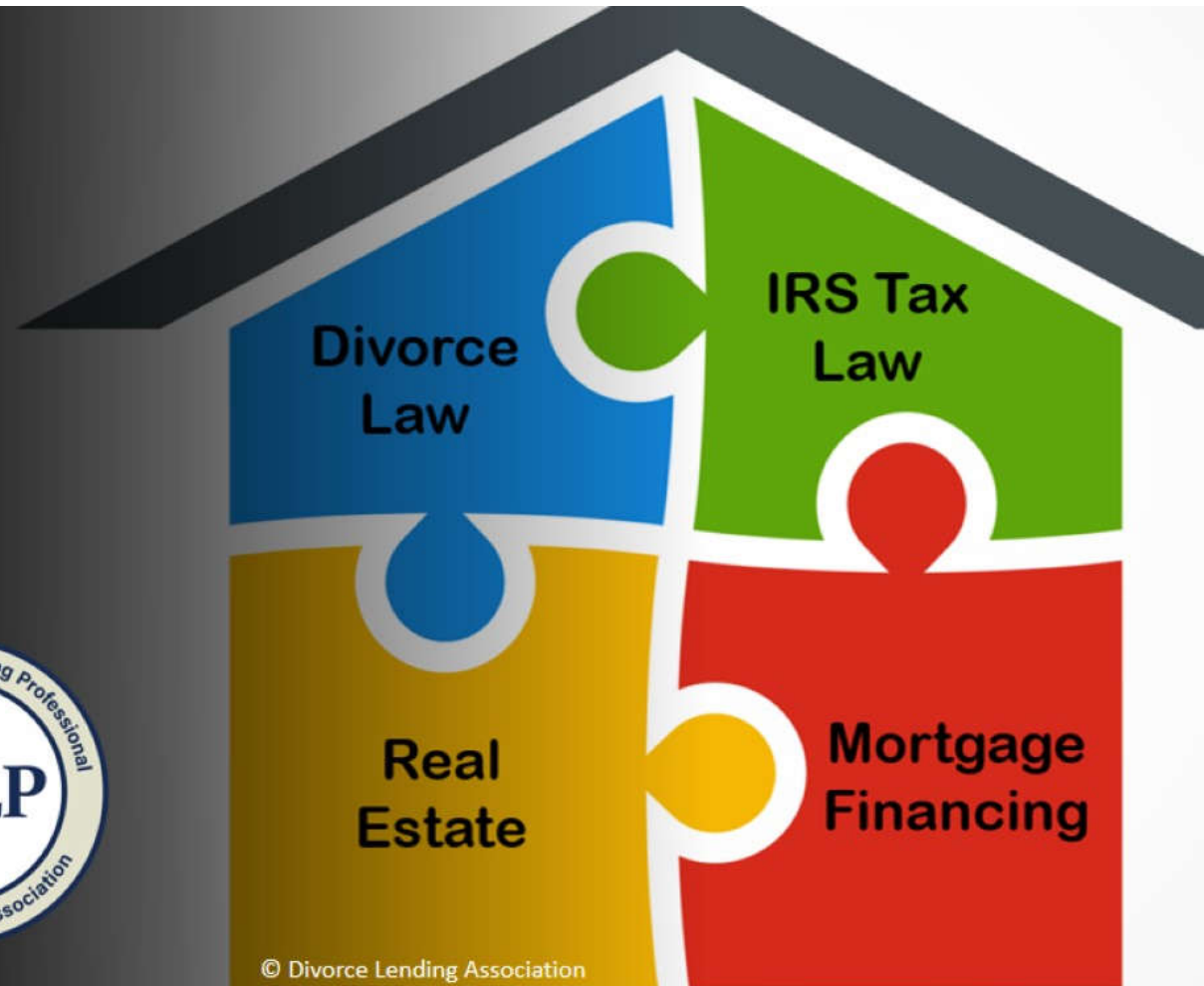
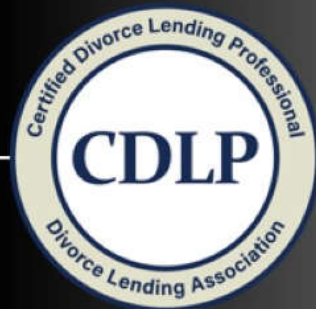


