

...And That's Why I Should Have Let My Ex-Spouse Keep the House

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When you get divorced, deciding what to do with the marital home can be an emotional issue. Keeping that house may not be a victory.

Here's an illustrative example: Husband wants to keep the marital home. It is agreed he will have custody of the kids and he wants to give them a stable environment – the divorce is hard enough on them. He can afford the mortgage without financial support from his wife. He loves the house and does not want to give it up, something he considers a "loss." So, he keeps it.

Makes sense right? Not really. The house is in serious negative equity – Husband could buy a nearly identical house down the street for half of the mortgage balance. Also, Wife is the only one liable on the mortgage. So, if she were to keep the house and not pay the mortgage, Husband's credit would not be affected. Also, he can qualify to buy a cheaper house with a lower payment because his credit is not tied up in the marital home. Sure, he gets the house at a negative value (meaning, theoretically, he would receive other assets to make even distribution of property), but there are not enough liquid assets to make up the deficiency. He has a big house, big financial responsibilities and his kids will be grown and gone soon. Bad decision.

The top four take-away points:

1. **Your house is an illiquid asset with no cash flow.** Even if it has positive value, it may take years to realize if the house is not sold immediately. You may be better off taking liquid assets instead.
2. If you have a **joint mortgage** with your spouse, it will not matter to your creditor who is responsible for the payment in your judgment. **The creditor can still come after both of you and your credit is impacted if the spouse responsible for the payment does not pay.** Also, having your name on that debt may prevent you from getting a new mortgage.
3. Consider that whoever keeps the house may need to **refinance based on their own credit** to remove to other spouse from the mortgage debt. Also consider structuring your settlement so that the house is sold or refinanced once the kids have graduated or reached a certain age. Don't forget the costs of sale as part of your analysis. When you consider

keeping the house, don't forget to factor in **the expense of fluctuating mortgage payments, increases in property taxes**, maintenance, replacing old systems (HVAC, hot water heaters, etc.), and utilities.

4. Consider selling or letting your ex-spouse keep the home and **getting an alternative home** that is less expensive. In the example above, the kids would not have had to change schools and all their friends would have still been close by.

If Husband had simply walked away from the house, he would have been in better financial shape. Being pragmatic could keep you from making a decision that will negatively affect your financial health for years to come.

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