

It's one of the most stressful parts of separation and here Margaret Barrett, qualified financial advisor and managing director at Mortgage Navigators, a specialist mortgage broker service talks you through the issues - and how you can help yourself

by Margaret Barrett

WHAT happens to the family home is a big question for a divorcing couple during the separation process. Agreeing that one spouse will continue to live in the home, possibly with the couple's children, is common; but any solution is going to demand careful financial and legal planning.

A solicitor who specialises in family law and divorce will be well versed in the financial aspects, such as the costs associated with separation, spousal or child support, and the tax implications.

A financial advisor will likely be needed too, depending on the assets involved and the degree to which one partner, or the children, are financially dependent. So, too, where one party wants to secure an individual mortgage, there is a high degree of personal financial planning, and work with the lender, to be done. A mortgage broker is best to give you the advice you need.

For anyone hoping to make mortgage repayments on their own, while the other spouse is removed from the mortgage, you will need a comprehensive understanding of your financial situation, including the current value of the home and the outstanding mortgage payments due.

Where spouses have a joint mortgage, both parties are equally responsible for making the repayments. This responsibility continues, even after separation, if both parties are still named on the mortgage. So, it is crucial to maintain regular payments, to avoid damaging your credit rating.

These steps will help assess the possibility of buying out an ex-partner, or maybe securing a new mortgage on your own.

1. UNDERSTAND YOUR FINANCIAL SITUATION

THIS is crucial for any separation settlement, and involves assessing your income, assets, debts, expenses, and credit report. Knowing your financial health is crucial, not just when applying for a mortgage, but to move forward independently.

2. TAKING ON THE MORTGAGE

REMOVING one borrower from the mortgage and the title of a property requires a full credit assessment of the remaining borrower. This means:

■ Having a sustainable income to satisfy the Central Bank of Ire-

land Loan to Income Criteria (3.5 times income; exceptions are permitted based on affordability)

■ Debt Service Ratio needs to be within certain criteria. Any short-term lending, like a car loan, may affect this, so, if possible, it is wise to repay loans prior to assessment.

■ Demonstrated Repayment Ability - you must show you can repay the mortgage from your sole income, if you have not already been making the regular monthly mortgage repayments independently. The lender needs to see that you could afford the repayments, from your own separate finances, in the six months preceding the application to remove the other borrower.

■ Net Disposable Income: The lender needs to ensure the mortgage will not financially stress the sole applicant, on their sole income. If there are children involved in the separation,

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lenders factor in monthly costs of around €250 per child. Short term debt will also decrease the assessment of net disposable income.

■ Any applicant must be up to date on current mortgage payments.

■ A good payment history is important. Your mortgage loan can't have been overdue for longer than 30 days, in the previous 12 months, and you must not have been in breach of the terms and conditions of your Mortgage Loan Offer Letter over the last 12 months.

3. CONSULT A MORTGAGE BROKER OR YOUR LENDER

SPEAK with your mortgage lender or a broker to assess your eligibility for a mortgage. They can help you understand the loan options available, and the financial requirements for approval. A broker will outline specific measures to secure a new or the existing mort-

gage, in your own name.

4. DETERMINE THE MORTGAGE AMOUNT

CALCULATE how much mortgage financing you will need to buy or hold onto the marital home, including what, if any, buy-out is due to the borrower being removed. Consider the associated expenses too. You may have an option, if you are within certain criteria, to release equity in the property to 'buy out' an ex-partner and cover the associated expenses.

5. PREPARE ALL OF YOUR DOCUMENTS

GATHER relevant financial documents, including mortgage statements, property appraisals, and loan documents. This is essential during any divorce negotiations or proceedings. For a new mortgage application, you need pay slips, a salary cert, tax returns, bank statements, and proof of other income sources, to streamline the application process.

6. BUDGET FOR NEW MORTGAGE PAYMENTS

CREATE a budget that includes mortgage payments, property taxes, insurance, and maintenance costs. Ensure you can comfortably afford these expenses, while meeting your

other financial obligations, particularly over the long-term. Explore different mortgage options, including fixed-rate mortgages. A mortgage professional will look at the pros and cons of each, to determine the best fit for your circumstances.

7. DEED OF WAIVER

KEEP your solicitor and mortgage lender informed about the progress of divorce proceedings, to ensure a smooth transition. A deed of waiver needs to be incorporated into your divorce agreement, and the waiver document is signed by both parties when a Decree of Divorce is granted. It confirms that you both waive your entitlement to each other's property, into the future, and the ownership thereof, and that you consent to all future property transactions that either of you might engage in.

Divorce is difficult, and mortgages are tricky to navigate at the best of times. Now, more than ever, ensuring a roof over our heads is everyone's priority, and crucial where a family is involved.

Some advance planning and professional guidance from a broker will go a long way to, not only identify the issues with home ownership and transfer, but to help address them too.

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