Divorce Mortgage Planning in a Successful Divorce

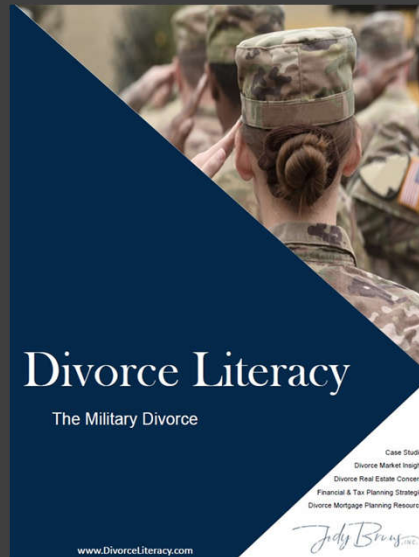


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Leslie Kight



www.DivorceLiteracy.com

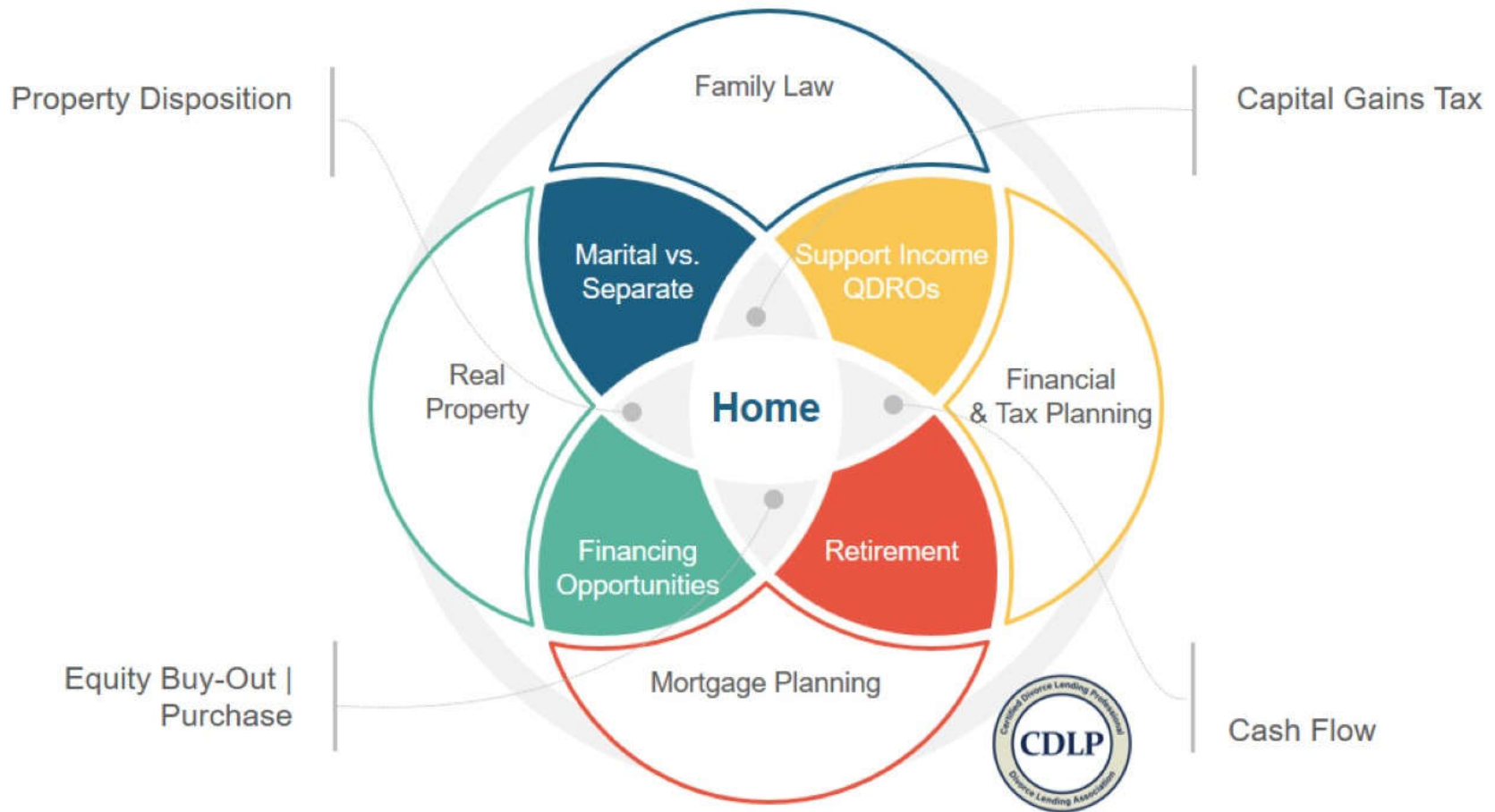
- Certified member, Divorce Lending Association
- 30+ Years Experience – Finance & Mortgage Banking
- Reverse mortgage specialist

Puzzle Pieces of Divorce

- Important to recognize not just how connected these pieces of the divorce puzzle are but just how disconnected they are.
- The disconnect is what may potentially hurt divorcing homeowners.



Intersection of Divorce, Real Estate & Mortgage Planning



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What makes a successful divorce?



- Putting these four pieces of the divorce puzzle together under one roof.
- Successful resolution comes from effective communication and strategic negotiations.

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How the CDLP™ Helps the Divorce Settlement Process

The CDLP™ works with the attorneys, financial advisors, mediators, and the divorcing family to compile financial data and work with the client to create mortgage opportunities that best meet their home equity solutions and the needs of the family.

Somethings to think about....



- If a client has a home, how do you determine the value?
- How would you handle it if one spouse wants to keep the house but can't refinance and the other spouse wants to buy a new home?
- How do you handle it when spousal support is based on the other party's fluctuating income or irregular pay schedule?
- How would you handle spousal support vs. a lump sum payout?
- How do you evaluate the real property and the home equity mortgage options?



- The answers to these questions may have significant consequences when mortgage financing is needed.
- Each member of the professional divorce team has a different perspective and way of approaching these situations.

