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| **Rate and Term Option Helps Homeowners After Divorce**    **Divorced homeowners often find out the hard way that neither a Quit Claim deed nor a divorce decree remove a former spouse from their mortgage note**.  **Only three avenues exist to get an ex-spouse off a mortgage**: a Novation to the mortgage, a home loan refinancing, or the sale of the house. Credit unions, mortgage brokers or bankers can help with a specialty refinance mortgage - possibly the only option in a divorce situation, if the other two options are not available.  **A Novation is when the lending institution agrees to rewrite the mortgage in the name of only one of the former borrowers**. This usually only happens when the remaining party to the mortgage has great credit and a solid and substantial income.  **Sale of the house may be possible, but often the sale does not solve the overall challenge of giving one party the house free and clear and the other party their percent of the equity**. Another common situation that makes resale not the best option is if the house's mortgage is reduced over the time of ownership, acquiring a similar property, with the same affordable payments is unlikely. The latter situation is even more pronounced if room is needed for children. A third drawback to a sale is if additional money needs to be put into repairs in order to make the house saleable. In certain situations where a settlement is not 50/50, but an amount is specified in the divorce decree to be paid to the party leaving the house, there may not be enough equity in the house to satisfy the decree.  Typically, the refinance route looked at is the "cash out" refinance loans, which are usually limited to 90% Loan to Value (LTV) of the house. **Credit unions and possibly banks have a "rate and term" loan that can give owners a higher LTV and usually a lower interest rate than the usual "cash out" refinance loan**.  For example, take a situation where the house is valued at $100,000, the owners have 40% equity in the house, a first mortgage on the house for 60% LTV, and the divorce decree stipulates that the person keeping the house pay the ex-partner $35,000. If the house was sold, the ex-partner would get most of the equity and the homeowner would be left without a home. With the "rate and term" loan, the homeowner brings the divorce decree to the credit union (or bank) to qualify for the program. The **rate and term refinance loan with a 95% LTV** allows the ex-spouse to be paid off and the homeowner to retain the home. Better still, the homeowner also gets a lower interest rate than any other "cash out" home loan refinancing program can offer.  The mortgage specialists at credit unions and banks recognize that life has its challenges, however, they can h**elp divorced homeowners use a rate and term mortgage refinancing to help settle one of the major settlement issues in a divorce**. When you are launching into the next phase of your life, see if a rate and term mortgage can be a part or your starter kit. |