



## DIVORCING YOUR MORTGAGE

February 2017 Issue

### DID YOU KNOW?

#### This Month in History

3rd: Rock singers Buddy Holly, Richie Valens and the Big Bopper died in a plane crash. (1959)

6th: The board game Monopoly first went on sale. (1935)

7th: The Beatles come to the U.S. for the first time. (1964)

12th: Women in the Utah Territory win the right to vote. (1870)

15th: The Post Office used adhesive postage stamps for the first time. (1842)

19th: A prize is inserted into a Crackerjacks box for the first time. (1913)

20th: John Glenn became the first U.S. astronaut to orbit the earth. (1962)

23rd: U.S. marines raise the American Flag in Iwo Jima. (1945)

## Many Homeowners, 62 years and older, are Discovering Reverse Mortgages

### Is a Reverse Mortgage Right for Your Divorcing Clients?



Divorcing later in life is not a new phenomenon, but it is becoming more and more common. Indeed, the increased occurrence of “grey divorce,” as it’s called, has been identified as a significant 21st century divorce trend. Even though the overall divorce rate is actually declining, it’s on the rise among older generations.

Those of us in the business of helping people plan for a secure financial future have long known that grey divorce presents a unique set of challenges to our clients. A reverse mortgage might represent a new strategy for making the recipient of a divorce settlement last as long as possible.

Reverse mortgages were created specifically for senior homeowners, 62 years and older, who want to convert part of their home’s equity into loan proceeds. With not only the rising financial requirements of senior homeowners but when there is limited or fixed income in a divorce situation, reverse mortgages are becoming a popular option and tool to supplement income.

### How can a reverse mortgage help your divorcing clients?

Let’s say that Sam and Sally are over the age of 62 and both retired. Their only source of income is social security and monthly distributions from a qualified retirement plan. Sam and Sally have worked very hard over the years to pay off the mortgage of their marital home, where they have raised their family.

One day, Sam tells Sally that he wants to go a different direction and wants a divorce. Sally agrees. However, Sam then tells Sally that he would like his share of the equity in their home. Sally is upset because she knows that she will not be able to qualify for a mortgage to pay Sam his share of the equity in the home, and she does not want to sell the home where so many memories were built raising their family.

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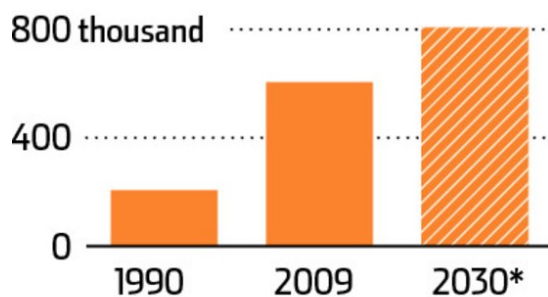
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**Solution:** Sally may qualify for a reverse mortgage allowing her to pay Sam his share of equity in the marital home and never have to worry about making a mortgage payment. Sally does need to qualify to pay the property taxes and insurance on the property.

Sam on the other hand could use the funds from the equity buyout and purchase his own new home with a reverse mortgage and also never need to worry about making a mortgage payment. In fact, FHA will lend on a property with up to four units and as long as Sam uses one of the units as his primary residence, he could then collect rent on the other 3 units and still never need to make a mortgage payment! **This not only provides Sam with a new home but also creates an income stream for him.**

## On the Rise

Number of divorces per year by those ages 50+ in the U.S.



\*projected

Source: "The Gray Divorce Revolution," Susan Brown and I-Fen Lin, Bowling Green State University

## A HECM Reverse Mortgage for Divorcing Seniors

The Home Equity Conversion Mortgage (HECM) loan is the oldest and most common reverse mortgage for homeowners age 62 years of age and older. It is insured by the Federal Housing Administration (FHA). A unique feature of the HECM loan is the Mortgage Insurance Premium (MIP). This is required by and paid to the Housing of Urban Development (HUD) to insure the mortgagee against losses.

Non-FHA loans have also come back and are a good solution to high value, low equity properties and offer jumbo loan solutions as well.

## Flexible Payout Options can be a great advantage to divorcing seniors!

- Line of credit (allows borrower to draw on loan proceeds as needed)
- Fixed monthly payments for a set term (allows the ability to create an income stream)
- In a lump sum
- Or a combination of the above (may provide for an equity buy out as well as creating an income stream)

## Reverse Mortgages can be used for several things including:

- Paying off existing mortgages with loan proceeds
- Covering healthcare costs
- Paying taxes and insurance
- Making home modifications
- Or simply building a reserve fund

**Reverse mortgages are non-recourse loans.** This means that there is no recourse to the borrower, the borrower's estate or their heirs if the loan balance exceeds the home's value at maturity as long as the borrower, the borrower's estate sells the property to pay off the debt. If the borrower or the borrower's estate wants to retain the property, the balance must be paid in full. Any equity remaining in the property after the reverse mortgage is paid, belongs to the borrower or the borrower's estate.

### Reverse Mortgage Highlights

- Easier to qualify for than a traditional loan
- No monthly principal and interest mortgage payments
- Retain ownership of the home provided the borrower continues to live in the home as their primary residence, maintains the home in good condition and pays property related fees, taxes and insurance.
- Maintains self reliance
- Insured by the Federal Housing Administration

## Collaboration

**Working together to achieve a goal. A recursive process where two or more people or organizations work together to realize shared goals.**



It takes teamwork to bring the typical divorce settlement together. There are usually quite a few people involved from the divorcing clients, attorneys, financial planners, mediators, real estate agents and mortgage professionals.

As daunting as the coordination required might seem, you can always count on me to manage the mortgage financing piece for your divorce team and divorcing clients. This is what I do and I do it every day.

**Never hesitate to reach out whenever you have questions.**

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## WHY YOU NEED A CERTIFIED DIVORCE LENDING PROFESSIONAL (CDLP) ON YOUR PROFESSIONAL DIVORCE TEAM.

A professional divorce team has a range of team players including the attorney, financial planner, accountant, appraiser, mediator and yes, a divorce lending professional. Every team member has a significant role ensuring the divorcing client is set to succeed post decree.

A Certified Divorce Lending Professional brings the financial knowledge and expertise of a solid understanding of the connection between Divorce and Family Law, IRS Tax Rules and mortgage financing strategies as they all relate to real estate and divorce. Having a CDLP on your professional divorce team can provide you the benefit of:

- 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/maintenance structures that may conflict with mortgage financing opportunities.
- A CDLP is able to recommend financing strategies helping divorcing clients identify mortgage financing opportunities for retaining the marital home while helping to ensure the ability to achieve future financing for the departing spouse.
- A CDLP is qualified to work with divorce professionals in a collaborative setting.
- A CDLP can provide opportunities in restructuring a real estate portfolio to increase available cash flow when needed.
- 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.
- A CDLP is committed to providing a higher level of service to you and your divorcing clients.

The role of the CDLP is to help not only the divorcing client but the attorney and financial planner understand the opportunities available as well as the challenges divorce can bring to mortgage financing during and after the divorce. When the CDLP is involved during the divorce process and not after the fact, many potential financing struggles can be avoided with valuable and educated input from the Certified Divorce Lending Professional.

“Nothing matters more in winning than getting the right people on the field. All the clever strategies and advanced technologies in the world are nowhere near as effective without great people to put them to work.” - Jack Welch, *Winning*

## CDLP Certified

### Certified Divorce Lending Professional

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