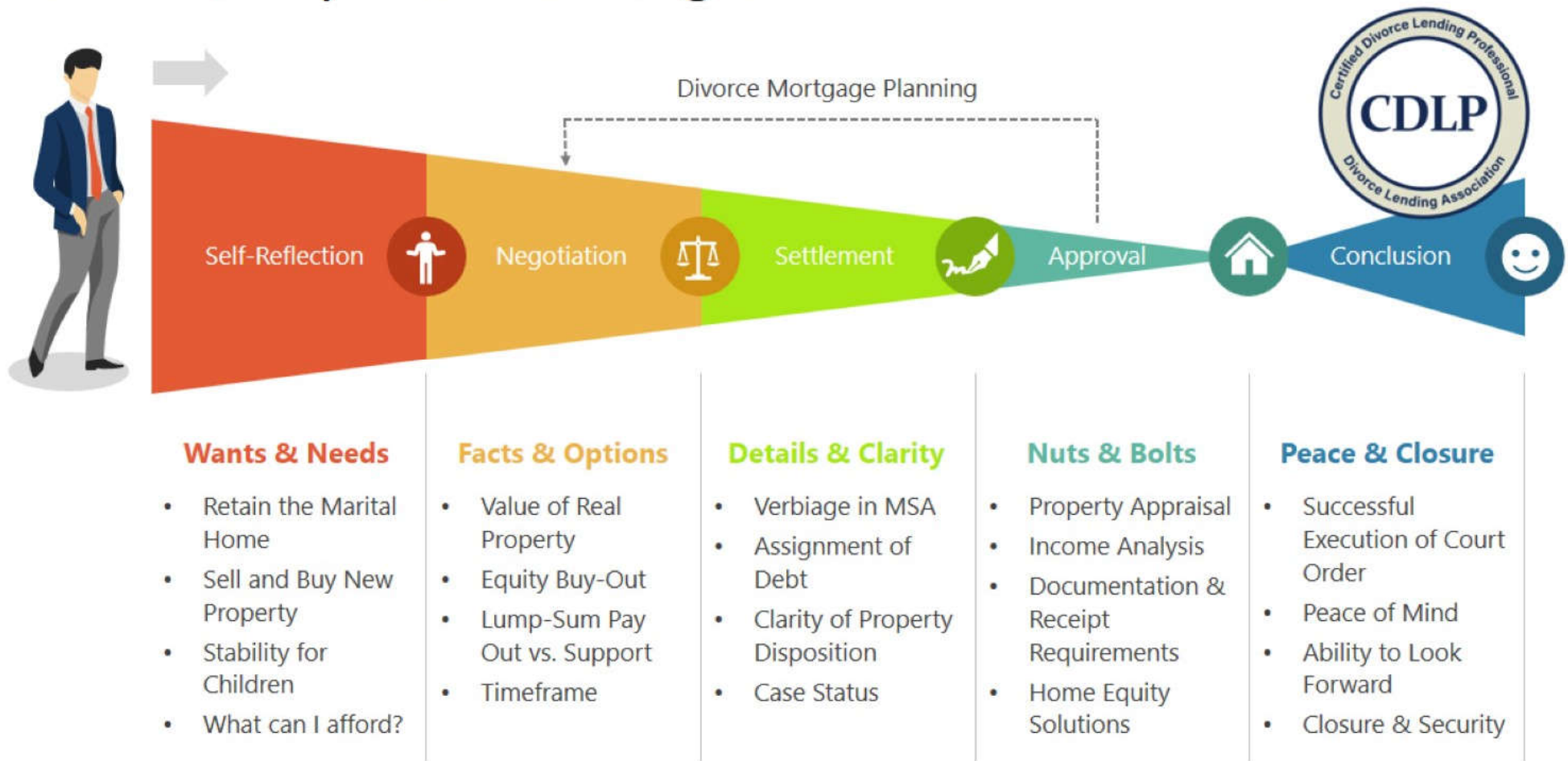
What is Divorce Mortgage Planning?

- 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.
- **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.**
- A CDLP™ does **NOT** give legal or tax advice!

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The Journey of a Divorcing Homeowner



