Season 4 Episode 14

Date the Rate, Marry the House and Divorce the Rent with Adam Black, Mortgage Specialist

Craig: Welcome to season four of the Robertson and Easterling podcast. This is Craig Robertson.

Matt: And I'm Matt Easterling, we want to thank everyone who has listened to our podcast so far. If you haven't already subscribed, please do so on iTunes, Spotify, or your favorite podcast player. Craig and I are having lots of fun producing this show, and we hope that you're enjoying it as much as we are. It's really hard to believe we are already on season four.

Craig: That's right, Matt. We've really enjoyed sharing the life stories of some great people. And we have even more in store for you for season four. As you know by now, we are board-certified family law specialists with one of the most successful boutique law firms in Mississippi. As creative problem solvers, we take a holistic approach to the individual needs of our clients.

Matt: Joining us again this season are licensed professional counselors: Eva and Roane Hunter from Lifeworks Counseling. We're excited to continue our partnership with Eva and Roane. They provide a unique perspective as we help hurting people with the healing process.

Craig: We're also excited to introduce two new sponsors for season four: Christie Tidwell and Kelly Engelmann. Christie is a certified financial planner and the founder of New Path Planning. Christie's own walk through divorce, coupled with 20 years of experience make her a perfect advocate for others on a similar path. And Kelly is the founder of Enhanced Wellness Living. Mississippi's leading functional medicine clinic. Her team's food-first approach to healing along with a variety of lifestyle and regenerative treatment options sets you on a journey to take control of your health and live life well.

Matt: So now that we’ve told you what to expect this season, sit back, relax, and take a deep breath. Everythings gonna be okay. You found us and what you’re about to hear is going to help.

Eva Hunter: Hey, this is Eva Hunter from Lifeworks Counseling. At LifeWorks, our counselors seek to integrate healthy faith-based principles with sound clinical skills. Whether you’re struggling in a relationship or have feelings that hinder your ability to be all you are created to be. One of our trained counselors can help. We seek to partner with you as our client to find the freedom to live the life God intended for you. We offer our experience, strength, and hope to promote healthy relationships built on intimacy and trust. LifeWorks counseling: the science and soul of connection.

Christy Tidwell: Divorce is the largest financial transaction in most people’s lives. Unfortunately, the decisions surrounding divorce are having to be made when emotions are highest. Making choices about assets can feel intimidating, especially when you’re not in the best frame of mind. Make sure you know how what you do today will affect your financial future.

My name is Christy Tidwell, and I’m with New Path Planning. I’ll use my 20 years of financial planning experience to help educate and advise you during every stage of the divorce process. Visit New Path Planning for more information.

Craig: Well hey everybody, Welcome to today's show. Today we are going to be talking about all things housing. One of the first questions that a person who is thinking about divorce has to consider is where they're gonna live. Should I stay or should I go? On the podcast today, I've got my friend and my law partner, Matt Easterling.

Matt, what do you think, man? When we do an initial consultation with a client, certainly that's one of the first things that we've got to know is: whether or not they wanna stay in the home, whether or not they anticipate leaving the home, what the housing situations gonna look like.

Matt: Well obviously in almost all cases, the house, which we call the marital domicile, is one of the biggest,if not the biggest piece of a marital estate with regard to the percentage of their estate that's invested into that property, and the amount of debt that they most likely have associated with it.

Craig: Yeah, we tell people all the time for most average Mississippians, the two largest assets of the marital state are gonna be the house and then some type of retirement plan. Typically, there's bigger implications when it comes to the house because obviously if the family has minor children, in my experience, I see judges who are more concerned about the children having a stable home, than they are worried about where the husband and wife are gonna live when the parties separate.

Matt: Right. I mean so regardless of whose at fault, a judge is going to look at any circumstance and say that the only truly innocent people are the children. So, they're going to do what they can to disrupt their lives as little as possible. Who's going to maybe stay in that marital domicile, if anybody, is probably gonna have a leg up when it comes to custody. If this is gonna be a true custody battle.

