

ASSUMPTIONS FACT SHEET

KEYS TO SUCCESSFUL ASSUMPTIONS

1) WHAT'S AN ASSUMABLE MORTGAGE?

An Assumable Mortgage is a government-backed loan that can be transferred from a seller to a purchaser at the same interest rate and terms.

2) WHAT TYPES OF MORTGAGES ARE ASSUMABLE?

There are three main types of government-backed mortgages: VA loans, FHA loans, and USDA loans. All are assumable.

3) WHO CAN QUALIFY FOR AN ASSUMABLE MORTGAGE?

Any buyer who meets the financial eligibility criteria for a new VA, FHA, or USDA loan type also qualifies for an assumable mortgage. Non-veterans who financially qualify can assume a VA loan.

4) WHAT IF THE BUYER NEEDS CASH FOR THE DOWN PAYMENT?

Second mortgages are a popular solution for larger down payments. Certain lenders offer assumption-tailored, purchase-HELOC products that offer competitive rates and favorable terms based on a buyer's credit score and loan amount needed.

5) HOW LONG DOES AN ASSUMPTION TAKE?

VA and FHA guidelines require that servicers complete their review of assumption applications within 45 days of the lender receiving all necessary documentation. Generally, VA assumptions take 30-60 days from contract ratification. FHA assumptions usually take 45-75 days from contract ratification.

6) WHO CAN ASSUME A VA MORTGAGE?

Any buyer (including non-veterans) can assume a VA loan. Buyers who are veterans can use their own entitlement to qualify for any VA assumption. For non-veterans to assume a VA loan, the seller has to be willing to leave their VA entitlement with the property. About one third of sellers have good reasons for allowing their VA entitlement to remain with the property.

7) WHAT ARE THE MOST COMMON REASONS SELLERS ALLOW THEIR VA ENTITLEMENT TO REMAIN WITH THE PROPERTY?

- Only a portion of the seller's total entitlement is tied up in the existing mortgage. They can leave that portion with the home while maintaining the ability to purchase a new home with their remaining entitlement.
- Seller has enough equity from sale of the current home to purchase their next home with cash.
- The seller is moving into a property they already own. Many veterans own multiple homes because of duty station rotations.
- The seller is retiring/moving in with family or an elder facility and has no need to use their entitlement again.
- The sellers are a married pair of veterans. The entitlement from one spouse can be left with the property because the other spouse's entitlement will be used for their next home.

8) HOW DO ASSUMPTIONS AFFECT SELLERS?

Assumptions are often GREAT for sellers:

- Assumable listings get interest from more buyers.
- Assumable listings often sell at a higher price.
- Sellers have ZERO liability for the mortgage once the assumption is complete.
- Buyers are incentivized to make it financially worthwhile for sellers to wait out the slightly longer process.

9) CAN AN INVESTOR ASSUME A MORTGAGE?

VA: Investors can assume VA mortgages. Like non-veteran buyers, in order for an investor to assume a VA mortgage the seller will need to leave their entitlement. There is no owner occupancy or primary residence requirement when sellers leave their entitlement.

FHA: Buyers can own one FHA mortgage within a 50 mile radius. FHA assumptions require the buyer to live in the home for 12 months after purchase. After 12 months, a home with an assumed FHA mortgage can be rented.