

Mortgages During Divorce

SPIRE
MORTGAGE TEAM

In most cases, when clients marriage or common-law partnership is dissolved, the splitting of assets, debt and Real Property can be difficult to navigate.

It's important that as the separation agreement is negotiated, both parties spend time learning what is available to them for mortgage financing. Often, one spouse wants to purchase the other's equity in the Marital Home. There are specialized mortgage products to help clients navigate these situations.

When refinancing a typical mortgage, clients can only access up to 80% of the home's value. But, through a Spousal Buyout Program, you can 'purchase' the home from your spouse and unlock up to 95% of its equity. Matrimonial debt and lump sum equity payments can also be included in the mortgage – up to 95% of the appraised value. This added access to funds often makes the difference between one spouse being able to buy out the other's half of the home versus having to sell the home and find two new separate places to live.

Example: Spousal Buyout Program

Clients have decided to separate. Husband wants to keep their family home, and Wife wants to purchase a new property.

Home value: \$425,000

Mortgage balance: \$350,000

Equity: \$75,000 (\$425,000 - \$350,000)

Line of Credit: \$15,000

The couple would like to split the equity - so Husband has to pay Wife \$37,500 to buy her out of the home. They'd also like to pay off their \$15,000 Line of Credit.

Husband would need a new mortgage of at least \$402,500 (\$350,000 + \$37,500 + \$15,000).

With a traditional refinance, the clients would only be able to acquire a mortgage worth 80% of their home's value.

$$\$425,000 \times 80\% = \$340,000$$

Since the maximum loan amount is \$340,000, a number that is less than their existing mortgage, the clients would be left with no other choice but to sell.

Under the Spousal Buyout Program, the couple can access up to 95 percent of their home's value.

$$\$425,000 \times 95\% = \$403,750$$

The maximum loan amount in this situation, \$403,750, gives the clients the ability to settle the home as well as the Line of Credit and allows for a much smoother separation.

The truth of the matter is that each client's situation is unique. Every situation requires a different mortgage and lending plan to match the assets and the desired split at separation. It is our job to help you navigate this process. Connect with us to discuss solutions for your personal situation!