Craig: Right, with the house a lot of times or with the kids, a lot of times goes the house. And with the house goes the kids, right?

Matt: Not only so the kids can continue to live where they have been, but that has other implications like school districts and things of that nature. I mean, you got a sophomore in high school. They wanna finish high school where they are, and if mom or dad is gonna be moving to the next county over that means they're about to be going to a whole different school if they had to move over there.

Craig: In today's environment, this is even more complicated. As inventory of houses is lower, prices are higher, interest rates are rising. And today on the show we've got a specialist with us, Adam Black. Adam, thanks for being here. Adam is a mortgage specialist at First Commercial Bank, and Adam, you've got 18 years of experience doing this stuff. Man give our listeners a little bit of background about who you are and about the work that you do.

Adam: Sure, Thank you guys for having me again. Like you said, 18 years in this business have been with First Commercial for a couple years now with this group of people since 2013. We live in the area: my wife and two kids. We've been here since for the past 20 years now. So I have a team around me at First Commercial that is in

Craig: Now Adam, you've got a special designation as a real estate collaboration specialist with a focus on divorce mortgage management. Tell our listeners a little bit about what that means, and how you use that to help people who are facing this type of life transition.

Adam: Sure. So what we see a lot in our industry, Craig and Matt, is a lot of times we are talking to post divorce, and we're trying to help them right size. Meaning, get into the right size house their new life -their new chapter. And a lot of times had we been involved from the beginning, we could have laid out a better roadmap or a better plan to help them make that transition.

Craig: There's just so many issues that come up with regard to the house. In some situations, people are gonna sell the house, and both parties are going to get into a new living situation. That happens routinely especially if the house that they have might be more expensive than either spouse can afford on their own. We also see situations where one spouse might leave and get into either temporary or permanent housing, while the rest of the divorce is being sorted out. What do you mean about if somebody comes to you on the front end? Help think through these different contingencies.

Adam: Well we wanna look at the current situation, like you said, the household income are or are both parties currently employed, the size of the house, what the mortgage is gonna be or what the mortgage is, and what wants are there as far as who wants to keep the house, who wants to leave, or do they wanna sell the house and both go their separate ways. And the way we do that is to sit down and actually look at the plan and determine. So for example, let's take a situation where maybe a wife has a college education, but has been a housewife for five or six years, maybe longer, and now she's entering back into the workforce. We wanna make sure that we're realistic in what that income's gonna be and look at her current debt and what debt she's gonna have post divorce and map out a great mortgage strategy for her in that situation.

Craig: And when you say mortgage strategy, help me and the listener understand what you mean by that.

Adam: Yeah, so we're gonna look at the amount of equities she's bringing out of the home. Liquid assets she has to put toward the next home. We wanna make sure she's in the right area for the kid's sake. We just wanna kinda look at all the facets of it that a lot of people just don't think about when they're in the middle of a divorce. They're kind of battle weary, and they're just moving through the paces with your guys' guidance. But sometimes, the house situation gets lost in that as you guys cannot keep up with all the mortgage guidelines. That's just not what you do. That's what we do, and they change and everything is fluid in our business, and it's important that we're brought in far enough ahead to make sure that we understand what the situation is, and how do we navigate that with you guys.

Matt: So in doing that you are basically reverse engineering it to let somebody know okay, this is what your options are based off of these different factors. You're going to qualify for a house that costs X amount and it's going to lead to a monthly mortgage.

Adam: Yeah so great, that's great entree too. We wanna give 'em options. We don't want anybody to come out of it feeling like this is only the option I have. So we wanna be able to say, okay if you structure it this way this is what you can afford. This is what we can get you approved for. If you structure it this way, this is what you can afford this we can get you approved for. What are the pros and cons of each way? And obviously bringing in y'all's your influence as well and talking through that. Tax implications down the road. Like we talked about a while ago with the alimony being adjustable over a period of time, we wanna take all that into account when we're doing this.