4 Phases of Divorce Mortgage Planning



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QUALIFIED INCOME SOURCES



Employment Income

Gaps in employment
Part Time vs. Full Time

Support Income

Lump Sum Payment

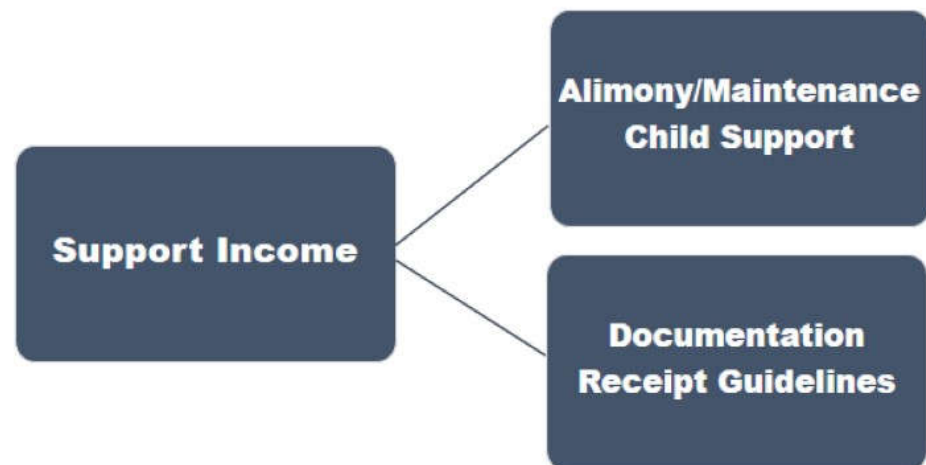
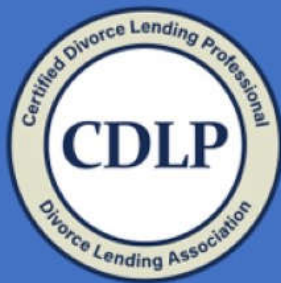
No Monthly Income

Alimony/Maintenance
Child Support

Documentation
Receipt Guidelines

Key Take Away is that not all
income sources are considered
'Qualified Income'

QUALIFIED INCOME SOURCES



6/36 Rule Must Be Met for all Support Income to be considered Qualified Income

- **Stability & Consistency**
 - Must be paid as ordered by court
- **Paper Trail**
 - Proof of payment must be documented
 - Proof payment is from obligated Payor
- **Don't 'NET' Out Support!**
 - Must pay full amount each month as per court order – not the net of support less expenses.

QUALIFIED INCOME SOURCES

Employment Income

Support Income

Lump Sum Payment

**Alimony/Maintenance
Child Support**

**Documentation
Receipt Guidelines**

Divorce Team must use creative strategies when using a Lump Sum Payment in lieu of monthly support to create Qualified Income for Recipient.

Options may include:

- ✓ Trust Income
- ✓ 72(t) Distributions
- ✓ Other Strategic Options

Court Ordered Assignment of Debt

Sharing Joint Debt

Student Loans

Marital Home

Verbiage

Court Ordered Assignment of Debt – when court orders one party to pay a specific debt and may be omitted from other party's liabilities on mortgage application.

- Example: When one spouse is retaining the marital home and the existing mortgage is staying in place with other spouse's name as mortgagor.

Sharing of Joint Debt must be specifically detailed.

- Example: Both spouse's paying 50% of debt must state each spouse is paying 50% of monthly payment

Clarity is key!

MARITAL DEBT

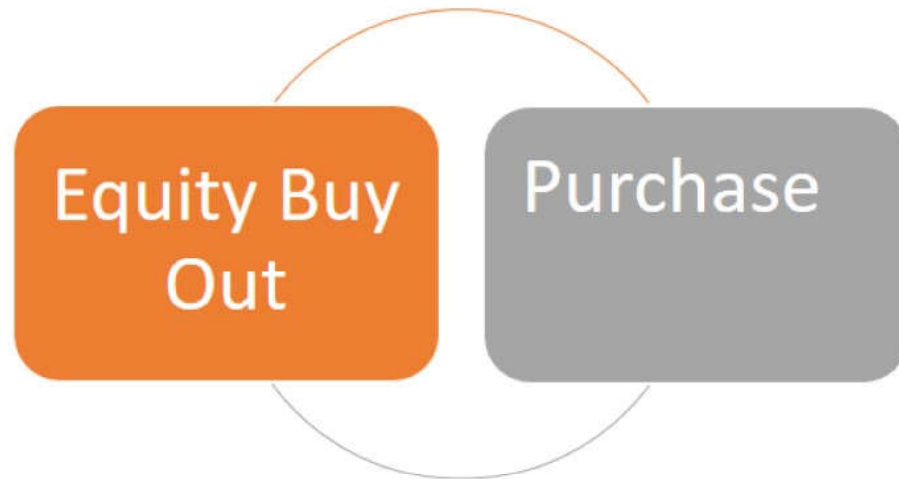
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Marital Home



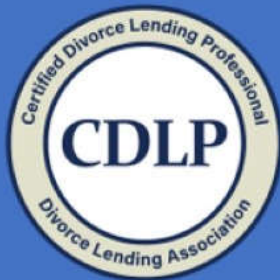
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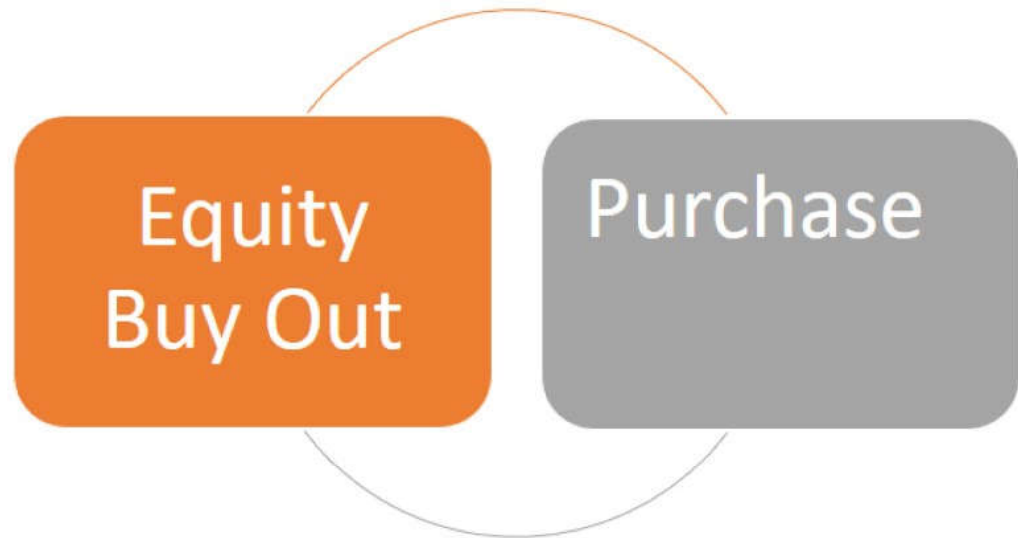
- An Equity Buy Out may be done as a refinance NOT as a Purchase | Regardless as to who's name is on the current mortgage.
- Title Vesting may determine which type of refinance may be done which may limit access to equity in home.
- Rate & Term Refinance vs. Cash Out Refinance
 - A Cash Out Refinance will limit access to equity in home to 80% of loan to value.

