



Keeping the House in a Long Island Divorce: How a Spousal Buyout Refinance Works



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REFINANCE

Keeping the House in a Long Island Divorce: How a Spousal Buyout Refinance Works

Coltrain Mortgage Team · October 26, 2026 · 9 min read

"Can I keep the house?" When someone going through a divorce calls us, that's usually one of the very first questions, and it's a completely fair one. After more than 20 years of Long Island mortgages, here's our honest answer: very often, yes. But keeping the house almost always means refinancing it into your own name and buying out your ex's share of the equity, and the way your settlement is written can matter just as much as your credit score. Let's walk through how a spousal buyout refinance works, how you qualify on one income, and the Long Island details worth getting right.



**Refinance Into Your
Name**



**Written Agreement
Required**



**Qualify on Your Own
Income**



**Coordinate With Your
Attorney**

What Is a Spousal Buyout Refinance?

Most married couples on Long Island own the house together and owe the mortgage together. When one of you keeps the home, two things usually need to happen: your ex comes off the deed, and your ex comes off the mortgage. A spousal buyout refinance handles the second part and pays for the first. You take out a brand new **refinance** loan in your name alone, and that loan does three jobs at closing:

1

Pays off the joint mortgage

The old loan with both names on it is paid in full and closed, which is what finally releases your ex from the debt.

2

Pays your ex their share of the equity

The buyout amount spelled out in your settlement goes to your ex from the loan proceeds.

3

Covers closing costs

Normal refinance costs can usually be rolled into the new loan, subject to the loan-to-value limits below.

The result: you own the house on your own, and the mortgage is yours alone. Your ex walks away with their equity and without a loan they no longer live under.

The Deed vs. the Mortgage: The Part People Mix Up

This one trips up a lot of people, so it's worth slowing down on. The **deed** is ownership. The **mortgage** (technically the note behind it) is the debt. They're separate, and fixing one doesn't fix the other.

Deed transfer alone

Your ex can sign their ownership over to you, and under federal law a transfer to a spouse through a divorce decree or settlement generally won't trigger the loan's due-on-sale clause.

But your ex is still personally on the hook for the old mortgage. Their credit and their ability to buy their next home stay tied to your payments.

Refinance

The new loan pays off the joint mortgage, so your ex's liability actually ends. This is the clean break most settlements are aiming for.

Assumption with release

Some loans, mainly FHA and VA, can be assumed by the spouse keeping the home, with the lender releasing the departing spouse. It needs the servicer's approval and doesn't by itself pay your ex their equity.

Most conventional loans can't be assumed this way.

Why the Way Your Buyout Is Structured Matters

Here's the detail that surprises people most. Loan programs treat an equity buyout differently, and the difference decides how much of your home's value you're allowed to borrow against.

Fannie Mae (the **conventional loan** world) treats buying out a co-owner as a *limited cash-out refinance*, the same category as a plain rate-and-term refinance. That generally allows a higher loan-to-value ratio (LTV) on a one-unit primary home, typically up to 95% of the appraised value.

Freddie Mac calls it a *special purpose cash-out refinance* and applies its cash-out LTV limits, which are lower. **FHA** generally handles an equity buyout as a cash-out refinance, capped at 80% of the home's value, with at least 12 months of owner-occupancy.

	Fannie Mae	Freddie Mac	FHA
How a buyout is treated	Limited cash-out refinance	Special purpose cash-out refinance	Cash-out refinance
Typical max LTV (1-unit home)	Generally up to 95%	Cash-out limits, typically 80%	80%
Ownership history	Jointly owned at least 12 months	Jointly owned at least 12 months, used as primary residence	Owned and occupied 12 months
Written agreement	Required, signed by all parties	Required, signed by all parties	Settlement or decree documents the buyout
Cash to the spouse keeping the home	None	None	Per cash-out rules

What does that mean in real life? If you have plenty of equity, almost any route works. If equity is tighter, the Fannie Mae buyout route can be the difference between keeping the house and having to sell. Every lender layers on its own rules, so this is exactly where comparing several of them pays off.

The Buyout Requirements, in Plain English

For the conventional buyout routes, Fannie Mae and Freddie Mac look for the same core items. Your attorney will recognize most of these, which is why it helps to share this list early.

