DIVORCE REAL ESTATE
BULLETIN
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THE GENERATIONAL IMPACT OF COVID-19 ON DIVORCE

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In a fascinating study, the consumer research company WGSN recently shared insights into how different generations respond to stress such as COVID-19. While Gen Xers are leading the way in divorce filings, according to Pew Research Center, Baby Boomers are increasing their divorce rates by 109%. It goes without saying that the cultures of these generations vary greatly. As professionals at the helm of the most stressful crisis of their lives, with a little insight into their needs and connection variances, we can offer customized solutions for each generation.

BABY BOOMERS (born between 1946-1964) are increasingly afraid of going out. As such, they are embracing virtual connections at higher levels. Whereas many Boomers have smartphones, they have typically underused their powerful features. Texting and talking on the phone are the common uses, but now they are seeing their smart phone as a lifeline. In addition to using FaceTime and mobile banking apps, ordering groceries, leveraging Amazon, and using food delivery vs. going out in person are surging in this demographic.

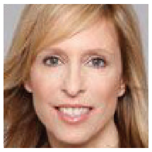
Many Baby Boomers are quietly retiring during the downturn, and might be looking to reset for their final chapter through divorce. How can you best accommodate their needs? By being conscious of the fear they might have with in-person meetings, you can pursue virtual options such as Zoom meetings and electronic signing of paperwork.

GEN XERS (born between 1965-1980) currently make up the largest percentage of leaders in society. They are the sandwich generation, caring for aging parents while often managing children. The burnout is high with demanding jobs, unexpected home schooling, and overseeing the health needs of parents. Divorce may be a result of that combined powder keg of responsibility. Time is something Gen Xers will often buy, so offering to do some of their heavy lifting, providing conveniences to make their life easier, and connecting them with a community overcoming the same challenges can go a long way with this taxed generation.

MILLENNIALS (born from 1981-1996) may be your younger clients. Millennials have extreme anxiety around money. They have lived through multiple recessions, and up to 50% have lost work during the current pandemic. They may need to be shown the value of representation, and may want a faster resolution to a divorce than is possible to save time and money. A way to win with Millennials is to present them with a clear plan of action and show them how to minimize the costs associated with the process.

GEN ZERS (those born after 1996), although possibly clients, will most likely be the children of your clients. They tend to have high levels of anxiety and are very progressive, seeking to create change. Over 70% of Gen Zers believe the government should be solving more of society's problems. They will be impacted greatly by the difficult emotions and conflict involved in a divorce.

While each generation is a little different, you can pursue a common theme: the promise of hope in the future. Help focus on the positive images that will come after divorce, and the new normal that comes with it. We are going through a collective trauma, and yet each person has their own journey.



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SEEKING APPROVAL AND SELF-EMPLOYED BORROWERS

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SEEKING APPROVAL

As COVID-19 continues to impact all aspects of divorce, lenders are continually adjusting policies and procedures to adapt to the rapidly evolving economic environment. Despite lower interest rates, some borrowers are finding it more difficult to get approved for loans as requirements tighten, which could affect clients who are looking to refinance, move to a new house, or buy out a divorcing spouse. The challenges are highest for self-employed borrowers.

SELF-EMPLOYED BORROWERS

Getting approved as a self-employed borrower is especially difficult during this period. In the past, two years of tax returns served as sufficient evidence of income (as these numbers document historical income during the years reported).

Now, requirements have tightened. Along with the tax returns (which the Lender will cross-reference with IRS records via "tax transcripts"), borrowers will have to provide either an audited or unaudited current Year-to-Date Profit & Loss Statement. They may also have to provide further documentation of their income via the two most recent two months of business bank statements to document the current income of the business.

While the documentation requirements of a self-employed borrower will vary between lenders and programs, the takeaway here is that self-employed borrowers are currently under much higher scrutiny than W2 wage earners. Additionally, the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loans (EIDL) cannot be used as sources of income for the purposes of obtaining a mortgage. In many cases, the loans are viewed as debts that need to be included in debt-to-income ratio calculations (or perhaps be required to be paid off for loan qualifying purposes).

Amidst any economic crisis, lenders often make "effective immediately" changes to program guidelines and program availability. There has never been a more important time than now to help your clients stay diligent about all parts of their process, while proactively communicating any employment, income, asset, and/or liability changes to their loan officer.

CASE STUDY

THE 90 DAY DILEMMA

Sam and Rowena lived together for many years in a house Rowena owned. Sam was not on title or on the mortgage, but he made payments toward the debt. When they separated, Rowena wanted to give the house to her son, William. The court ruled that Sam had an interest in the house, and it needed to be sold and the proceeds shared - with a right of first refusal given to William.

The original court order had two specific clauses that troubled Luke, the court-appointed Realtor. They were:

1. William had the option to buy the house for $1,000 more than any other accepted offer that came in. Pursuant to the order, this option was available to Sam up until the day before the property closed.
2. The initial listing price was to be set for 90 days, and the parties could only be compelled to accept offers that reached 95% of that total.

Luke determined there was around $100,000 in equity in the house. He also discovered the mortgage had not been paid in more than four months, and a foreclosure was imminent.

THE CHALLENGE:

Luke knew he needed to work quickly to help the separating couple. These were his challenges:

1. Placing a house on the market, accepting an offer, and opening escrow with a right of first refusal up until the day before escrow closed was a violation of several real estate contractual and multiple listing guidelines. So before listing it, he requested that William get preapproved for the purchase of the house. William did, and it turned out he qualified for an amount far less than the list price, so the right of first refusal option was removed.
2. Since the real estate market can be in constant flux and the average time on market was less than 21 days in the neighborhood, the 90-day price fix could ultimately result in the foreclosure on the delinquent loan. There was a bathroom under construction which could hamper the ability to finance the property. His solution: Luke priced the property fairly, yet competitively, given the time constraints and explained that he needed some latitude depending on offers and demand. He negotiated for the 90 day price freeze to be removed. This allowed him to make strategic adjustments as needed.

Luke was able to get the house sold, and Sam and Rowena went their separate ways. Working with a real estate agent (specifically one trained in divorce proceedings) when preparing an order can help in obtaining effective orders that do not create snags during the real estate sales process.