

Divorcing Your Mortgage

Homeowner Workbook

A successful divorce settlement is the result of putting the pieces of the puzzle together in such a manner that both divorcing spouses come out of the divorce in a stronger financial position in order to obtain future mortgage financing.

Working with a Certified Divorce Lending Professional (CDLP™) can help set you up for success, whether you are purchasing a new home or refinancing the current

mortgage in an equity buy-out situation. A CDLP™ offers a different perspective and a better solution!





Being Prepared

Many times in a divorce we are more focused on curing the problem at hand, i.e., distributing real estate and assets, that we forget there is life after divorce. The biggest challenge is the lack of knowledge, understanding and preparedness of how the various pieces of the divorce puzzle fit together and truly overlap. You don't know what you don't know and not being prepared can cause more damage than good.

This workbook will help you get organized, be prepared and understand your mortgage financing position whether you are needing to refinance the marital home in an Equity Buy-Out situation or prepare to sell and purchase a new home post divorce.

“Before anything else, preparation is the key to success.” Alexander Graham Bell

Key Takeaways

Poor credit can make it harder to get car and home loans, and to qualify for credit card accounts.

Even if you are offered a loan, changes are it will be at a higher interest rate.

Consumers with lower credit scores generally pay more for auto, renter's, and homeowner's insurance.

Employers may run a credit check before offering you a job, especially if you're applying for a management position or one that involves handling money.

Managing Joint Debt & Consumer Credit

While the majority of divorcing consumers have an understanding of credit, unfortunately, there are still those whose spouses 'took care of all that stuff' and they truly do not have the experience of working with credit and bill paying.

Understanding the makeup of your credit score is the first step towards managing and improving it.

As you might expect, payment history is the most influential component and this is followed closely by the amounts owed. To lesser degrees, the length of time that you've utilized credit, the number of new accounts or inquiries that may have and the various types of credit accounts that you hold will also have an impact on your score.

The overall importance of any of these factors can be further influenced by the entirety of the information contained in your consumer credit report. As such, certain patterns, occurrences or items can be measured differently depending on any other factor or combination. There can be great complexity in the way that the scoring formulas work and it's for this reason that they are difficult to assess.



Managing Your Credit Through Divorce

Managing your credit prudently will include the obvious, yet at times, the opposite is also true. In an effort to effectively manage your credit scores, always try and remember the following:

1. Have and follow a system to assure that your bills are always paid on time.
2. Avoid late payments or the excessive use of credit by establishing and maintain a cash 'cushion' to pay for unexpected expenses or repairs. It's actually better to have a high credit limit with a low balance than to 'max out' your cards.
3. Never close old accounts as the age of these can actually help and if you shop for credit, keep it to the shortest time period possible so that multiple inquiries are not counted against you.
4. You need to have credit experience to have a credit score so don't be afraid to use it, just be sure to keep it within your means.
5. If you have established credit, don't open new accounts solely for the sake of earning a discount on your purchases as in the long run, this can cost you much more in higher interest rates than you may save upfront.
6. As well, too many accounts mean too many payments and this increases both the task of making those payments along with the possibility of missing one.

If at all possible, it is advantageous for both spouses to work together in maintaining existing credit histories. There are numerous opportunities to maintain strong credit through the divorce.

Derogatory credit can significantly impact not only mortgage financing options; but insurance premiums, employment opportunities and more.

Please don't hesitate to contact me with any questions or for more information in maintaining consumer credit during your divorce.

The Divorce Lending Association

Our mission is to ensure that divorcing homeowners are provided with expert advice on their mortgage financing and real estate options during and after divorce. Founded in 2014, the Divorce Lending Association provides education and training to divorce professionals when the marital home and mortgage financing are present.

The Divorce Lending Association and the CDLP™

Certification is the industry's most complete specific divorce mortgage training course. The number one national organization providing the certification, education, and awareness of the benefits of utilizing a divorce lending professional during the divorce process .

A Different Perspective.

A Better Solution.



The Value of Working with a Certified Divorce Lending Professional (CDLP™)

A CDLP™ brings the financial knowledge and expertise of a solid understanding of the connection between Divorce, Family Law, IRS Tax Rules and mortgage financing strategies as they all relate to real estate and divorce.

