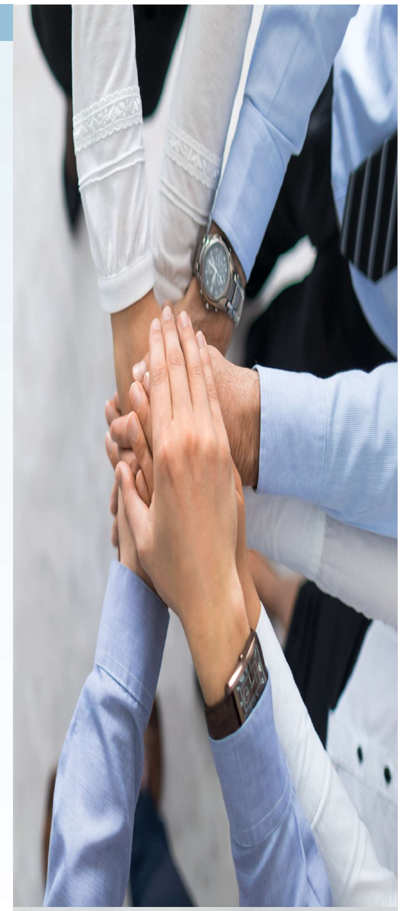
Divorce Lending Association



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 by integrating the mortgage selected into you overall long and short-term goals..

Working with a Certified Divorce Lending Professional (CDLP®) can help you make a more informed decision on your home equity solutions and setting 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!

Stan Bryant

stan@silvercreekcapitalgroup.com
303-656-1997
NMLS 1182738

What A CDLP® Can Do For You

Certified Divorce Lending Professionals (CDLP®) are mortgage professionals who have completed a very comprehensive certification program with ongoing continuing education and development in divorce mortgage planning. Their ability to expand their vision of the normal scope of the traditional mortgage professional is a great differentiator from those without training who have limited tunnel vision of client to application.

Divorce Mortgage Planning is the ability to put into play the desired outcome by pairing the needs and options available while incorporating the necessary details and clarity into an executable settlement agreement to obtain closure and peace of mind successfully.

Working directly with the divorce team, a CDLP® incorporates divorce mortgage planning into the overall process with a unique and solid understanding of the intersection of family law, financial and tax planning, real property, and mortgage planning.

What a CDLP® can do for you that traditional lenders can't:

While a typical mortgage professional simply helps you complete paperwork and ensures your application is processed in a timely fashion, a CDLP® works directly with the divorce team to incorporate divorce mortgage planning into the overall process with a unique and solid understanding of the intersection of family law, financial and tax planning, real property, and mortgage financing.

⇒ How can I keep the house?
⇒ Can I assume the existing mortgage?
⇒ Can I buy a new house while going through a divorce?
⇒ Can I refinance if I am not on the current mortgage or on title to the house?
⇒ What if I receive a lump sum payment in lieu of support

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

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

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, chances 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.

The Divorce Lending Association

Our mission is to help divorcing homeowners make more informed decisions regarding their home equity solutions and mortgage financing opportunities during and after the divorce.

Founded in 2014, the Divorce Lending Association supports ethical lending standards and is dedicated to supporting members through education and access to professional development opportunities working with divorcing homeowners.

The Divorce Lending Association and the CDLP® Certification is the industry's most complete specific divorce mortgage training program. 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.

reason that they are difficult to assess.

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 maintaining 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.

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 choice.

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 anger get in the way of successfully selling the property.
- 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 .)

The Value of Working with a Certified Divorce Lending Professional

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 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 help 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.

- 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.
- 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