12 months of joint ownership	The home must have been owned jointly by both of you for at least 12 months before the new loan. Recently inherited interests are an exception, which doesn't usually apply in a divorce.
A signed written agreement	All parties sign an agreement stating the terms of the property transfer and how the refinance proceeds will be paid out. In practice this is your settlement agreement or divorce decree.
No cash to the spouse who stays	The person keeping the home can't receive any of the proceeds. The equity payment goes to the departing spouse.
You qualify on your own	Credit, income, assets, and debt-to-income are underwritten for you alone, under the program's normal rules.

A current appraisal

The appraised value, not the value in the settlement, sets your loan-to-value. If the two don't match, the buyout math changes, so an early estimate helps.

Buyout Refinance Estimator

INTERACTIVE

This estimator is interactive in the live version of this article. Scan the QR code at the top to try it with your own numbers.

Illustration only. Equity here is simply home value minus the mortgage balance and other liens; your settlement may define it differently. Actual loan eligibility, maximum LTV, and costs depend on the loan program, lender, appraisal, credit approval, and property. This is not a loan offer or legal advice.

Qualifying on One Income

This is usually the real hurdle, especially with Long Island property taxes built into the payment. The new loan is underwritten on your income alone, so your **debt-to-income ratio** carries a lot of weight. A few things that help people who aren't sure they'll make it:

01

Support You Receive Can Count

Alimony, child support, or separate maintenance can be used as qualifying income when it's documented in your agreement or decree, you've received full, regular payments for at least six months, and it's set to continue for at least three years.

Check when child support ends. Kids aging out within three years can limit it.

02

Support You Pay Counts Against You

If you're the one paying, child support is treated as a monthly obligation, and alimony is either counted as a debt or subtracted from your income. It's worth knowing the number before you agree to it.

03

The Six-Month Clock Matters

Support income usually needs a six-month track record. If your agreement is brand new, the timing of your refinance can decide whether that income counts yet.

04

Debts Get Divided on Paper First

If your settlement assigns a car loan or credit card to your ex, lenders will want to see that in writing, and sometimes proof that your ex is the one paying it.

Timing: Talk to a Lender Before the Settlement Is Final

The most expensive mistake we see is agreeing to a buyout number and a deadline before anyone checks whether the refinance can actually happen. Lenders need the signed agreement to close, but you want the mortgage math done while the terms are still being negotiated. Here's the order that tends to work best:

1

Get pre-qualified early

We run the numbers on your income alone, estimate a realistic value, and show you the largest buyout the refinance can support.

2

Share the numbers with your attorney or mediator

That lets the buyout amount, deadline, and support terms be written in a way the loan can actually work with.

3

Sign the agreement and apply

Once the settlement or decree is signed, the lender orders the appraisal and underwriting begins. Keep an eye on your **rate lock** timing if the court calendar is uncertain.

4

Close, and your ex is paid at the table

The joint loan is paid off, the buyout is disbursed to your ex, and the deed transfer is recorded.

The Long Island Detail: New York's Mortgage Recording Tax and a CEMA

New York charges a mortgage recording tax when a new mortgage is recorded. In Nassau and Suffolk, the total rate is 1.05%, and on a one- or two-family home the borrower's share is 0.80% (the lender covers the other 0.25%), minus a small \$30 credit. On a refinance, that can be a real line item.

A **CEMA** (Consolidation, Extension and Modification Agreement) can shrink it. Instead of paying off and cancelling the old mortgage, the existing mortgage is assigned to the new lender and combined with the new money. Tax is generally owed only on the new money, which in a buyout is roughly the equity payment plus costs, not the whole loan.

\$2,400

The borrower-paid mortgage recording tax a CEMA could avoid on a \$300,000 existing balance in Nassau or Suffolk (0.80% of \$300,000), because that part of the loan isn't taxed again.

Not every lender offers a CEMA and your current servicer has to cooperate, which can add fees and time. It's still one of the first things we check on any **Long Island refinance**, buyout or not.

When a Refinance Isn't the Right Answer

Sometimes the numbers just don't stretch far enough, and that's okay. It's better to know early. Options people and their attorneys often look at:

Offset with other assets

SMALLER BUYOUT

Your ex takes a larger share of retirement accounts or other assets in exchange for a smaller equity payment, which lowers the loan you need.