A CDLP™ is trained to recognize potential legal and tax implications with regards to mortgage financing in divorce situations.

A CDLP™ is skilled in specific mortgage guidelines as they pertain to divorcing clients.

A CDLP™ is able to identify potential concerns with support structures that may conflict with mortgage financing opportunities.

A CDLP™ can help implement a strategic divorce settlement agreement ensuring the best opportunities to secure mortgage financing post decree.

A CDLP™ is able to recommend financing strategies helping divorcing clients identify mortgage financing opportunities for maintaining current marital home while helping to ensure the ability to achieve future financing for vacating spouse.

A CDLP™ is qualified to work with divorce professionals in a collaborative setting.

A CDLP™ maintains a commitment to remaining educated and up to date in the ever changing industry guidelines and tax rules as they pertain to divorce situations.

What's my property worth?

When divorcing, should you obtain an appraisal or a Comparative Market Analysis? What's the difference?

Obviously, assessing the value of the marital home and other real estate owned in a divorce is a big deal in the settlement process. The question is how to best determine the value?

The two most common methods for obtaining value of real estate are obtaining an appraisal from a licensed appraiser or having a real estate professional provide a CMA— but what's the difference in the two? To start, both methods are an opinion of value and no two will ever give you the same value. The primary difference is perspective.

- An appraisal is completed by a licensed residential appraiser who bases their opinion of value off of recent comparable homes sold sales data.
- A Comparative Market Analysis (CMA) is completed by a licensed real estate professional who bases their opinion of value on what the property may potentially sell for in the current real estate market.

While both opinions of value are valid, it is important to understand the perspective of each opinion and how the two methods apply to the current situation of the marital home. When considering the option of one spouse retaining the marital home and refinancing, an appraisal may be the better option. If considering a sale of the marital home, a CMA may be a better option.

Preparing to Sell & Purchase

Going through a divorce brings on extreme emotions, and having to deal with selling a home is one of the last things you'd want. Try to mitigate some of this emotion, and think of selling the home as a business decision.

- Take care of yourself.
- Don't be married to the house. If one person can't refinance the mortgage, then selling the property may be a better option.
- Don't sabotage your own profits. Many times, one spouse doesn't want to sell the house, but there is a court order to do so. Don't let that anger get in the way of successfully selling the property by not keeping the house clean and show ready.
- Make copies of everything! Before you leave the house, make copies of all tax returns, financial bank statements, mortgage documents, purchase documents, and anything else you think could be important in selling the house. (See documentation checklist .)

- Speak with your attorney and a financial advisor so you are prepared in advance of any capital gains taxes that may be due upon the sale of the home.
- Don't overlook the escrow balance of your current mortgage. Any refund due back after the mortgage is paid in full will be disbursed to whomever is on the current mortgage. If it is a joint mortgage, the escrow refund will come as a joint check made payable to both borrowers.
- Hire a real estate professional familiar with selling a home in a divorce situation. Just as it is important to work with a Certified Divorce Lending Professional, working with a real estate professional who understands the legalities of working in a divorce situation will be key to your success.

“Collaboration: Working together to achieve a goal. It takes teamwork to make a divorce successful.” Jody Bruns, President—Divorce Lending Association

Equity Buy-Out Refinance

When a divorce involves refinancing the marital home, one party is typically looking to pull equity out of the home in order to buy-out the other spouse's equity ownership. The name, Equity Buy-Out confuses some people into thinking they have to purchase the house from the other spouse. This isn't true, an Equity Buy-Out is actually handled as a refinance loan, not a purchase loan.

The two types of Equity Buy-Out refinances are classified as a Rate/Term refinance or a cash-out refinance. Rate/Term refinances typically have better terms with regards to lower interest rates and access to more equity. A cash-out mortgage, on the other hand, may carry a higher interest rate and typically only allows the borrower to access up to 80% of the home's value, which can present a problem when the goal for the refinance is to actually access the equity, right?

The divorce settlement agreement needs to be structured in such a way that the divorcing borrower can refinance as a Rate/Term – equity buy-out. The loan structure will allow the divorcing borrower to access the equity in the home without the higher pricing adjustment or even the ability to refinance at all.

There are specific requirements that the divorcing borrower needs to meet; however, in order for the refinance to be structured as a Rate/Term equity buy-out. There may be title seasoning issues, specific wording in the divorce settlement agreement among other issues.