Matt: Right I mean, Craig said something earlier that it's very important, but there's another aspect of it. Which is one of the first things that we wanna know is, what they want to do with maybe the house that they're in? But what is just as important with that is what can they do?

Craig: What’s realistic is just as important as what they might wanna do. Cause a lot of times everybody wants to stay in their house, but it's just not gonna be possible.

Matt: Right, you know? So I mean under most circumstances, you're gonna have one of three things that's going to happen either. Husband's gonna stay there and buy the wife out for her interest in the property. Wife is gonna stay there and buy husband out for his interest in the property. Or they're going to agree to sell it and divide their interest in in the property. However it gets negotiated, that usually is going to involve one party staying in the house until the house sells. There's different implications and in most instances, you have both parties on the debt on the mortgage, so you're gonna have issues with refinance and things of that nature.

Craig: and a unique, I say unique at least, in the 23 years I've been practicing law. First of all, even if one of the parties would qualify to refinance the property Adam, we've seen interest rates go up considerably in the last two years- and so it's not uncommon. If folks have been married for quite some time, that they might have a very favorable interest rate, sometimes even below 3%. But they're looking at having to refinance the home to cash in on some of the equity so that their soon to be former spouse will receive some of their portion of the marital estate and be able to move into a new housing situation- which creates hese unique conflicts for people who are facing a divorce and in life transition as it relates to their home.

Adam: Right, and you just brought up a great point. Something that that we've seen a lot lately is with rising rates, we get a divorce decree, post divorce. One of the spouses comes to us and the husband or the wife is supposed to refinance it and they can't. They don't qualify for a refinance anymore because rates unfortunately have doubled this year.

Craig: And I think that it’s important for anybody who can hear my voice right now. And of course Matt and I deal with this routinely, but it's important if you are facing a divorce -and you are the person who is going to be receiving equity from the house that consideration is made. Because not only does a person need to be provided with their equity as they move forward in the rest of their life, but they also need to be removed from the mortgage in some reasonable amount of time so that their credit is available enough so that they can obtain another home and have another home ownership situation.

Adam: And we've seen that a lot, we have seen situations where the spouse that's retaining the home is supposed to refinance within 90 days or six months of the divorce being signed, and they just can't. And it puts the other person in a position where they have to rent and unfortunately rent is so high in our area. I mean it's a lot of times it's double what you could buy that comparable house for.

Craig: Not only that, as Matt talked about before, you get into considerations of the school district. And then just whether or not there's something available that someone could move into, and not just available, but something that would be comfortable and safe for their family especially in this type of transition.

Adam: Again, it goes back to we want everyone to have options coming out of this. We don't want 'em to be shoehorned into one size fits all. It's just not fair.

Matt: And if you're going to negotiate a divorce agreement, which Craig as you know, most the vast majority of divorces end in a settlement as opposed to litigation. I don't know that there are many things that would be more crucial to know going into a negotiation is what those options are, and what can realistically be accomplished. Because negotiating it without knowing, you're setting yourself up to agree to something that is not going to work logistically.

Craig: Right I mean, you've gotta know whether or not your client is gonna be able to qualify to obtain a new residence. Or what their, as everybody's already said, what the options are. I mean, cause the more options you have when you're in life transition the better.

Adam: Well and you also need to know that their future ex spouse can accommodate what they're supposed to do on the other end. Because we've had that happen, and we've had several situations we've been brought into where our client was the one leaving the home, and we were asked to do an application for the person staying -and we were able to tell 'em they're not gonna be able to refinance this at the end. We've gotta look for a different strategy here.

Craig: You’re setting yourself up on the front end for something that's impossible.

Adam: Yeah. In a situation like that, like we just recently did basically what we did was we set up a home equity line of credit for the gentleman. He went ahead and paid her her half of the equity out of it. She took that bought another housewhile the divorce was in process, and everybody was happy at the end.