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Marital Home



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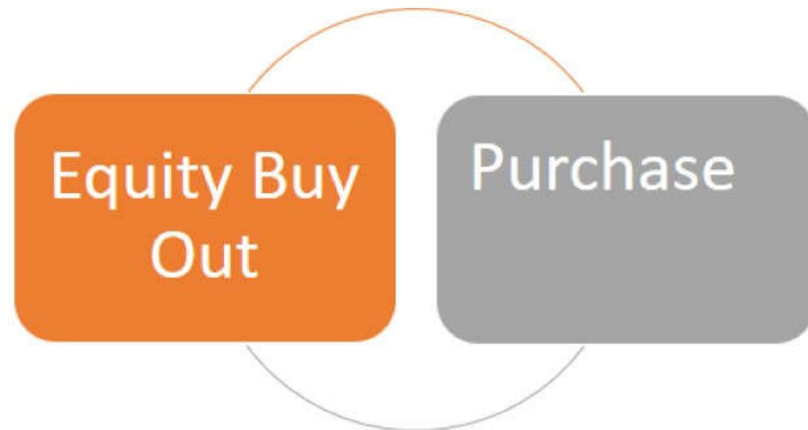
- Equity Buy Out must be addressed Independently or Separate of all other marital asset division.
- No Cash Back is allowed to Borrowing Spouse to pay debt, attorney, fees, etc. as it will trigger a Cash Out Refinance and limit equity access.
- Borrowing Spouse must have been on Title to the Home for the past 12 months to refinance as a Rate & Term

A different perspective. A better solution.

Marital Home



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- Verbiage in the Equity Buy-Out Order must be very concise and specific as to who is retaining the marital home and how payment of equity is to be made either as a % or specific dollar amount.
- Realistic Time Frame must be set for equity buyout taking into consideration of support income documentation and receipt. i.e. 6/36 rule
- Escrows & Existing Tax Liability is often overlooked.
 - Usually a high balance of existing escrow account paid to current borrowers only regardless of who is awarded the property.
 - There may be an existing property tax liability on the real property which is paid in arrears.

Case Study



- Wife is awarded the marital home and is to refinance the current loans into her name within 120 days of divorce being final.
- Husband is to receive his equity share of \$111,500 upon refinance based on current divorce appraisal.
- Wife is to be given \$500,000 of husband's 401K via a QDRO.
- Joint Marital Debt of \$8,000 owed to Visa to be paid out of equity in home by wife.
- Joint Marital Debt of \$30,000 to AMEX to be paid by both until paid in full.
- Husband is to pay \$1,200 monthly in Spousal Support for life.
- Husband is to pay Child Support of \$800 monthly until child turns 18 in 2 years.

CDLP™ Divorce Mortgage Planning and Real Property Report

Prepared for:

**Jane Smith
123 Main Street
Santa Cruz, CA**

Date Prepared
April 22, 2021

Prepared by:

Jody Bruns, CDLP
Certified Divorce Lending Professional
720-692-7241
jody@divorcelendingassoc.com
NMLS ID
831033



Divorce Mortgage Planning - helping divorcing homeowners make more informed decisions regarding their home equity solutions and mortgage financing opportunities during and after divorce.

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CDLP™ Divorce Mortgage Planning and Real Property Report

Prepared for Jane Smith
 Phone
 Email

Attorney/Financial Planner/Mediator Connie Walsh, CDFA
 Phone
 Email



Prepared by Jody Bruns, CDLP
 Phone 720-692-7241
 Email jody@divorcelendingassoc.com
 NMLS ID 831033

Date Prepared 4/22/2021

Subject Property

Street Address 123 Main Street
 City, State Zip Santa Cruz, CA
 County Santa Cruz
 Property Type Single Family
 Lis Pendens Yes
 ATROs Released

Property Ownership

Owner(s) of Record John and Jane Smith
 Tenancy Type Joint Tenancy w/ Right of Survivorship
 Deed Type or Other Conveyance Warranty Deed
 Date of Deed 12/15/2015
 Owner's Title Insurance Policy
 Financing Spouse on Title > 12 Months Yes ←
 Specialty Lien Information
 Legal Description:

