The Lindley Team

Certified Divorce Lending Professional

**Divorcing Your Mortgage Educational Series**

# Working with Support Income for Mortgage Financing


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Divorce and mortgage financing concerns are often a touchy subject in divorce situations. Particularly when one spouse is dependent upon income awarded from the divorce for mortgage qualifying purposes and also when contingent liabilities are present, such as a jointly held mortgage on the marital home.

Having a basic understanding of how lenders look at the different sources of income awarded in a divorce settlement as well as how joint and contingent liabilities are handled can help you better serve your divorcing clients who are concerned with the ability to obtain mortgage financing post decree.

Avoiding hurdles with mortgage financing in a divorce situation is easier when you have a better understanding of the potential challenges your divorcing clients may face when obtaining mortgage financing.

## Income vs. Qualifying Income

Often times in a divorce and mortgage situation there are various types of income to consider: Employment Income; Alimony/Maintenance Income; Unallocated Maintenance Income; Child Support Income; Property Settlement Note Income; and more. Although all sources of income are considered "income" by the recipient, it is important to understand that from a mortgage financing perspective, ***not all sources of income are considered "Qualifying Income."***

In order to be considered as "Qualifying Income" certain requirements of each income source must be met. For divorcing clients who will need mortgage financing once the divorce is final, involving a mortgage professional who specializes in Divorce Mortgage Lending during the divorce process rather than post decree can potentially help avoid common pitfalls when "Income" is not considered as "Qualifying Income."

Alimony/Maintenance, whether unallocated or allocated, along with child support must meet specific requirements to be considered as "Qualifying Income" for mortgage financing purposes by meeting both continuance and stability tests.

**Continuance:** A key driver of successful homeownership is confidence that all income used in qualifying the borrower will continue to be received by the borrower for the foreseeable future. Must be able to document that income will continue to be paid for at least three years ***AFTER*** the date of the mortgage application. Check for limitations on the continuance of the payments, such as the age of the children for whom the support is being paid or the duration over which alimony is required to be paid.

**Stability:** A review of the payment history is required to determine its suitability as stable qualifying income. To be considered stable income, full, regular, and timely payments must have been received for six months or longer, provided the income does not represent more than 30% of the total gross income used to qualify for mortgage financing. Income received for less than six months is considered unstable and may not be used to qualify the borrower for the mortgage. In addition, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for the purpose of qualifying the borrower.

**As an example:** A borrower receives a monthly income of $6,000 from varying sources. ($2,500 employment income; $1,500 maintenance income; $2,000 child support) Maintenance income is awarded for 3 years and child support is awarded until each of two children turn 18 (currently ages 5 and 7.) Borrower has been receiving both maintenance and child support for 6 months at time of application. The maintenance income is not considered as “qualifying income” because it does not meet the continuance requirement of 3 years.

There are many components of income considered in mortgage financing. When income from a divorce situation also comes into play, working with a divorce mortgage professional during the divorce process rather than post decree can help attorneys and divorcing clients identify and possibly avoid income qualifying issues for mortgage financing . When the situation also involves income from other sources such as property settlement notes, asset distribution income, etc. there are additional layers of stability and continuity required.

## Temporary Orders and the Time Clock

When temporary orders are given by the court in regards to alimony/maintenance and/or child support, the time frame for meeting the receipt requirements begins upon the receipt of the first payment ordered through temporary orders. When final orders are given, the qualifying income dollar amount used for mortgage financing purposes will be the amount in the final settlement agreement. Typically one month’s receipt of final support order is required.

When mortgage financing will be a time sensitive issue upon the final settlement agreement, issuing temporary orders can be a benefit to the receiving party when support income is necessary for meeting the qualified income on mortgage financing. Temporary Orders can jump starting the clock on the receipt of 3 or 6 months and be a benefit in speeding up the time frame of obtaining mortgage financing.

Please don’t hesitate to contact me directly to answer your questions regarding your divorcing client’s situation or if I can answer additional questions for you.