Matt: Yeah, It doesn't happen as often as it probably should, but in my opinion it's advisable if you're talking about somebody refinancing a property to go ahead and just do that before the divorce is actually finished. Craig and I say all the time, one of the things that we do in separating these relationships you're wanting to cut as many strings as you can. You want as few things as possible tethering those people together, and obviously if you have children that's a lifelong tether that you're just not going to break. But if it is it all avoidable, you do not want to get divorced and be jointly responsible for some type of mortgage or debt.

We see it all the time where somebody it says that they're supposed to refinance it, or they're going to sell the house the parties are getting divorced. We'll say husband's gonna stay in the home until the house sells, and then they're gonna divide the equity. Well because wife is on the mortgage her debt to income ratio is such that she can't go buy another house until that house sells. And what's worse than that?

What if the person that's staying in the home doesn't make the payments that's gonna hurt their credit? We've seen that and that's not something that you can fix at once. I mean not fix immediately, and there's very little recourse. So don't put yourself in a situation where you're on the debt in a house that you're not living in, or you're not responsible for the monthly payment.

Adam: That brings up a great point, a big misdomer in our business is that if a quick claim is done that relieves that obligation to that debt. It does not. All it does, it relieves your ownership of the property. You're still obligated to the debt if you were originally on the debt with your spouse. Signing a quick claim does not take away your obligation to that debt.

Craig: Adam let’s talk through just a typical scenario. So talk generally about if you're in a situation where someone has smartly reached out to you and started engaging these discussions. Talk practically about what the steps are.

Adam: Yeah, so we're just gonna go through a basic long consultation with them. We're gonna learn more about our barber, the person that has been referred to us. We're gonna learn what their current income situation is and what it's gonna be post divorce. We're basically gonna take them through a loan application process

Craig: and let's take another step with that… The loan application process. Obviously Matt, it seems like we're kind of in the loan application process business because I anticipate it would be income information, information concerning assets, liabilities, their budget, whatever their credit score,

Adam: credit score is, current debts: anything like that. We're just basically gonna take them through the complete process. We're gonna base it off of what that looks like post divorce. In other words, alimony- child support things like that. In other words, when they're ready to do something what is the situation? What does it look like? So you're right, it's just income assets, credit scores, obligations through credit, and things like that. And we're just all that bakes out into a formula in my world. And it has to meet certain guidelines depending on what type of loan product it is.

[00:19:09] **Craig:** Talk to the stay home mom. A stay home mom has been financially supported by her husband. Maybe she's educated, but has been outta the workforce for some amount of time. How do you consider alimony in child support when looking at whether or not a person would qualify for a mortgage?

Adam: So that's probably the most common scenario: a housewife or has been a housewife previously and is going to not go back into the workforce, so that she can stay home with the kids and she's gonna have alimony and child support?

One thing a lot of people don't take into consideration is with most loan programs, you have to have received that alimony, and that child support for 12 months for it to count as income. Some will go down to six months. Usually men bank products a lot of people won't qualify for those.

Craig: And I'm assuming that would have to be in a final judgment of divorce, not a temporary order, which are, I don't know, Adam if you're familiar, but of course Matt is, and our listener may or may not be so, Oftentimes in a divorce, there will be a preliminary hearing that a judge will conduct or that parties will be able to work through on their own where they determine on a temporary basis who's gonna be in the home, what the custody situation is going to be like, whether or not child support or all is gonna be paid, who's gonna service the marital debt. So it seems that it would need to be after the final judgment of divorce as opposed to the temporary order.

Adam: So that's a great question. We had this situation not long ago. Someone came to us, and they had made their own agreement on child support during the separation. We can't count that.

Craig: On their own agreement whereby they didn't have the documents.