Working together as a team with me as the Certified Divorce Lending Professional (CDLP™) on your professional divorce team, we can work to manage the expectations and set you up for a successful Equity Buy-Out refinance.



Real Property Information Checklist



Property Details:

Address: _____

Proposed Disposition: Refinance | Sale

Equity Buy-Out Amount \$ _____ or % of Value _____

Current Mortgage Information:

Mortgagee(s) _____

Current Lender Mortgageor _____ Loan Number _____

Current Mortgage Balance \$ _____ Original Purchase Price \$ _____

Estimated Property Value \$ _____ Date Purchased _____

Current Mortgage Payment (PITI) \$ _____ Term _____ Interest Rate _____ %

Annual Property Taxes _____ Annual Homeowners Insurance Premium _____

Additional Fees i.e. HOA, Special Assessment, etc. _____

Current Title Vesting: Tenancy by Entirety | Tenancy in Common | Joint Tenancy | Individual

Owners of Record per Deed: _____

Owners on Title > 12 months Y / N

Financial Details for Mortgage Financing:

Employment Income \$ _____ Length at Current Employer _____

Alimony/Maintenance/Spousal Support \$ _____ Duration _____ Date Started _____

Child Support \$ _____ Duration _____ Date Started _____ # of children _____

Age(s) _____

Other Monthly Income Sources:

Property Settlement Note: \$ _____ Duration _____ Date Started _____

72(t) Distribution \$ _____ Duration _____ Date Started _____

Equalization Payments \$ _____ Duration _____ Date Started _____

Alimony|Revocable Living Trust \$ _____ Duration _____ Date Started _____

Asset Distribution

Will there be a lump sum payout in lieu of support? Y / N \$ _____

Will there be a transfer of retirement funds via QDRO? Y / N \$ _____

Down payment Source for new purchase: _____ \$ _____



Joint & Individual Debt:

Will you be responsible for any joint marital debt not paid off during the divorce? Y / N

Creditor: _____ Amount \$ _____

Creditor: _____ Amount \$ _____

Creditor: _____ Amount \$ _____

Will your ex-spouse be responsible for any joint marital debt during the divorce? Y / N

Creditor: _____ Amount \$ _____

Creditor: _____ Amount \$ _____

Creditor: _____ Amount \$ _____

Support Obligation:

Are you required to pay spousal and/or child support? Y / N

Spousal Support: \$ _____ Duration _____ Date Started _____

Child Support: \$ _____ Duration _____ Date Started _____ # of Children _____

Age(s) _____

Contact Information: (name, phone, email)

Spouse 1: _____

Spouse 2: _____

Attorney: _____

Financial Advisor: _____

Mediator: _____

Insurance Provider: _____

Real Estate Agent: _____

Homeowner Association: _____

Divorce Case Status:

Petition Filed: Y / N Date Filed: _____ Hearing Date: _____

Temporary Orders in Place: Y / N

Mediation: Y / N Date: _____ Collaborative: Y / N

Property to be sold or refinanced by: _____

Financing Documents Checklist

Below are recommended documents that will be important for the discovery phase of your divorce as well as facilitating mortgage financing.

Warranty Deed	<input type="checkbox"/>	Mortgage Note	<input type="checkbox"/>
Homeowners Insurance Policy & Declarations Page	<input type="checkbox"/>	Homeowners Association Statement if applicable	<input type="checkbox"/>
Appraisal / CMA	<input type="checkbox"/>	Property Inspection	<input type="checkbox"/>
Current Mortgage Statement	<input type="checkbox"/>	Property Tax Statement	<input type="checkbox"/>
Bank Statements all Accounts	<input type="checkbox"/>	2 Most Recent Paystubs	<input type="checkbox"/>
6 Months proof of receipt – spousal support	<input type="checkbox"/>	6 Months proof of receipt – child support	<input type="checkbox"/>
2 Year Tax Returns	<input type="checkbox"/>	2 years W2s	<input type="checkbox"/>
Trust Documents	<input type="checkbox"/>	QDRO Order	<input type="checkbox"/>
Settlement Separation Agreement M.O.U. Temporary Orders	<input type="checkbox"/>	Final Divorce Decree	<input type="checkbox"/>

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