

# DIVORCE REAL ESTATE BULLETIN

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## MOVING WHEN THE HOUSE SELLS

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The house has sold and there's nowhere to go.

In today's climate of housing shortages, this has become the problem of property sellers. Add on the layers of the financial and credit side effects of divorce, and the issue is compounded.

There is no great solution or magic pill, but there are some steps that clients can take to find adequate housing in their future.

Credit score, income, debt, and down payment are the major factors that mortgage lenders and landlords consider when approving a home loan or lease. In the best of circumstances, home buyers and renters have stellar credit, a healthy history of income, little or no debt, and a substantial down payment or deposit.

When we look at many divorces, those factors are impacted by the divorce process itself, resulting in tarnished credit, lower income, higher debt, and reduced net proceeds.

### HOUSING SHORTAGE CRISIS

The shortage of housing in the United States has reached critical levels and is a national crisis lying in wait. Rosen Consulting Group put out an ominous report for the National Association of Realtors that shed a light on just how starved our nation is for housing. A few statistics to illustrate the point:

- From 1968-2000, the annual stock of housing grew by 1.7%. In the last decade, it grew by only 0.7%.
- The underbuilding gap in the U.S. totaled more than 5.5 million in the last 20 years.
- Every major region in the nation is short in housing development.
- Building will need to increase 60% to 2 million units per year during the next 10 years to fill the underbuilding gap.
- The number of adults ages 25-34 living at home with parents surged by 2.5 million in the last decade and more than doubled from 2000-2020, increasing to 4 million.
- COVID-19 exacerbated this problem. In January 2021, the availability of housing plunged to 1 million available homes, which is a third of the historical average.

"Perhaps most critically, the extreme shortage of for-sale inventory contributed to an untenable scenario in which robust demand is competing for a limited supply, driving housing prices higher, reducing affordability, and making homeownership less accessible for low-and-moderate-income households. In addition to the for-sale housing market, renter households faced severe negative consequences from the past two decades of underbuilding. Even before

the large financial burdens placed on renters by the COVID-19 pandemic, more than 40% of renter households were cost burdened, while nearly one quarter were 'severely burdened,' or spending more than 50% of their income on housing," the report cited.

When we combine the extreme competition of home buying that we've never seen before and the handicap that divorcees face when re-entering the housing market, we, as a collective professional team, must take whatever measures we can to reduce the negative impact that a case can have on credit, debt, and equity. This includes educating our clients on simple and doable steps that they can take in order to get themselves in a position to have a place to call home again.

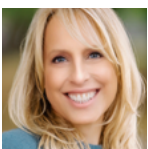
### SOLUTIONS

When there is such a housing crisis, any potential buyer needs to maximize their opportunity to get offers accepted. Following are some preventative actions our clients can take during the divorce to help the family's financial recovery:

#### Credit

- An Experian survey revealed that 54% of divorcees reported a decline in their credit score. In half of the cases, they cited that an ex-spouse intentionally damaged their credit.

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