Adam: However if we've got a court, we call a court ordered document something that's signed off by the court a separation agreement. I don't believe Mississippi has a legal separation agreement. But we do have an agreement. You can sign interim a temporary order. And if that is written into it, we can count that. Now a lot of times in situations where let's just say it's $1,500 a month while they're going through the divorce, and then it goes to 2,500 they'll only allow us to count the 1500.

Matt: When you're looking at if you need, you said it's 12 months with most law programs. Do you look out prospectively as in how long they're going to be receiving that?

Adam: So, great question. They have to have three years continuance. So let's say, that it's written out that it ends at 21 for a child and they're already 19. We're not gonna count that. You've gotta have 36 months continuance.

Matt: So the person that's going to be paying the alimony and the child support in the circumstances where maybe they're looking to buy a home or refinance. Do you guys actually look into their payment obligations in factoring whether or not what they can qualify for or if they qualify at all?

Adam: Yeah, absolutely. I mean, we're gonna take into account that they're about to have $2,500 a month and alimony and child support coming up.

Matt: I'm assuming it's the same thing just in reverse meaning that it might not mean as much if he's only gonna have to pay this for a year as opposed to three years, or five years.

Adam: 12 months or less, and we would not count it. The same way with like a loan or any kind of Credit debt most time, 12 months or less we don't have to count it.

consultation end up restoring their marriage and go on to live happily with their spouse.

Sometimes a meeting with us is actually one of the first steps needed to gain clarity and provide perspective in the restoration process. Click on the link on our website to submit an intake form or simply call the office. Everything with us is completely confidential from the very beginning. Again, thanks for listening and enjoy the second half of today's show.

[00:24:26] **Craig:** Hey everybody. Welcome back. We are here with Adam Black, who is with First Commercial Bank Mortgage, and we are talking through one of the most important issues in any divorce, which is where someone's gonna live. What happens with what lawyers call the former marital domicile. Is the home gonna be sold?

Is the the home gonna be refinanced? Where is everybody gonna live? How that impacts the children? Adam, give our listeners just some practical tips about they are served with a divorce papers, or they have made the decision to get a divorce. What is one of the very first things that someone who can hear my voice needs to consider.

Adam: Get started early. As soon as they have spoken to their attorney, they need to be in touch with a mortgage loan officer and sitting down and looking at their current situation, and projecting what their future situation is and building a roadmap between the two.

Craig: And that really goes for whether or not they intend to retain the former marital domicile because it's as important for a person who's gonna be transitioning out of the former marital domicile as it is to the person who's going to be staying there.

Adam: Yeah, it's just as important either way. They need to be speaking to someone cause there's so many different things, and we've seen horror stories that I could get into that will just blow your mind. That we've seen people do to each other, and I'm sure you guys see it as well.

Craig: Yeah, we're in the business of the things that people do to each other.

Matt: So with what yall are doing specifically, are you guys giving consumer or your client information about what they can qualify for or does it also go so far as maybe what they shouldn't do because. Every day we see people that are in a house that some bankers said they could afford, as in they were willing to loan them that amount of money.

And it's absolutely insane. I mean like there's no way that on a hundred thousand dollars income that you should be in a $700,000 house or whatever.

Adam: We see that every day. Every day I'm asked: how much can I get approved for? And my response is, it's not how much you can get approved for it's how much you need to budget.

And coming out of divorces, we see that a whole lot because people are used to living a certain lifestyle, and they wanna continue that. And sometimes it's just not realistic.

Craig: Right. I would venture to say it's never realistic because it doesn't matter the socioeconomic status of someone who is about to walk through a divorce. Things are going to be different that's all there is to it.

Adam: Things are gonna change. So it's not what you can be approved for, it's what you need to buy.

Craig: Adam is there a rule of thumb with regard to how much of a person's net income should be designated for whether they're owning a home or paying a mortgage or even for rent

Adam: There's not because we don't know what additional debt they have. You've gotta put that into play too. So what I mean by that is if someone has no additional debt, no cars, no credit cards, or anything like that. They can obviously accommodate a higher payment each month than someone that has a car and a second home whatever they may have.