Property Valuation

Valuation Method Licensed Appraiser
 Opinion of Value \$700,000.00
 Contact Name
 Company Name
 Phone
 Email
 Copy of Report
 Estimated Property Equity \$223,000.00
 Current Loan to Value (LTV) 50%
 Equity Buy-Out Amount or % of Equity \$111,500

Property Tax Information

Annual Property Tax \$ \$8,000.00
 Status Current

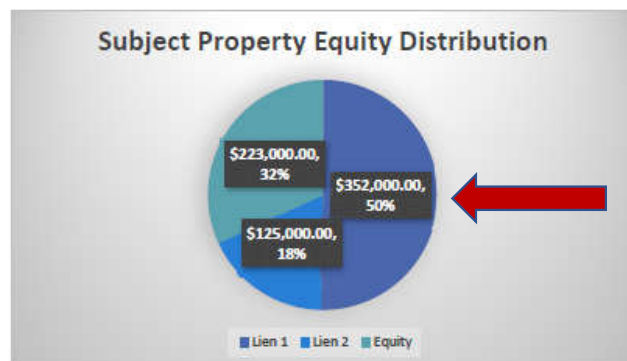
Homeowner Association

Management Company
 Phone
 Email
 HOA Monthly Payment
 HOA Annual Payment

Property Insurance Information

Annual Premium \$3,600.00
 Copy of Dec Page
 Copy of Policy
 Named Insured(s) John Smith
 Insurance Company GEICO
 Agent Name
 Phone
 Email

Current Mortgage Information	
1st Lien Position	2nd Lien Position
Loan Number 1234	Loan Number 9874
Mortgagee(s) John Smith ←	Mortgagee(s) John Smith
Mortgagor Name Wells Fargo Bank	Mortgagor Name TCF Bank
Address	Address
City, State, Zip	City, State, Zip
Phone	Phone
Fax	Fax
Email	Email
Date of Loan Transaction 12/1/2015	Date of Loan Transaction 12/1/2015
Transaction Purpose Purchase Loan	Transaction Purpose HELOC
Loan Term 30 Year	Loan Term
Loan Type Fixed Rate	Loan Type Variable Rate
Current Interest Rate 4.500%	Current Interest Rate 5.000%
Current Mortgage Balance \$350,000.00	Current Mortgage Balance \$125,000.00
Estimated Payoff \$352,000.00	Estimated Payoff \$125,000.00
Current Monthly Payment \$2,740.40	Current Monthly Payment \$125.00
Escrow Taxes & Insurance Yes	Escrow Taxes & Insurance No
Escrow Balance \$9,500.00	Escrow Balance
	Home Equity Line of Credit Status Open / Active



Involving a Certified Divorce Lending Professional (CDLP™) early in the divorce settlement agreement can help divorcing homeowners set the stage for a successful refinance of the marital home. It is always important to work with an experienced mortgage professional who specializes in divorce mortgage planning. A Certified Divorce Lending Professional (CDLP™) can help answer questions and provide excellent advice.

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Prepared for: Jane Smith
Property Address: 123 Main Street
Santa Cruz, CA

Still owes \$51,500



Prepared by: Jody Bruns, CDLP
720-692-7241
jody@divorcelendingassoc.com
NMLS ID 831033

Loan Comparison and EMI Payment Calculator

Starting Month (MMM-YYYY) Jun-2021

Loan Type	30 Year Fixed	Loan Type	30 Year Fixed	Loan Type	30 Year Fixed
Scenario 1		Scenario 2		Scenario 3	
Current Loan Amount	\$352,000.00	Current Loan Amount	\$352,000.00	Current Loan Amount	\$352,000.00
2nd Lien Amount	\$125,000.00	2nd Lien Amount	\$125,000.00	2nd Lien Amount	\$125,000.00
Equity Buy-Out Amount	\$111,500.00	Equity Buy-Out Amount	\$60,000.00	Equity Buy-Out Amount	\$111,500.00
Debt Paid at Closing	\$8,000.00	Debt Paid at Closing	\$8,000.00	Debt Paid at Closing	\$0.00
Estimated Loan Fees	\$7,691.65	Estimated Loan Fees	\$7,691.65	Estimated Loan Fees	\$7,691.65
Estimated PrePays	\$6,600.00	Estimated PrePays	\$6,600.00	Estimated PrePays	\$6,600.00
New Estimated Loan Amount	\$610,791.65	New Estimated Loan Amount	\$559,291.65	New Estimated Loan Amount	\$602,791.65
Loan Period (Years)	30	Loan Period (Years)	30	Loan Period (Years)	30
Interest Rate (%)	3.75%	Interest Rate (%)	4.50%	Interest Rate (%)	3.75%
APR (%)	3.84%	APR (%)	4.60%	APR (%)	3.84%
Loan to Value (LTV)	87%	Loan to Value (LTV)	80%	Loan to Value (LTV)	86%
Principle & Interest Payment	\$2,828.68	Principle & Interest Payment	\$2,833.85	Principle & Interest Payment	\$2,791.63
Taxes & Insurance	\$966.67	Taxes & Insurance	\$966.67	Taxes & Insurance	\$966.67
HOA		HOA		HOA	
Monthly PMI	\$0.00	Monthly PMI	\$0.00	Monthly PMI	
Total Monthly Housing Expense	\$3,795.35	Total Monthly Housing Expense	\$3,800.52	Total Monthly Housing Expense	\$3,758.30



