

by Ilyce_Glink

Q: My father has had major financial difficulties throughout his life. Ten years ago, he and his wife (my stepmother) were living in a filthy motel room because that's all they could afford. I can't imagine how low their credit scores are, since he's had past issues with the IRS (his wages have always been garnished) and other creditors. He has been able to scrape by, and I helped them out by buying a house and securing the mortgage and title in my name alone. When we bought the house, my father and I made a deal that he would pay off the entire mortgage within two years by selling some business interests. At that time, I would transfer the house to him. I figured that I could always sell the property if they weren't able to make payments. Well, it's been 10 years, and he still hasn't paid off the house. In fact, I've even had to dig into my savings to help out with the payments periodically. Fortunately, the property has gone up in value and has lots of equity. My relationship with my dad has suffered over the years, and he thinks he did me a favor by having me buy the property. Now he is concerned that I'm trying to steal "his" house, which is technically my property. I would love nothing more than to just relieve myself of this responsibility. Unfortunately, my father doesn't want to move. He is trying to have me sign a quitclaim deed, but I've explained to him that there will be tax implications in simply giving him this house and all this equity. He also doesn't realize that there isn't a mortgage company that will allow him to refinance given his poor credit history. Do you have any suggestions for me? Assuming my name is removed from the mortgage documents, what kinds of capital gains taxes would I owe and how would I receive any monies owed to me if I sold or transferred the house to him? Can I do this with a quitclaim deed? I know this is a complicated situation, but I'd hate to be in a position where I sell him the house and put him on the street because he can't make the payments. He now receives an \$800 monthly Social Security check and thinks he'll be able to refinance to save some money.

A: In all of my years of writing this column, your story is one of the saddest I've come across. You sound like a nice guy who, despite a fairly awful example, has been able to work hard, save money and lead a financially stable life.

It's unfair that your father can't seem to make his life work better, but that's the reality you've had to live with all this time. The emotional baggage of your situation seems extremely heavy. You have to decide what you really want to do. If you give your father the house, he will probably stop making the payments, and will ultimately lose the house and the investment. It's clear that he can't manage money, for whatever reason. I don't think for a moment that you should transfer title to him. If you do, and he winds up on the street, he'll be back asking for help. Only this time you won't have all the equity in the property. You have a couple of choices: you can keep the arrangement the way it is, or you can sell the property, move your father into a more affordable rental unit, and then give him a portion of the equity in cash each month in order to make his financial life a little easier. You could offer your father this deal: Move into a different rental and I'll share the equity of the home with you in the form of a check each month for the rest of your life. If you realize \$100,000 in profits from the sale of the house, you could send him a check for \$500 each month for the rest of his life or until the \$100,000 runs out. He may find the prospect of getting that check and nearly doubling the amount he has to live on very enticing. You'll still have to deal with your dad, but at least you won't be fighting over the equity in a house that has your name on the deed and mortgage. And if your dad forgets to pay the rent, and gets thrown out, at least you're not financially involved. Please talk to a competent real estate attorney who can help you put together the paperwork and present your offer to your father. You can even talk to an estate planner about other options that might suit your financial needs and about how to structure a deal that can suit your father's financial needs. Good luck.

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