers. Be aware, though, that courts have found that covenant committees do not have the authority to approve major violations of the restrictive covenants.

  As with zoning requests in most municipalities, the governing documents in some common-interest communities state that if you haven't heard from the board within 30 days of your request, consider it approved. In that case, most courts would uphold your right to go ahead with the plan. It's a rarity, though, for boards to let their decisions be made by default.

  If the board says no, you'll either have to change your plans or steel yourself for a major battle. One New Jersey homeowner sued his association in 1982 after its board denied him permission to build a deck. The case was in and out of court for years, with neither side willing to budge.

- **If you have a dispute with a neighbor.** What if your neighbors practice trumpet at 5:00 a.m., their children race tricycles in the hall, or they insist on parking in your assigned space? Step one is to check the restrictions and regulations governing the association to see whether the practice in question is a violation. Then talk about it, first to the neighbor in question and then to someone on the board. In many cases board members act as mediators to help unit owners work things out informally. If one party is clearly violating the restrictions, the board may ask you to sign a formal complaint to begin a proceeding that could lead to fines against your neighbor or even a court injunction to stop the behavior.

If the problem isn't addressed in the documents and a polite request doesn't help, one option is to try alternative dispute resolution. Mediation brings in someone trained in helping people work out their own solutions, while arbitration submits the case to an arbitrator for a decision, which may or may not be legally binding. Either approach is likely to be quicker, less expensive and less stressful than going to court.

Again, it's important to act promptly if a neighbor's behavior makes life unpleasant for you. If you've put up with it without comment for 10 years, you may have trouble proving your point.

- **If your community has too many rental tenants**. Condominium units can be an excellent tax shelter for a small-time investor, who might buy a unit in a vacation area, occupy it two weeks a year and have a management company rent it out week by week the rest of the year. In other cases a developer who hasn't been able to sell all the units will cover expenses by renting them out like apartments.

  Owner-occupants often object to renters, who are perceived as not caring about the property enough to maintain it properly. Likewise, absentee owners generally want to keep up the rental value, but don't want to pay for extras. And although restrictions apply to tenants as well as to owner- occupants, they're more difficult to enforce. (But if the board slaps a lien on a unit owner because of the tenant's behavior, the owner may well terminate the tenant's lease.)

  If a majority of the unit owners believe the number of renters is a problem, they may be able to band together and convince the board to call for a vote on a change to the restrictions that would limit leases.

- **If your converter defaults.** Although cooperative ownership is rare in most parts of the country, it's a primary form of home ownership in New York City. Over the past few years, a glut of cooperative conversions in New York and some changes in the laws governing them have put some conversion sponsors in deep financial trouble.

  When the owner of an apartment building decides to convert it to a cooperative, the building's residents have a legal right to remain as rent-controlled tenants for as long as they wish, unless 50 percent of them decide to buy. Typically, quite a few choose that option. That means there's a hybrid phase during the conversion process, in which some apartments are owned by their residents while the rest still belong to the conversion sponsor. Until the rent-controlled tenants move out or choose to buy, the sponsor is responsible for more in monthly maintenance fees than he receives in rent. Many sponsors have defaulted, whether by not paying maintenance on unsold shares, not paying the mortgage, or both. The entire corporation then faces foreclosure or bankruptcy.

  If that happens to your cooperative, there are several ways to avoid disaster. If the sponsor has financed the unsold shares, the sponsor's lender would do well to begin paying maintenance on those apartments as quickly as possible to protect the value of the collateral, then try to sell the shares to the tenants or pay them to move and resell the units. If not, the shareholders need to take control of the board of directors, terminate the sponsor's proprietary lease and cancel his stock. Then the rent goes to the corporation. Quick action is critical to keep the building from deteriorating in the meantime.

- **If problems arise with the developer.** In an increasing number of cases, condominium associations have sued their developers over shoddy construction, breach of contract, negligence or fraud. These lawsuits are complex, time-consuming and expensive, often

involving hundreds of people and millions of dollars. But the law expects a developer who cuts corners on construction or breaks promises to the unit owners to make up for the damage.

