

FOR PROFESSIONAL USE

THE GREY DIVORCE HOMEOWNER'S GUIDE

How a Reverse Mortgage Can Help Clients 60+
Protect Their Equity and Move Forward After Divorce

A RESOURCE FOR:

- Divorce Attorneys & Mediators
- Financial Advisors & CDFAs
- Estate Planning Professionals

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Why This Guide Exists

I spend a lot of time working with homeowners in their 60s and 70s. Most of them have done the right things: bought a home, paid it down, built equity over decades. That equity is often the most valuable thing they own.

When a grey divorce happens, that equity becomes the center of every financial negotiation. Who stays in the home? Who gets bought out? How does the spouse who leaves find a place to live without a salary that supports a new mortgage? How does the spouse who stays keep the home when they're now on one income?

Most of the financial planning content on divorce was written for people in their 40s who have decades ahead to rebuild. The calculus is completely different at 62 or 68. There's less time, fixed income is often the reality, and the home equity they've built is one of the few levers available.

A reverse mortgage is a tool most people in your world don't think of first in this context. This guide is designed to change that. Not because it's the right answer for every client, but because it's the right question to ask for more of them than you'd expect.

I'm not here to sell anyone on anything. I'm here to make sure the right options are on the table when your clients need them most.

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The Home Problem in Grey Divorce

In most grey divorces, the marital home is the largest asset on the table. It's also the most emotionally charged and logistically complicated. There are three paths forward for the home. Each one comes with real problems that most clients haven't thought through yet.

01

Sell the Home and Split the Proceeds

This looks clean on paper. The reality is messier. Clients lose their community, their routine, and often their largest source of financial stability simultaneously. In a down or flat market, after commissions and closing costs, the net split may be significantly less than expected. For clients who have lived in the home for 20+ years, capital gains exclusions may not fully cover the gain.

02

One Spouse Stays and Buys Out the Other

This is often what clients want. It's also where the financing breaks down. The staying spouse typically needs to refinance into their name alone and pull out cash to pay the departing spouse their equity share. At 65, on Social Security or a pension, qualifying for a conventional refinance that large is a real obstacle. Lenders look at debt-to-income ratios, not just assets.

03

One Spouse Stays, No Buyout Executed

Sometimes the departing spouse agrees to defer their equity share, keeping both names on the title. This creates ongoing legal and financial entanglement that can complicate estate planning, future sales, and credit for the departing spouse. It delays an already painful process and creates friction down the road.

How a Reverse Mortgage Changes the Math

First, What Is a HECM?

A Home Equity Conversion Mortgage (HECM) is an FHA-insured reverse mortgage available to homeowners age 62 and older. The homeowner retains full title and ownership. No monthly mortgage payment is required. The loan balance grows over time and is repaid when the home is sold, the homeowner moves out, or passes away. It's not a giveaway of the home. It's a way to convert equity into usable financial flexibility while staying in the home.

Three Ways It Applies in Grey Divorce

The Staying Spouse Eliminates the Monthly Mortgage

A

If the staying spouse takes on the home through a HECM, they no longer have a required monthly mortgage payment. That alone can make keeping the home financially viable on a fixed income. The equity is still there. The ownership is still theirs. The cash flow pressure is removed.

Example: A 66-year-old on \$2,800/month Social Security keeps a home worth \$380,000 with \$140,000 remaining on the mortgage. A HECM pays off the existing loan. Monthly mortgage payment: \$0.

The Staying Spouse Funds the Buyout Without Income Qualifying

B

Conventional buyout refinances require income qualification. A HECM does not. Qualification is based on age, home value, and equity, not debt-to-income ratios. The staying spouse can use HECM proceeds to pay the departing spouse their equity share, completing the division of assets without requiring income they may not have.

Example: A 68-year-old needs to pay their ex-spouse \$90,000 from home equity to complete the divorce settlement. A HECM provides those funds without requiring monthly income to qualify.

HECM for Purchase: The Departing Spouse Buys Without a Monthly Payment

C








This is the option most advisors don't know about. The departing spouse takes their equity settlement proceeds and uses them as a down payment on a new home through a HECM for Purchase. They own the new home outright with no required monthly mortgage payment, funded by the equity they built over 30 years of marriage.

Example: A 64-year-old receives \$180,000 in a divorce settlement. Using a HECM for Purchase, they put that toward a \$310,000 home. No monthly mortgage payment required. Full ownership from day one.








