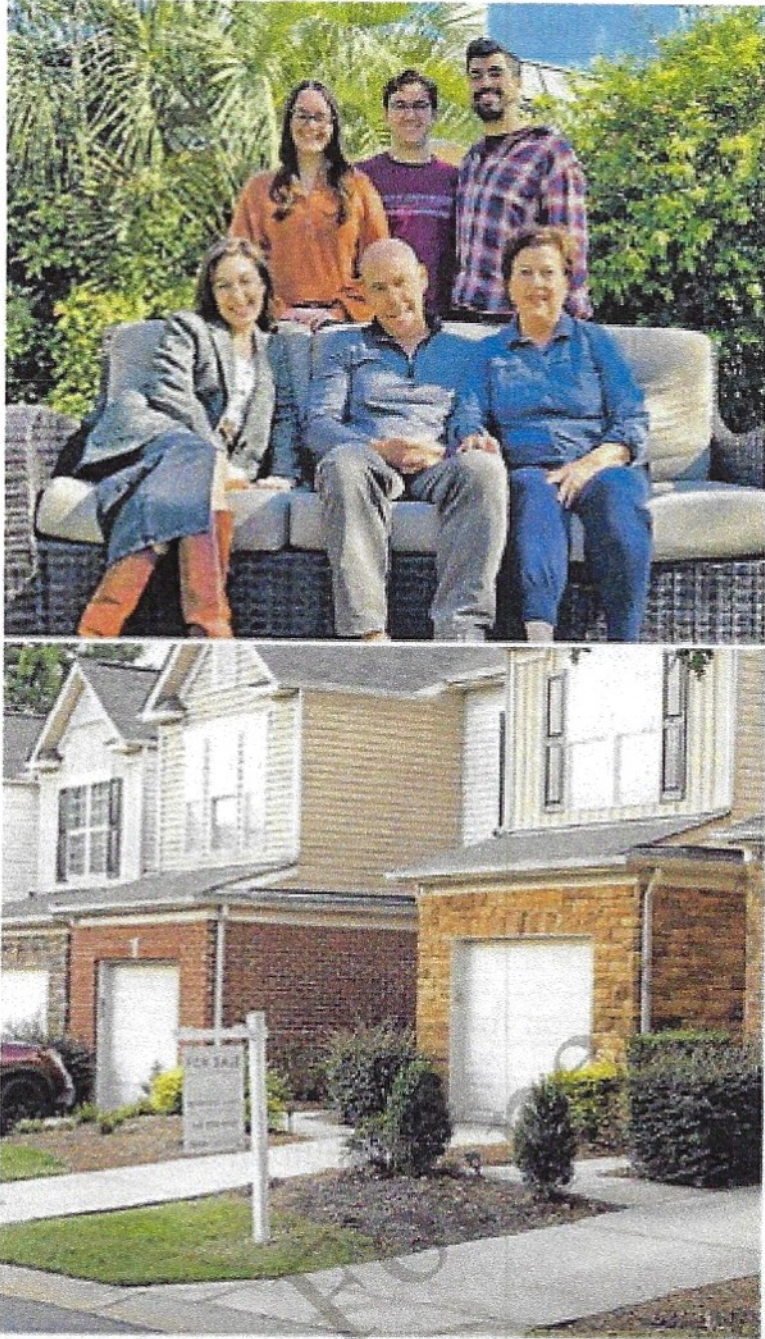




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FROM TOP: TRAVIS DOVE/ BLOOMBERG NEWS; CARY SKINNER A home for sale in Charlotte, N.C.

Fund Your Kids' Home —Without the Drama

There are many potential pitfalls that a good plan can circumvent

BY TERELL WRIGHT

A forbidding housing market is pushing many home buyers to bank on their parents for help. The hard part is keeping family money from making things messy.

There are many potential pitfalls. Parents wield their generosity to over-meddle in home shopping. Children stop repaying their parents' lent money. And then there are unforeseen events like divorce.