Craig: Adam, we're recording this in the winter of 2022. For our listeners, talk about the changes that have taken place. In the housing market in the mortgage market over the past 18th months.

Adam: So it's been a whirlwind. I was talking about that this morning actually. We came into 23 knowing or feeling that.

We were gonna see some turbulence and some market adjustments. We had no idea that we would see a season where interest rates have climbed quicker and higher than they ever have before. The second piece of that is just educating the public that rates are higher, but they're not high. They're not as high as they have been.

It really stalled. The housing market took a lot of people out of the market. The two years previous to this have been two of the greatest years we've ever had. A huge appreciation ultra low interest rates that were giving away free money, and that was fake.

And sooner or later you gotta pay that back. And that's what we're going through now. We're going through an adjustment. And fortunately as we're sitting here looking at December. We're starting to come out of that rates have leveled off. They've began to fall somewhat, and I tell everyone is if you wanna know what mortgage rates are doing look at the inflation numbers.

If inflation curves and begins to come back down, mortgage rates will come back down with them.

Craig: And it seems that Covid probably has impacted at least the housing market and the availability for materials.

Adam: The cost of materials, yeah. Covid was unique. We went into that March thinking it was the end of the world, and then all of a sudden we were in a refi-boom, and then people started building for so low. They ran out product, they couldn't get lumber, they couldn't get windows, and we've been in that now since 2020. And it's just now easing up lumber prices are beginning to come back down.

Availability of materials is coming back. There's still some struggles, but it has been a crazy time for sure.

Matt: My wife and I started building a home. I guess about 10 months ago is when we actually started construction, and when I kicked this project off interest rates were in the high twos… and now as I'm getting close to the conclusion of the project, I might be able to lock in a mortgage at around 7% interest.

Throw in the fact that the market has dropped by a third, and that supplies have gone up by 25%. Kinda a gut punch.

Adam: So I have that discussion every day with someone. It's like I tell everybody, what's your house is worth is irrelevant until you get ready to sell it.

So you don't buy into the media flu of values dropping right now because if you're not gonna sell it, it doesn't matter. Don't get too caught up in that. Rates have gone up and that stings, but they're gonna come back down. The phrase I'm using right now is day to rate marry the house.

Matt: The flip side of what you just said is you might be able to sell your house, and maybe you can sell it for more. But you also have to factor in that you're gonna pay retail a good bit more. For the new thing that you're gonna, I mean, unless you're lucky enough you have two homes and you're like oh we can take advantage of selling this one- and we already have the one that we're gonna get to stay in.

I can say for me personally, every bit that I sold my last house for that where I made more than I thought I ever would has gone back into the new one. And I mean, I didn't come out any better necessarily.

Adam: That's the conversation I'm having. Everything people made 10 or 20% more than they thought they would, but they've sunk 10 or 20% more into the next one.

Matt: And not just because you're maybe buying more than you should, it's just that that amount won't pay for the same thing that it did a year ago.

Adam: Yeah, I have that conversation. I feel like I'm a counselor. About 80% of my day right now is talking to people about that and talking 'em through this weird times we're in it's very disturbing.

Craig: Well Adam, thanks for being here with us today. Thanks for sharing some of your knowledge. Obviously, we could expose some of the problems, but the best way for someone to receive advice with regard to their mortgage is to sit with you in person. How would someone go about doing that?

Adam: You know, the easiest way is to reach me by phone at (601) 540-0302 or email me at ablackfirstcommercialbk.com.

Craig: Adam, we really appreciate you sharing your wisdom with us man. Thanks again.

Matt: You've been listening to the Robertson and Easterling podcast sponsored by LifeWorks Counseling, New Path Planning, and Enhanced Wellness Living. Thanks for tuning in.

Craig: If you need our help, we're here for you.

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Matt: Have a great rest of your day. And remember, there's nothing wrong with arming yourself with information.

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