When It Works vs. When It Doesn't

This is the section most sales materials skip. Not every client is a fit for a reverse mortgage, and knowing the difference is what makes you a trusted advisor rather than someone pushing a product.

GREEN FLAGS (Good fit)

-  Client is 62 or older (or 62+ for H4P, one spouse must qualify)
-  Significant home equity, typically 50%+ of value
-  Plans to stay in the home long-term
-  Fixed income limits ability to qualify for conventional refi
-  Eliminating a mortgage payment would meaningfully improve cash flow
-  Departing spouse has equity settlement to fund a new purchase
-  Client understands the loan balance will grow over time

RED FLAGS (Not a fit)

-  Client is under 62 (standard HECM not available)
-  Minimal equity in the home, not enough to work with
-  Client plans to sell within 2-3 years
-  Client wants to leave the home to heirs free and clear
-  Client has health issues that may require memory care soon
-  Property is in poor condition or non-warrantable
-  Client hasn't completed required HUD counseling and refuses to

What Your Client Needs Before the Conversation

When you're working through a grey divorce settlement, the more information you can pull together before reaching out, the faster I can tell you whether a reverse mortgage is a realistic option for your client's situation. Here's the short list.

Home Value (Approximate)

Current market estimate, even a rough one helps. A recent appraisal, Zillow estimate, or agent CMA all work.

Property Type

Single-family, condo, or manufactured home? FHA has specific guidelines. Condos need FHA approval.

Remaining Mortgage Balance

The HECM must pay off any existing liens first. Knowing the balance tells us quickly whether there's workable equity.

Primary Residence Confirmation

The home must be the primary residence of the borrower. Vacation homes and rentals don't qualify.

Both Spouses' Ages

The youngest borrower's age determines the available loan amount. Both matter even if only one is staying.

Staying Spouse's Income Picture

Not for qualifying purposes, but to ensure they can cover taxes, insurance, and maintenance.

Title Status

Is the property held jointly? Community property? A trust? Title issues need to be resolved before closing.

Departing Spouse's Plans

Are they renting, buying with cash, or open to a HECM for Purchase? This shapes which solutions apply.

You don't need all of this before reaching out. Home value, mortgage balance, and the youngest spouse's age are enough to have a preliminary conversation. I can usually give you a directional answer within 24 hours.

Key Terms to Know

HECM

Home Equity Conversion Mortgage. The FHA-insured reverse mortgage program that accounts for nearly all reverse mortgages in the U.S.

HECM for Purchase (H4P)

A version of the reverse mortgage that allows a borrower to purchase a new primary residence using loan proceeds combined with their own funds, with no required monthly

Loan Principal Limit

The maximum amount a borrower can access through a HECM, determined by the youngest borrower's age, home value, and current interest rates.

Non-Recourse Loan

A HECM is non-recourse, meaning neither the borrower nor their heirs will ever owe more than the home is worth at the time of sale, regardless of the loan balance.

Mandatory Obligations

The property taxes, homeowner's insurance, and HOA dues (if applicable) that the borrower must continue paying to stay in compliance with the HECM terms.

FHA Lending Limit

The maximum home value the FHA will consider for HECM purposes. In 2024 this was \$1,149,825. Homes above this value can still use a HECM, but the limit caps the accessible equity.

HUD Counseling

Before a HECM can be issued, both borrowers must complete an independent counseling session with a HUD-approved housing counselor. It's a federal requirement, not optional.

Tenure Payment

A HECM disbursement option where the borrower receives fixed monthly payments for as long as they live in the home, regardless of how long that is.

CDFA

Certified Divorce Financial Analyst. A financial professional trained specifically in the financial issues that arise in divorce, including asset division, tax implications, and retirement planning.

Marital Settlement Agreement (MSA)

The legal document that formalizes the division of assets, debts, and responsibilities in a divorce. The home's disposition is typically specified here.

Ready to Talk Through a Client Situation?

I work with divorce attorneys, mediators, and financial advisors across Metro East Illinois. If you have a client who might benefit, I'm happy to do a no-obligation preliminary review.

CALL OR TEXT

912-414-0981

Direct line

SCHEDULE A CALL

calendly.com/lspeir

Pick a time online

LEARN MORE

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Resources & info

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"My job is to make sure your clients know all the options. They can decide what's right for them."

-- Larry Speir, Mortgage Loan Originator

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