

Question and Answers

TOPIC(S):

Debts in divorce

QUESTION:

1. Can I exclude a debt awarded to an ex-spouse assigned in a divorce decree/legal separation document?

ANSWER:

You are good to exclude debts assigned in a divorce decree.

(L) Contingent Liabilities (TOTAL)

(1) Definition

A Contingent Liability refers to a liability that may result in the obligation to repay only when a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Co-signer liabilities and liabilities resulting from a mortgage assumption without release of liability.

(2) Standard

The Mortgagee must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless the Mortgagee verifies and documents that there is no possibility that the debt holder will pursue debt collection against the Borrower should the other party default or the other legally obligated party has made 12 months of timely payments. When a contingent liability is created by a **divorce** decree or other court order, evidence that the other legally obligated party has made 12 months of timely payments is not required.