Award the Escrow Refund of \$9,500 to Jane

Assumptions / Settings

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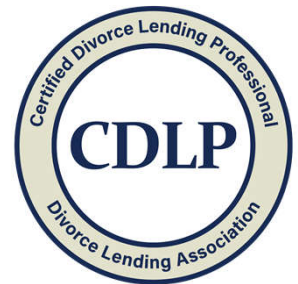
Case Study

\$500,000 QDRO Payment

Cash in Bank

Zero Income

- Reduce QDRO by \$111,500
- What happens if wife pays husband \$111,500 out of QDRO proceeds?
- Wife still is required to refinance the current loan out of husband's name.



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Financing Details for Divorce Mortgage Planning

Prepared for: Jane Smith

Prepared by: Jody Bruns, CDLP



Employment Income

	Employer Name	Gross Income		Status	Qualified Income		Notes Action Plan
		Monthly	Length at Current Employer				
Source 1	SC School District	\$3,000.00	2 years	Full Time	Yes		
Source 2							
Source 3							

Support Income

	Category	Amount	Status	Date Begins	Date Ends	Mos. Rec'd	Qualified Income	Notes Action Plan
Source 1	Spousal Support	\$1,200.00	Permanent Orders	4/1/2021	Life	1 No		Needs 6 mos proof of receipt
Source 2	Child Support	\$800.00	Permanent Orders	4/1/2021	4/1/2023	1 No		Will not continue for 3 years
Source 3								
Source 4								
Source 5								

Note # of children included in child support and if there is a 3 year continuance issue.

Other Monthly Income Sources

	Category	Amount	Status	Date Begins	Date Ends	Mos. Rec'd	Qualified Income	Notes Action Plan
Source 1	N/A							
Source 2								
Source 3								
Source 4								

Asset Distribution

Category	Status	Amount	Notes Action Plan
Will there be a lump sum payment in lieu of support?	No		
Will there be a transfer of retirement funds via QDRO?	Yes	\$500,000.00	
Down payment source for new purchase:			

Joint & Individual Debt Obligations

	Creditor	Status	Category	Balance	Minimum Monthly Payment	Responsible Party	Notes Action Plan
Source 1	WFB	Individual	Mortgage	\$450,000.00		Wife	Wife to Refinance in her name
Source 2	5/3 Bank	Joint	Installment	\$24,000.00	\$240.00	Husband	
Source 3	AMEX	Joint	Revolving	\$30,000.00	\$300.00	Equal Share	Needs to clarify % of payment
Source 4	TCF Bank	Individual	Mortgage	\$125,000.00	\$125.00	Wife	Wife to Refinance in her name
Source 5	Visa	Joint	Revolving	\$8,000.00	\$300.00	Wife	Wife to Payoff with refinance
Source 6							
Source 7							
Source 8							
Source 9							
Source 10							
Source 11							

Support Obligation

	Notes Action Plan						
Source 1	N/A						
Source 2							
Source 3							

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Case Study

\$500,000 QDRO Payment	Cash in Bank	Zero Income
Needs \$2,500 additional monthly income	3 Year Continuance	\$90,000
Create a Revocable Living Trust	Use \$100,000 of Lump Sum Payment to Fund	Create a distribution from trust for \$2,500
Distribution Receipt: Monthly – 1 Quarterly – None Annual - None	Vs. 6 months receipt of support income 😊	Meets the 120 Deadline!



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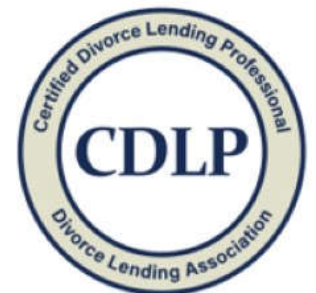
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Proceeds From Sale of Marital Home



- The intersection of family law, financial and tax planning, real property, and mortgage financing is real.
- All the clever strategies and technologies in the world are nowhere near as effective without great people to put them to work.