A delayed buyout

MORE TIME

The settlement gives you a set window, sometimes tied to the kids' school years, to refinance later, while spelling out who pays what in the meantime.

A HELOC for the buyout

HANDLE WITH CARE

Some people ask about using a **HELOC** to pay their ex and keep the existing first mortgage. The catch: your ex's name usually stays on that original mortgage, so it doesn't give them a clean release on its own.

Selling

CLEAN SPLIT

If keeping the home would stretch you too thin, selling and splitting the proceeds can be the healthiest financial move, and a fresh start somewhere else on the Island is very doable.

A Quick Word on New York Divorce Law

New York is an equitable distribution state. Under Domestic Relations Law Section 236, marital property, including the marital home, is divided fairly based on a list of factors, which doesn't automatically mean 50/50. How your equity is divided is a legal question for you and your attorney, not a mortgage one. Our job is to show both of you what the financing can support so the agreement you reach actually works at the closing table. The **New York State Courts divorce resources** are a good neutral starting point.

Why a broker helps here. Buyout rules and overlays vary from lender to lender, and a few percentage points of allowed LTV can decide whether you keep the house. Because Coltrain shops a range of wholesale lenders, we can compare the Fannie Mae buyout route, other conventional options, and FHA side by side, and give your attorney clear numbers to work from. We keep these conversations confidential and low-pressure.

Want to know how big a buyout your income can support?

COMMON QUESTIONS

Can I keep the house in a divorce if the mortgage is in both names? ×

Usually, yes, if you can qualify for a new loan on your own. Most people refinance the home into their name alone, which pays off the joint mortgage and releases their ex from the debt. The refinance can also pay your ex their share of the equity at closing.

Does taking my ex off the deed remove them from the mortgage? ×

No. The deed is ownership and the mortgage is the debt. Your ex stays liable on the existing loan until it's refinanced or the lender formally releases them, for example through an approved assumption.

How much can I borrow to buy out my spouse? ×

It depends on the loan program. Fannie Mae treats a documented equity buyout as a limited cash-out refinance, which generally allows up to 95% of the home's value on a one-unit primary residence. Freddie Mac applies its cash-out limits, and FHA caps cash-out refinances at 80% of the value. Lender overlays can be stricter.

Can alimony or child support help me qualify? ×

Yes, when it's documented in your agreement or decree, you've received full, regular payments for at least six months, and it will continue for at least three years after you apply. If you pay support, it counts as an obligation against your income instead.

When should I talk to a lender during a divorce? ×

Before the settlement is final. Lenders need the signed agreement to close the refinance, but running the numbers while terms are still being negotiated helps make sure the buyout amount and deadline are ones the loan can actually meet.

Is there a way to reduce New York mortgage tax on a buyout refinance? ×

Often, through a CEMA. The existing mortgage is assigned to the new lender and consolidated with the new money, so the mortgage recording tax is generally owed only on the new money rather than the full loan. It requires cooperation from your current servicer and isn't offered by every lender.

Program guidelines are based on published Fannie Mae, Freddie Mac, and HUD requirements as of October 2026 and are subject to change. All loans are subject to credit approval, underwriting, appraisal, and property eligibility. This article is for educational purposes only. It is not legal or tax

advice and is not a commitment to lend. Please consult your attorney about your divorce and property settlement. Coltrain Mortgage is a mortgage broker; all loans are arranged through third-party lenders. Equal Housing Opportunity.

SOURCES

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Suffolk County Clerk, **Mortgage Tax**; NYS Department of Taxation and Finance, **Mortgage Recording Tax**

Freddie Mac Guide, **Section 4101.11, New York Consolidation, Extension and Modification Agreement (NY CEMA)**

New York Domestic Relations Law, **Section 236, Special controlling provisions (equitable distribution)**

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HERE WHEN YOU'RE READY

Trying to keep your Long Island home?

We'll run the buyout numbers on your income, compare the loan routes, and give you and your attorney something solid to work from. Confidential, no pressure, no obligation.



Ready to talk it through?

Scan to reach a loan officer, or call (631) 851-4420.
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