HOW A HECM CAN HELP IN A DIVORCE

One potential area where a Home Equity Conversion Mortgage (HECM) can help is with late-in-life divorces. The unique features of a HECM—especially the lower income qualification standards and the option to make no monthly mortgage repayments—can help with the financial stress of divorce.

Home Equity Conversion Mortgage (HECM)

- Permits a consumer(s) 62 years and older, depending on the interest rate selected, to borrow between 45% and 75% (age and interest rates dependent) of the value of the primary residence (to a maximum home value of $636,150)
- Allows access to the funds from a line of credit in a variety of ways
- Let's the borrower have the option to make or not make (for the life of the loan) any periodic mortgage repayment, with no impact on credit score
- Has its funds availability insured by the Federal government
- Grows the unused line of credit grow annually at the effective borrowing cost
- Allows the borrower(s) to live in the home until the last borrower has left the house or passed away
- Always allows the borrower(s) to own the home and leave the home and any equity left in it to their heirs
- The borrower(s) never owe more on the home than what it is worth, regardless of the size of the HECM. It's a fully non-recourse loan.
- Permit the borrower(s) to convert the line of credit into federally guaranteed monthly cash flow that will pay until last borrower leaves the home

Circumstances	Traditional Forward Mortgage Issues	HECM Advantages
Ex-spouse wishes to retain the home and refinance the home in their own name. Proceeds may be used to pay off the other ex-spouse their equity in the home.	(1) Ex-spouse must have monthly income of 3-4 times the mortgage payment and related property charges and demonstrate the income will continue. (2) Ex-spouse refinancing the home generally needs at least a credit score above 600. (3) Ex-spouse will need to provide 12 months of cancelled checks showing the ex-spouse made timely mortgage payments from their own account, not a joint account.	**(1) HECM income requirements are based on residual income levels after setting aside payments for other financial obligations and property charges. Monthly residual levels can be as affordable as $600 for a single person. (2) A HECM has no credit score requirement. (3) The lender will check that (a) all property taxes, HOA, PUD and Condo fees for all real estate are current and no property tax arrearages in the prior 24 months, (b) no late mortgage or installment loan payments in previous 12 months, and (c) no more than 2 X 30 day late payments in mortgages or installment loans in period months 13-24.**
Ex-spouse in the home is unsure if they can make the mortgage payment over time (e.g. if alimony stops)	Falling behind on payments can lead to foreclosure or poor credit.	**A HECM permits the option of not making a monthly payment (for the life of the loan) and credit rating is not impacted. TAXES AND INSURANCE MUST BE PAID.**
Ex-spouse needs alimony or child support as income to qualify for a traditional forward mortgage	This income can be used to qualify an ex-spouse for a new mortgage if it is spelled out in the Divorce Decree. The income must have been received for at least the past 6 months and it is going to continue for at least 3 years.	**When using a final divorce decree, legal separation agreement or court order, the lender can use the most recent 3 months. If a voluntary payment, the lender can use the previous 12 months. The ex-spouse must provide evidence that the income will continue for at least 3 years.**
Ex-spouse is retaining the home or buying another one and must also pay alimony or has other installment debt	Any child support, alimony or other financial obligations an ex-spouse must pay could affect his/her qualification ratios on a new mortgage.	**Under HECM financial assessment, obligations only reduce the income available for the monthly residual income. There are no ratios required or impacted. It is a much lower income requirement for a HECM than a traditional forward loan.**

*Home Equity Conversion Mortgages are a Federal Housing Authority loan program and are based on age of youngest borrower and prevailing qualifying interest rates. Advances are limited to between 50% and 75% of property values and maximum property values are restricted to $636,150.