

DIVORCE REAL ESTATE BULLETIN

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2020 HINDSIGHT: REDEFINING FAMILY AND HOME

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As we wrap up the most disruptive year of our lifetime, the dynamics of how we live have changed, new risks have appeared, and a new definition of home has emerged.

How this impacts divorcing families - no matter the stage of their divorce - is yet to be fully understood. With the year nearing its end, quantifiable trends have arisen, and tell a story of what's yet to come.

WORK-FROM-HOME IS HERE TO STAY

According to the October 2020 report released by the U.S. Bureau of Labor Statistics, in September, "22.7 percent of employed persons teleworked because of the coronavirus pandemic."

As a result of the forced and sudden trend, 76% of employees want to continue to work from home, even if it is a hybrid model that incorporates half of their workweek in the office, according to a study released by the Global Workplace Analytics. Companies and businesses are obliging, many of whom have already declared to permanently restructure their model to foster work-at-home employees, including giants like Twitter, Zillow, Upwork, Square, and Slack.

WOMEN DROPPING OUT OF THE WORKFORCE

The U.S. Bureau of Labor Statistics cited a whopping 865,000 women have dropped out of the workforce from August to September compared to 216,000 men. The culprit is no surprise: Childcare. According to the Census Bureau, "Of those not working, women ages 25-44 are almost three times as

likely as men to not be working due to childcare demands."

School closures and stay-at-home orders particularly affected working moms but had no immediate impact on fathers' leave or leave of women without school-age children, according to Misty Heggeness's study with the US Census Bureau.

BACK TO SCHOOL...AT HOME

With nearly 93% of households with school-age children engaging in some form of distance learning during COVID-19 (Source: US Census Bureau), it is no wonder that parents have been re-evaluating their working environment. In fact, upwards of 30% of parents are considering withdrawing their children from school altogether and taking on independent learning education at home as a permanent move.

John Schilling, the President of the American Federation of Children, stated "Every single family with kids in school has been incredibly disrupted by the lockdowns. With 55 million students no longer in their normal educational setting, families are clearly considering new options and many are seeing the benefits of homeschooling and virtual schooling."

According to a national poll conducted by RealClear Opinion Research, "40% of families are more likely to homeschool or virtual school after the lockdowns."

SUBURBAN SPRAWL & THE SECOND HOME BOOM

Distance is the new black. When we combine the unsavory close quarters

and shared elevators of urban living, commute-free work-at-home desires, and homeschooling trends with suburban affordability, it's no wonder families are rethinking where they live. Families want physical distance. Kids need space to learn. Parents need space to work. And with everyone at home, families need room to spread out. As a result, city-dwellers - especially millennials with young children - are trading in their walkable score for spacious and more affordable 'burbs.

The National Association of Realtors reports sales in vacation destination areas have markedly increased since July, with a 34% year-over-year gain in September. "The uncertainty about when the pandemic will end coupled with the ability to work from home appears to have boosted sales in summer resort regions, including Lake Tahoe, mid-Atlantic beaches (Rehoboth Beach, Myrtle Beach), and the Jersey shore areas," NAR's chief economist, Lawrence Yun, said.

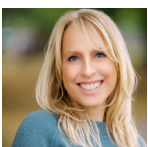
A LOOK AHEAD: WHEN 2020 COMES HOME TO ROOST

While there are many interesting and positive shifts in housing, there are also some consequences that we must prepare for.

Forbearances

The Mortgage Bankers Association reports 3.4 million households accepted forbearance programs on their mortgages this year. While this relief has been a saving grace to many families and has improved their ability to keep their home, the lasting effects of forbearances can be problematic and...

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...will play a significant role in divorcing homeowners' options for their house. Here are a few reasons:

Forbearance isn't forgiveness. The deferred payments will come due, either immediately upon the end of the forbearance term (typically 3-6 months), or will be added to the loan balance, at which time it gets paid upon refinance or sale. From now until evermore, it is crucial to obtain a mortgage payoff early in a case. Otherwise, you could be working with incorrect figures.

Buy-outs and refinances may not happen in the year or so following the forbearance, because credit is most likely impacted, thereby preventing a divorcing homeowner from obtaining a mortgage approval.

Moratoriums Will Be Lifted

National, state, and local moratoriums were placed on both evictions for renters and foreclosures for those who were delinquent on their mortgages. The terms of the moratoriums vary, but they most likely will be lifted sometime in 2021, at which time a hefty back-payment sum may be called due. The foreclosure process for homeowners, and eviction process for renters, may have already begun with notices given during the moratorium, so banks and landlords can be positioned to take the property back as soon as the moratorium is lifted.

This is the greatest sleeping giant in housing for 2021.

Equity: The Pros & Cons

Thanks to low interest rates and low supply, as well as high demand dynamics in most major markets around the country,

homeowners are sitting on more equity now than they likely have ever before. That's the good news and the bad news.

Cons: For divorcing homeowners who want to keep their home and must buy-out the other spouse, the run-up in equity results in a higher mortgage amount that can squeeze out some parties from qualifying and keeping their house. Coupled with the forbearance side-effects, unemployment, and reduced wages due to Covid, we may see an uptick in properties that must be sold rather than kept.

Pros: With so much equity, we will not see a run-up in short sales, which, by definition, are properties with underwater mortgages that need to be sold. While we may see foreclosures initiated, we will not see a huge amount actually be completed, because houses can be sold before they're lost to foreclosure, so long as the market remains bullish and supply doesn't outpace demand.

CONCLUSION

Homeschooling, the rise in non-working women, and moves to bigger pastures, will affect custody arrangements and support in the coming years.

The tourniquets that were placed on struggling homeowners through forbearances juxtaposed to a booming real estate market will limit the options of those divorcing.

Coming out of a year with many firsts, we can all prepare for more disruption and a broader range of solutions as we head into a new future. It's really not a matter of if, rather, how.



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OUR FALL SCHEDULE

September 16

Chasing Approval:
The CARES Act's Effect on
Buy-Outs in Divorce

October 28

The Weight of
Representation: Vicarious
Trauma's Effect on the
Attorney-Client Relationship

November 18

The Baby Boomers: COVID's
Ripple Effect on Custody,
Schooling, and Holiday Travel

It starts up again in January!