If the problem involves only your unit, it's up to you to engage an attorney and try to settle the matter out of court, if possible. But if it involves common areas or common funds, the association may assess all unit owners to pay its legal fees in pursuing the developer. In some cases the developer may agree to arbitration, to save the time and expense of a lawsuit. The important thing, though, is to act quickly, because statutes of limitations can prohibit lawsuits filed as little as a year after sale. And the longer you wait, the harder it is to find witnesses or collect a judgment.

- **If the board doesn't do its job.** The people who are best qualified to serve on association boards are often too busy to do so. That leaves people who are well meaning but inexperienced, and those with too much time on their hands. But these people are charged with the management of a large community and a considerable amount of money. Some boards neglect the enforcement of rules or misuse the funds entrusted t

If you suspect financial problems, you're entitled to review the association's financial documents, including its budget, financial report, bank loan documents and record of reserves. Together with other concerned unit owners, you may hire an independent accountant for an audit even if the board refuses to do so.

If you believe the board has become autocratic and tyrannical, review the minutes of the board meetings to see whether decisions were made in accordance with the association's bylaws, rules and regulations. Was there proper notice of meetings? Were all procedures proper? If not, some of the board's actions may be void.

When the board has seriously mismanaged its responsibilities, you have two basic options. One is to file a lawsuit against the board for breaching its duties. Be aware, though, that the board has a right to assess the unit owners to pay for its own defense, so you'll be paying for both sides. Arbitration or mediation may be a less costly approach, if your bylaws permit them. The other option is to run for a position on the board yourself and convince some well-qualified neighbors to do the same. In the long run, that's probably a better solution.

The key to smooth operation of a common-interest community is communication--especially between the board and the rest of the association. People are less likely to object to rules if they have advance notice and believe they've had their say.

Sidebar: A BLOCK OF AIR?

Owning real estate means owning land. Right? Not necessarily. Mid-rise and high-rise condominiums rely on the concept of the **air space block**. While the title to a single-family house or townhouse typically includes the land underneath it and the air above it, if you own a high-rise apartment there are other owners above and below. So you hold title, in effect, to a block of air--within four walls, a ceiling and a floor. Within that air space block, your documents may allow you to alter or remove non-supporting walls, replace the light fixtures, change the carpet however you wish, and make other changes that don't infringe on your neighbors' property rights. On the other hand, you're usually responsible for the maintenance and repair of paint, wallpaper, fixtures, and appliances, except for wires and pipes running through your walls that serve other units too. If you're accustomed to rental apartments, you might be surprised to learn that your condo building manager isn't responsible for fixing your hot water heater or air conditioner. Even the inside of the

wall might belong to you, so if a maintenance crew punches a hole in the drywall to repair the pipes, it may well be your responsibility to repair the damage. Who owns what can be a constant source of friction for condo owners. Before you storm down the hall to lodge a complaint, better check your documents to see whose problem it really is.

Sidebar: FEDERAL PROTECTION

Although most of laws governing common-interest communities are created by individual states, federal law provides some protection for homeowners in The sale of units under development in a common-interest community of over 25 parcels is governed by the Interstate Land Sales Full Disclosure Act. This act requires the delivery of an offering plan and provides for a seven-day **recession period,** which means that you can get out of the deal up to seven days later if you decide it's not for you.

The same act also sets standards for truth in advertising of communities.

May a condominium exclude families with children?

Not usually. Under the Fair Housing Amendments Act of 1993, common-interest communities may no longer discriminate against families with children unless they meet the act's strict qualifications for senior citizen communities. Otherwise, it's no longer legal to advertise a community as being for adults only, or to steer would-be buyers elsewhere because their children wouldn't be welcome. It's still legal to prohibit occupancy by, say, people 40 years old or younger, but even then a 45-year-old with legal custody of a child under 18 couldn't be denied access to housing.

If I'm disabled, does the community have to adapt its facility for my abilities?

Yes. The Fair Housing Amendments Act requires community associations to permit construction of facilities for disabled residents, which they may be required to remove when they leave. Further, all new multi-family buildings must provide access for the handicapped in every unit on the ground floor or accessible by elevator. Under HUD regulations, this includes wide doors, free passage for wheelchairs through units, bathroom walls strong enough for grab bars, and access to at least a representative portion of the amenities. HUD estimates that the regulations will increase the cost of each unit by about $2,000.

