**Dennis C. Smith**
Co-Owner/Broker
Stratis Financial
Phone: (562)472-1118
dennis@stratisfinancial.com
http://www.DennisCSmith.com
California Bureau of Real Estate #0966315
NMLS License #296660 Company NMLS #238166

STRATIS FINANCIAL
A MORTGAGE COMPANY

## Tips From the Mortgage Professional

If you are involved in divorce negotiations here are some areas to be considered that can impact future mortgage and/or loan transactions for the parties involved:

**Credit Reports:** run one on both parties as soon as possible. Close any joint accounts immediately to prevent one party from increasing the debt. Once it is established who is to pay the debt have a time frame for it to be a zero balance on the joint account.

**Separate Accounts:** as soon as possible separate asset and credit accounts. Any joint accounts that are open will require cooperation for the other party when one attempts to obtain financing. The sooner each party can establish their own accounts the better. This not only eases the ability to obtain future financing but also protects each party from the other party “crashing credit” or other potential malicious behavior should emotions run negative.

**Joint Accounts that remain open:** some joint accounts may need to remain open, such as a car payment or possibly a mortgage. Have in the agreement that the party making the payment agrees to give twelve months’ cancelled checks to the other party upon request—lenders will not count the debt against an applicant if they can show the other party has made all the payments for the past year.

**Joint Accounts that remain open II:** have repercussions in the agreement if the party that is supposed to make the payments fails to make any payment in a timely manner. Allow the other party to have access to monitor the account on-line to ensure payments are being made and ability to make a payment to avoid a late charge or derogatory mark on his/her credit report.

**Agree to sign forms:** If one party is purchasing a home or auto and verification is required by the lender the other party agrees to sign necessary forms to enable the approval. Most common for the mortgage industry is IRS Form 4506 that is sent to the IRS to obtain a tax transcript verifying the tax returns provided and to ensure there are no additional businesses, write-offs etc. If the couple filed a joint return for the year the tax transcripts are required then both couples will need to sign the IRS 4506 for the transcripts to be released.

**Discount the value of property:** If one person is buying out the other’s interest in real property discount the market value by 6-7% to account for costs that will not be incurred. We typically prepare a net sheet showing what the parties would net if the property were sold on the open market and then show adjustments for fees and expenses that will not be charged such as real estate commission, seller’s title insurance, transfer tax. As an example the costs on a $650,000 sale can be up to $52,000 or more; however if one party is refinancing for $500,000 with part of the proceeds to buy out the other spouse’s equity the costs are $3500-4000.

If you are structuring a settlement with property involved please do not hesitate to contact me for strategies and solutions.