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# DIVORCE AND YOUR HOME

*What You Need To Know About Your House, Home Loans and Taxes*



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## **A Practical Guide to Making Smart Decisions During a Difficult Time**

Divorce is rarely easy. Along with the emotional strain, it often forces major financial decisions—none more significant than what to do about the family home.

In times like this, emotions can cloud judgment. What you need most is clear, factual, non-emotional information so you can make the best decision for your future. This report is designed to help you understand how divorce impacts your home, your mortgage, and your taxes—so you can move forward with confidence.

### **1. The First Big Question: Keep the Home or Sell?**

One of the earliest and most important decisions you'll face is whether to keep the house or sell it.

Ask yourself:

- Does staying provide stability and comfort—or emotional stress?
- Can you realistically afford the home on a single income?
- Would selling allow for a cleaner financial and emotional break?
- Does starting fresh make more sense for your long-term goals?

There is no “right” answer—only the one that fits your situation. But each option carries financial consequences that should be clearly understood before deciding.

### **2. Can You Afford the Home After Divorce?**

If you're considering keeping the house, you'll need to evaluate:

- Your post-divorce income
- Ongoing costs such as mortgage payments, taxes, insurance, maintenance, and repairs
- Whether child support or alimony affects affordability
- Emergency reserves for unexpected expenses

Many people underestimate the true cost of homeownership when transitioning to a single-income household.

### **3. What Happens to the Mortgage?**

Your mortgage does not automatically change because of divorce.

Common scenarios include:

- One spouse keeps the home and refinances to remove the other from the loan
- Both names remain on the loan, even if only one lives in the home (this carries serious risk)
- The home is sold, and the mortgage is paid off at closing

Important note: A divorce decree does not remove responsibility from a lender. Only refinancing or selling does.

### **4. Refinancing: Is It an Option?**

If one spouse plans to keep the home, refinancing is usually required. Approval depends on:

- Credit score
- Income and debt ratios
- Home equity
- Current interest rates

If refinancing is not possible, selling may be the safest financial option.

### **5. Selling the Home: What to Expect**

Selling the home can:

- Eliminate joint financial liability
- Free up equity for a new start
- Simplify the divorce settlement

However, timing, market conditions, and agreement between spouses all matter. A neutral, experienced real estate professional can help ensure the process stays business-focused rather than emotional.

### **6. Tax Considerations You Must Know**

Divorce and real estate decisions can have tax implications, including:

- Capital gains exclusions on the sale of a primary residence
- How equity is divided
- Potential tax consequences of buyouts
- Filing status changes that affect deductions and exemptions

Always consult a tax professional before finalizing decisions involving property division.

## 7. Buying a New Home After Divorce

If selling is the right move, important questions include:

- How much home can you afford on your new budget?
- How soon can you qualify for a new mortgage?
- Will proceeds from the sale be available for a down payment?
- Should you rent temporarily before buying again?

Planning ahead avoids costly mistakes.

## 8. The Value of Neutral, Third-Party Guidance

Divorce is emotional. Housing decisions should not be.

Working with neutral professionals—real estate, mortgage, and tax experts—can help you:

- Avoid financially damaging decisions
- Protect your long-term stability
- Make choices based on facts, not pressure or fear

## Final Thoughts

Your home is more than a building—it's tied to your finances, your emotions, and your future. Understanding your options puts you back in control.

With the right information and guidance, you can make decisions that support both your financial well-being and your next chapter.

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