Sidebar: IS YOUR ASSOCIATION ADEQUATELY INSURED?

Condominium associations typically carry several insurance policies to cover damage to building exteriors and common elements, plus liability for injuries on the premises. In addition, they usually carry directors' and officers' liability policies in case the board members are sued over their decisions, and an umbrella liability policy to cover catastrophic judgments. Unit owners pay their portions the premiums as part of their regular assessments.

As a unit owner, you're responsible for homeowner's coverage on the contents of your unit, including paint and wallpaper and, perhaps, appliances and carpeting, as well as your own living expenses in the event of a fire or other casualty. This is similar to an apartment owner's policy. You have a right to see the association's master policy, which the association generally must supply within 30 days of your request. For a quicker response, ask the insurance company directly for a

copy of the building policy. With that and a copy of the association's declaration in hand, your insurance agent can help you determine how much homeowner's insurance you need.

In a planned community, the declaration or bylaws will determine whether to insure the exteriors and common areas of the entire development under one blanket policy (with homeowners responsible for the contents of their homes) or have residents buy their own. Blanket policies are often less expensive than the sum of all the individual policies, and only one deductible applies if several homes are damaged by, say, a tornado. They also eliminate the need for the association to verify that each owner has purchased the coverage required by the documents.

While you're looking at the master insurance policy, ask your agent if the association is adequately insured. Full replacement cost is important, as the victims of Hurricane Andrew learned recently. And if someone is seriously injured on the property and the association's liability policy doesn't cover the judgment, each unit owner could be assessed for a portion of the cost. Your own homeowner's policy, if broad enough, should protect you against these and other emergency assessments resulting from a casualty or liability loss. Without your own coverage, however, you could be subject to a catastrophic assessment. If there's danger of flooding, the association should have a separate flood policy (see chapter 4).

Note that insurers almost never include coverage for damage caused by pollution, such as leaking underground tanks. Accordingly, association boards need to be very careful about assessing any potential risks and eliminating them before a problem occurs.

Sidebar: OWNING WITH A FRIEND

Whether it's two lovers setting up housekeeping, three singles looking for affordable housing or four couples buying a vacation cabin, an increasing number of unmarried people are sharing ownership of a house, condo unit or cabin. Developers courting the "mingles" market are even building houses with two master bedroom suites.

However appealing in theory, owning a home with someone you're not married to can bring special problems. People who enter the arrangement primarily for financial reasons may not share the same goals for use of the property, which can lead to even more tension than between people with an emotional commitment to each other. And when unmarried homeowners decide to split up, there's no divorce court with an established body of law to help protect everyone's rights.

If you're thinking of sharing ownership with a friend or relative, make sure your goals are compatible before you buy. If you've agreed to split maintenance costs, does that include landscaping, remodeling or rehabbing? Do you both want to make--and pay for--the same changes? How do you each feel about entertaining? How much time do you want to spend together? If the property will be a vacation home, how will you decide who gets it when? What standards of cleanliness do you expect?

Then draw up a co-ownership agreement that lays the ground rules and answers these questions:

- Will the partners' monthly mortgage payments be equal or based on each person's income?
- If you decide on unequal contributions, how will you divide the profits when you sell the home?
- Splitting maintenance costs 50-50 makes sense, but what if it's a duplex and only one owner puts in new carpeting? Consider using a condominium as a model, so the partners each bear the cost of improvements to their own units, but divide the cost of improvements to common elements such as roofs, exterior walls and landscaping.

- If one partner decides to leave, does the other have the right to buy his interest? How will the value be determined? Specify in the agreement how an appraiser will be chosen.
- If one partner moves out without selling, should there be a penalty (in the form of a lien on the partner's interest) for not making mortgage payments?
- In the case of a duplex, if one partner moves out, do rental tenants have to be approved by both owners? Who bears the cost of tenant damage or eviction? Hire an attorney to help you negotiate and draw up this contract. A couple hundred dollars now can save you major headaches later.