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Divorce and mortgages: Could you be in for a joint-credit nightmare?

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Tracy Becker is a Tarrytown-based credit expert.

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Got a question?

Tracy Becker is president and founder of North Shore Advisory Inc., a Tarrytown-based credit

Q: My wife and I have recently agreed on the terms of our divorce. Part of this agreement is that she will be given the house and will make the rest of the payments on the balance of our mortgage. Our home is located in Westchester County and is valued at around \$1.1 million dollars. The mortgage is \$500,000 so she will be gaining an excellent asset.

Since I was the sole income earner when the mortgage was issued I am the only one on the note. We have not signed the divorce agreement yet and I was wondering if there is anything I should know about my credit in regards to this loan?

A: This is a great question! If you are no longer going to be on the deed you must also be refinanced off the mortgage. Since you signed a contract with the bank to pay the loan, it is the bank who needs to release you from your responsibility.

If you remain on the loan and your future ex-wife makes late payments or defaults on the mortgage, it is your credit score that will plummet and you the bank will come to for payment on the balance owed. The bank could care less about the divorce agreement since you are the party they have a contract with, not your divorce lawyer or your wife.

Your wife will have to go through the process of qualifying for a loan. This means her income, credit, and the value of the house will be reviewed. Once she is approved and the loan becomes active you should receive paperwork from the bank releasing you from your obligation.



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restoration/education company. Becker is also the author of "The Credit Solutions Kit" and "CreditScore Power." If you have a question for her regarding a credit issue, email it to kcroke1@lohud.com.

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If she cannot get bank approval and the loan remains in your name you are putting yourself in a very risky position since your credit and pocketbook can feel great distress depending on your wife's future payment patterns and financial situation.

For example: A successful CPA client of mine had been divorced for 10 years and was applying for a mortgage with his new wife. When the banker pulled his credit it revealed a mortgage of \$750,000 with 10 late payments over the course of the past 12 months.

Between the large debt he owed on the loan and his poor credit scores (due to the extreme late pays over the twelve month

period) he was denied the loan. When he divorced his first wife, he also gave her the home but the mortgage remained jointly in both their names. His lawyer never addressed the need for the loan to be refinanced out of his clients name and into the ex-wife's.

The mortgage was still listed as a joint loan and both parties acquired the credit history and full responsibility for payments. By the time he figured out what really happened it was too late to change it.

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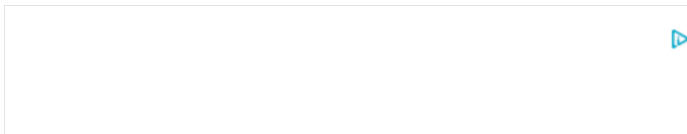
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