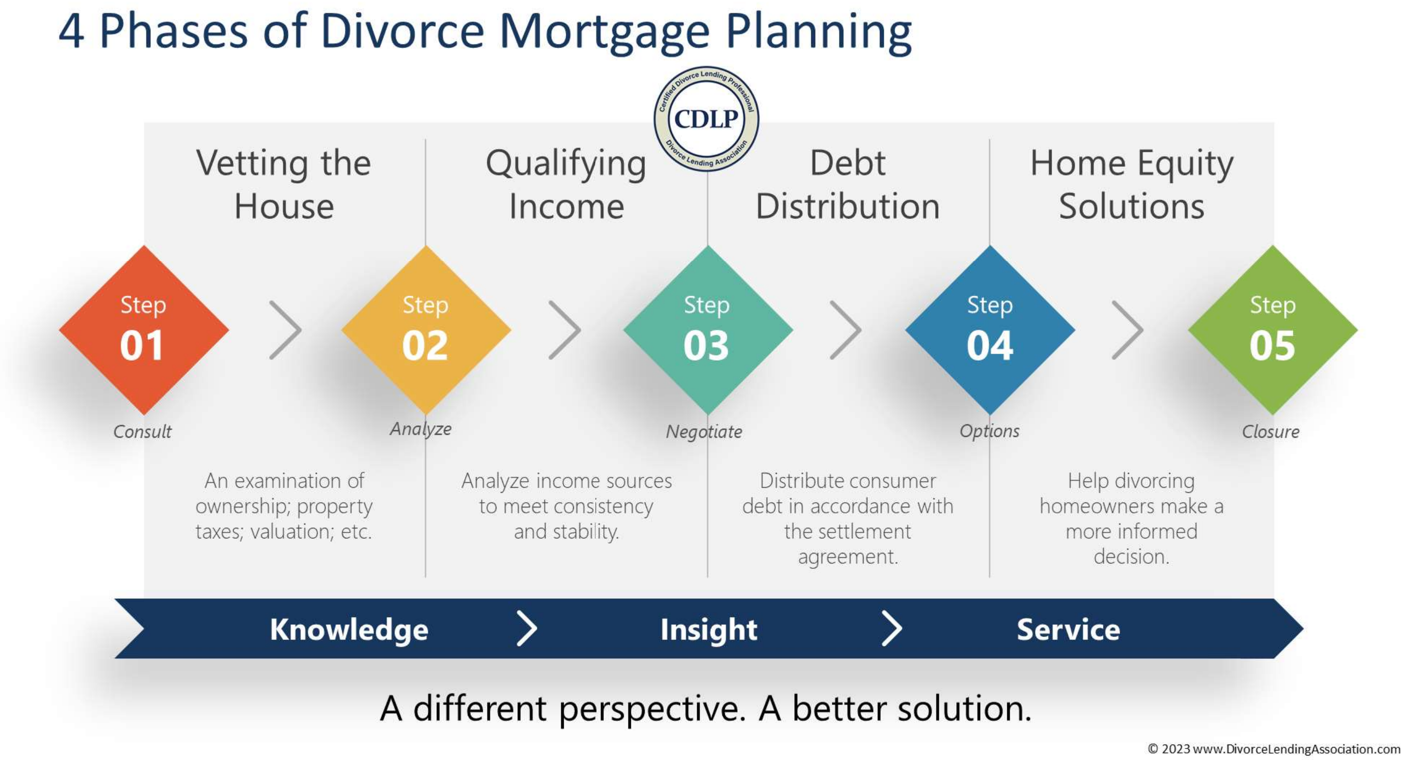
When a divorce involves refinancing the marital home, one party is typically looking to pull equity out of the home in order to buy-out the other spouse's equity ownership. The name, Equity Buy-Out, confuses some people into thinking they have to purchase the house from the other spouse. This isn't true,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



There are 4-Phases of Divorce Mortgage Planning.

Vetting the House. Qualifying Income. Consumer Debt Analysis. Home Equity Solutions.

The vetting process of the home and other real property goes beyond determining whether it is marital or non-marital. Whether it's the property ownership, tax status, the value, and equity available, we need to examine the details of the property because not only are the elements vital to you, as the divorcing homeowner, and your professional divorce team, but the details of the real property may determine what type of mortgage financing is available or not available and this has nothing to do with credit scores and income.

We have to analyze the various income sources, including employment, support income, or no income, and what we can do to create qualifying income with financial and tax planning. How is the marital or individual debt being evaluated and distributed during the divorce? How can we help the divorcing homeowners make a more informed decision regarding their home equity solutions?

You can't think traditionally when working with a divorce, real property, and mortgage financing.

Each member of the professional divorce team brings a different perspective to the table, and when we work together, we can provide you with a better solution.

Real Property Information Checklist

Property Details:

Address: ____

Proposed Disposition: Refinance | Sale

Equity Buy-Out Amount $ ______________ or % of Value ___________

Current Mortgage Information:

Mortgagor(s) ____

Current Lender Mortgagee ___________________________________ 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	☐	Mortgage Note	☐
Homeowners Insurance Policy & Declarations Page	☐	Homeowners Association Statement if applicable	☐
Appraisal / CMA	☐	Property Inspection	☐
Current Mortgage Statement	☐	Property Tax Statement	☐
Bank Statements all Accounts	☐	2 Most Recent Paystubs	☐
6 Months Proof of Receipt –Spousal Support	☐	6 Months Proof of Receipt – Child Support	☐
2 Year Tax Returns	☐	2 years W2s	☐
Trust Documents	☐	QDRO Order	☐
Settlement |Separation Agreement | M.O.U. | Temporary	☐	Final Divorce Decree	☐

Stan Bryant

stan@silvercreekcapitalgroup.com
303-656-1997
NMLS 1182738

EQUAL HOUSING OPPORTUNITY