FREE GUIDE · FOR SEPARATING ALBERTA HOMEOWNERS

Divorce & Your Mortgage

The house is usually the biggest asset and the biggest question. Your four options, the buyout program most people have never heard of, and the order of operations that protects your credit and your money.

- Why the mortgage doesn't care about your separation - and what that means
- Your four options, with the honest trade-offs of each
- The spousal buyout program - refinancing up to 95% to keep the house
- The steps to take now, before the separation agreement is final

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First, the Uncomfortable Mechanics

> Whatever the separation agreement says, the mortgage contract says both names, both liable. Until the mortgage itself changes, a missed payment hurts BOTH credit reports - including the spouse who moved out.

That is the trap that catches the most people: the agreement says one spouse pays, that spouse slips during the hardest year of their life, and the other discovers it applying for their own mortgage later. **Keep the payments perfect while everything else gets sorted** - from a joint account if you have to. Protect both credit files first; argue about everything else second.

Your four options

- [x] **Sell and split.** Cleanest break. Watch the prepayment penalty in the math - and if either of you plans to buy again soon, get pre-approved BEFORE listing, not after.
- [x] **One spouse buys the other out.** The house stays, one name comes off. This is the spousal buyout - next page, because it deserves it.
- [x] **Both names stay on temporarily.** Sometimes practical for kids or a bad market - but time-box it in writing. Every month it continues, the mortgage ties up both people's borrowing power, and neither can fully move on.
- [x] **One spouse assumes the mortgage.** The lender must approve the remaining spouse alone, on their income. Possible, lender-dependent, never automatic.

> **Do not finalize the agreement first and call a broker second**
>
> The number of separation agreements written around a buyout the remaining spouse cannot actually qualify for is heartbreaking - and avoidable. A fifteen-minute qualification check BEFORE the lawyers finalize saves redrafting the whole agreement after.

The Spousal Buyout - Keeping the House

> A purpose-built program most divorcing couples never hear about: refinance up to **95% of the home's value** - far beyond the normal refinance ceiling - specifically to pay out a departing spouse under a separation agreement.

The mechanics: the home is appraised, the mortgage is rewritten in the remaining spouse's name, and the equity payout to the departing spouse (and, in many cases, joint debts named in the agreement) is funded from the new mortgage. It requires a **signed separation agreement**, both spouses currently on title, and funds moving through lawyers. Because the loan is insured, the qualifying is real - but the ceiling makes house-keeping possible for families who could never reach a buyout at standard limits.

Qualifying on one income

- Your income alone must carry the mortgage, taxes, heat and all debts - the stress test applies
- **Support received counts as income** - documented in the agreement, and lenders like to see it flowing reliably
- **Support paid counts as a debt** - it reduces what you qualify for, and pretending otherwise just delays the bad news
- New-to-you debts from the split (a car that was always "theirs") count too - list everything early

Timing and the penalty question

Restructuring mid-term triggers a prepayment penalty that varies enormously by lender - get the exact payout figure before any decision. And if the renewal date is within sight, remember: **at maturity there is no penalty at all**, which can make a short wait worth thousands. Sometimes the agreement can be structured around that date - ask before it is signed.

Steps to Take Now

- Call a broker BEFORE the separation agreement is finalized - qualification first, drafting second
- Pull your own credit report, free and score-safe: shawnselanders.ca/check-your-credit
- Gather income documents: pay stubs, T4s, notices of assessment, and the agreement draft
- List every debt - joint and personal, including support obligations
- Get a real appraisal, not a guess - buyout math on a wrong value helps nobody
- Keep every mortgage payment perfect, whatever else is happening
- Avoid major purchases and new credit until the dust settles

Here's the thing about the house

In the middle of a divorce the house stops being real estate and becomes the last stable thing. Sometimes keeping it is right - for you, for kids, for sanity. Sometimes it is an anchor dressed as a life raft. The only way to know is **numbers before emotions**: what you qualify for alone, what the buyout truly costs, what renting for a year buys you in options. I will run all three without judging any of them.

Go deeper: your document list at shawnselanders.ca/checklist · every mortgage question answered at shawnselanders.ca/mortgage-faq-alberta.