"Informal arrangements can create a lot of room for people to remember the same conversation or transactions differently over time," said Timothy Burke, who has seen it all as chief executive of National Family Mortgage, which provides online informational resources for intrafamily mortgages. Nearly a quarter of first-time home buyers relied on financial help from family or friends in the form of loans or direct gifts for down payments, according to a 2025 National Association of Realtors report.

Note ①

Intrafamily loans are among the biggest pieces of a ballooning support network between parents and grown children. About 2.6 million parents gave \$26.6 billion to support 3.7 million adult children living away from home in 2024, according to the U.S. Census Bureau.

That number could rise further with 30-year fixed mortgage rates rising to 7.4% this month, the highest point in nearly three years.

Cary and Jim Skinner, in New Braunfels, Texas, lent their daughter \$200,000 for a down payment in 2024 and cosigned on her mortgage for a \$1.05 million home after a divorce to expedite a home purchase.

For the Skinners, the loan temporarily hit their retirement savings. So they came up with a repayment plan that would restock their nest egg in short order. Their daughter has repaid the loan in full, they said.

"Our relationship with our kids is strong," said Cary, 67. "We want our kids to have a place to land and feel that they own something."

It is becoming more common to cosign on a mortgage, as the Skinners did. The share of home buyers ages 25 to 34 who used an older cosigner rose to 3.7% in 2022 from 1.6% in 1994, according to the mortgage giant Freddie Mac.

It can also come with risks, said Miklos Ringbauer, the founder of MiklosCPA, a California-based accounting and tax strategy firm. It provides little flexibility or protections for parents. Cosigners don't own the property and can't stop a home sale, unless they are added to the property title as co-borrowers. If their child doesn't make payments, it could impact the parents' credit.

Parental gifts for home purchases are an option for parents providing money they can afford to lose. Individuals can make a gift of up to \$19,000 per recipient a year tax-free without reporting it to the Internal Revenue Service. Any dollar above that amount to a single recipient requires filing IRS Form 709 to report the excess.

That reduces your lifetime federal estate and gift tax exemption, which is \$15 million per person for this year.

Gifts can become messy if home buyers get divorced without any established prenuptial agreements or formal loan documents. Courts often consider the cash provided for down payments as a gift to the couple in divorce proceedings, splitting the home equity equally between both spouses.

For larger amounts of downpayment cash that are structured as loans, some parents are formalizing their arrangements. Intrafamily loans establish clear parameters and legally binding terms that protect both parents and children. They can act as an investment for parents and teach firsttime home buyers responsible borrowing habits.

Loans can also be forgiven at any period. To avoid gift tax rules, loans over \$10,000 must charge at least the minimum federal interest rate. This rate is set monthly by the IRS and depends on the loan length and when interest is paid.

When a loan is forgiven, the canceled amount becomes a gift, requiring an IRS Form 709 filing for the portion that exceeds the annual exclusion threshold of \$19,000 apiece.

For buyers who lack a 20% down payment, a piggyback loan— or simultaneous second mortgage— is a secondary loan taken out alongside the primary mortgage. When issued by parents, a piggyback loan can lower borrowing costs if they charge a lower interest rate than commercial lenders, though the primary mortgage lender must approve the arrangement. Piggyback loans often re-quire sturdy credit history and an ability to show the lender on the primary mortgage you can afford to simultaneously pay both loans.

Paul Ross, 60, a retiree in Wayne, N.J., and his wife issued two piggyback loans: one for his son who bought a home last month and one for his daughter in 2025.

He says they have maintained their relationship by being transparent about money and ensuring his kids still purchase a home they could afford on their own.

Parents can act as the bank and issue the entire mortgage to their children themselves through an intrafamily mortgage. This method involves the parents determining the loan amount, payment schedule, down payment and fixed interest rate.

Ross and his wife provided a home loan to his other daughter for a \$350,000 Delaware home in 2024. Instead of giving the money for the purchase, Ross provided the mortgage at a lower interest rate by using the IRS-standard applicable federal rate

and is generating a stable return on his investment.

"I wanted to replace the bank but not so much that they're shopping or living above their means," he said.

It is becoming more common to cosign on a mortgage, as the Skinner family, below, did.

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