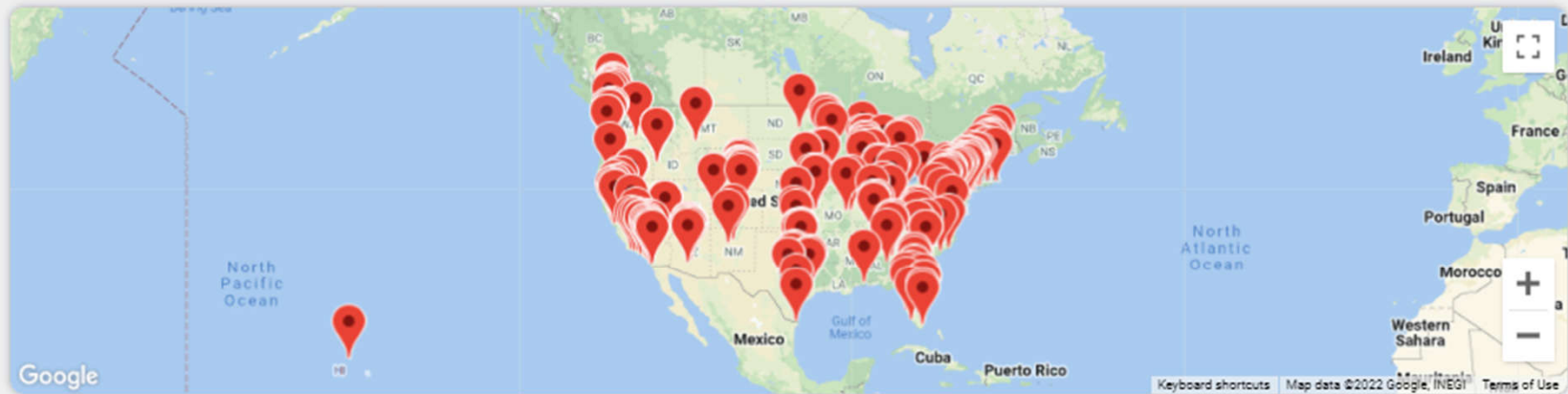


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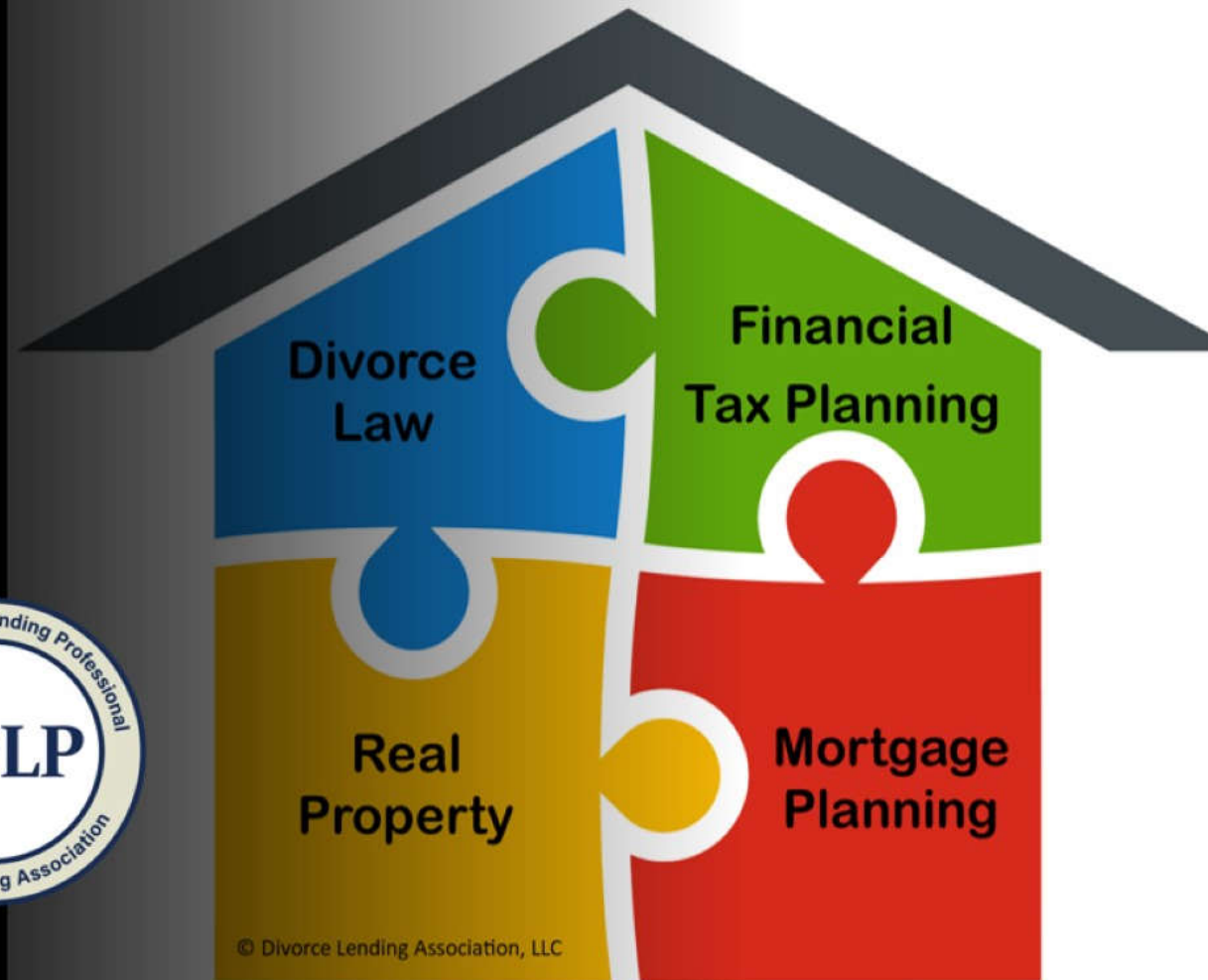
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'Successful
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