

SHAWN SELANDERS

Divorce & Your Mortgage

*What happens to your home when you separate.
Buyouts, refinancing, qualification, and protecting yourself.*

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Your Home Is Usually Your Biggest Asset — and Your Biggest Question

When a marriage or common-law relationship ends, the family home becomes a central issue. Who stays? Who goes? How do you divide the equity? Can one person qualify for the mortgage alone? These questions need answers quickly — and the wrong answers can cost you tens of thousands of dollars.

This guide walks through the mortgage implications of separation and divorce in Alberta. It's not legal advice — you need a family lawyer for that. But understanding the mortgage side will help you make informed decisions.

Your Three Options

Option 1: Sell the Home and Split the Equity

The cleanest option. Sell the home, pay off the mortgage, pay the realtor (7% on first \$100K + 3% on balance in Alberta), pay any closing costs, and split the remaining equity as outlined in your separation agreement. Both parties walk away free to purchase new homes independently.

Timing matters: selling in a strong market maximizes equity. Selling under pressure in a slow market can cost you. A mortgage broker can help you understand your current equity position and payout amount.

Option 2: One Partner Buys Out the Other

One person keeps the home and refinances the mortgage in their name alone, paying the other partner their share of equity. This requires the remaining partner to qualify for the full mortgage on their own income.

The buyout process: the staying partner refinances up to 95% of the home's appraised value (with mortgage insurance) to access enough equity to pay out the departing partner. A separation agreement or court order is required. The departing partner is removed from both the mortgage and the title.

⚠️ You must qualify for the mortgage on your own — including the stress test. If you were previously qualified based on two incomes, qualifying on one may be significantly more difficult. Support payments you receive can count as income; support payments you pay are a liability. Both dramatically affect qualification.

Option 3: Keep the Home Jointly (Temporarily)

Some separating couples agree to keep the home jointly for a period — often until children reach a certain age, until the market improves, or until one partner can afford the buyout. This requires a detailed co-ownership agreement and trust between the parties.

The risk: you're both still on the mortgage, which affects both credit reports and both parties' ability to qualify for new financing. If one person stops paying, both credit scores suffer.

The Spousal Buyout Program

In Canada, spousal buyout refinances allow financing up to 95% of the home's value with mortgage insurance — higher than the typical 80% refinance maximum. This is specifically designed to help one partner buy out the other after separation.

Requirements: a separation agreement or court order, an appraisal, and the ability to qualify on your own (including the stress test). The insurer (CMHC, Sagen, or Canada Guaranty) covers the high-ratio portion. Your mortgage broker handles the application.

How Support Payments Affect Your Mortgage

This is the single most important financial factor in divorce-related mortgage decisions.

If you PAY child support or spousal support: this is a liability. Some lenders deduct it directly from your qualifying income. Others add it as a monthly debt in your TDS. Either way, it significantly reduces how much mortgage you can carry. On \$25,000/year in support payments, you could lose \$100,000+ in borrowing capacity.

If you RECEIVE child support or spousal support: this can count as qualifying income, provided you can document it with a court order or separation agreement and show a consistent payment history. This increases your borrowing capacity.

The treatment varies by lender — which is why using a broker is critical. Some lenders are more favourable than others for support-payment situations.

Protecting Yourself During Separation

- Don't stop paying the mortgage — missed payments hurt both credit scores.
- Don't make major financial changes (new debt, large purchases) until the divorce is finalized.

- Get an independent property appraisal to establish fair market value.
- Understand your mortgage penalty before assuming you can just refinance.
- Talk to a mortgage broker before making decisions — understand what you qualify for SOLO.
- Get a family lawyer. Seriously. The legal and financial decisions are too interconnected to navigate alone.

The Timeline

- Step 1: Consult a family lawyer to understand your rights and obligations.
- Step 2: Get a mortgage broker assessment — what can you qualify for on your own?
- Step 3: Get the home appraised to establish current market value.
- Step 4: Negotiate the division of property in your separation agreement.
- Step 5: If buying out, refinance with the spousal buyout program.
- Step 6: If selling, list the home and prepare for next steps.
- Step 7: Once resolved, focus on rebuilding your credit and financial stability.

Life After Divorce — Buying Again

If you haven't owned a home (as a principal residence) in 4+ years after your separation, you may qualify as a first-time buyer again — opening up access to the FHSA, RRSP Home Buyers' Plan, and the first-time buyer tax credit. A fresh start is possible.

Important Disclaimers

This guide provides general information only and is not a commitment to lend, rate guarantee, or pre-approval. All figures are approximate and must be verified with your mortgage broker and realtor before making any decisions. Lender guidelines, insurer policies, and government programs change frequently. Support payments (child support, spousal support, alimony) affect qualification. 50% of condo fees and 100% of HOA fees are included in debt servicing. Canadian semi-annual compounding applies to all mortgage calculations. Information compiled as of March 2026. OAC. E.&O.E.

Ready to take the next step?

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