

Assumption FAQs

Understanding Mortgage Assumptions

1. What is a mortgage assumption?

A mortgage assumption allows a qualified buyer to take over the seller's existing home loan. The loan terms — such as interest rate, balance, and repayment period — remain the same, but the responsibility transfers to the new borrower.

2. What types of home loans are assumable?

Generally, only government-backed loans are fully assumable by a buyer, including:

- FHA (Federal Housing Administration)
- VA (U.S. Department of Veterans Affairs)
- USDA (U.S. Department of Agriculture)

3. Can I assume a conventional loan?

In most cases, no — conventional loans usually include a due-on-sale clause that prevents assumption when the property changes hands. However, **exceptions exist**, including:

- Certain **adjustable-rate mortgages (ARMs)** may be assumable if permitted by the investor (e.g., Fannie Mae).
- In **exempt transfer situations** (such as death, divorce, or transfer into a trust), the loan may be assumed or continued by a successor in interest without triggering the due-on-sale clause.

4. What is a successor in interest?

A successor in interest is someone who inherits or is awarded property (e.g., through death or divorce). Successors may be allowed to continue payments or assume the loan without a full credit review, depending on the situation and loan type.

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Getting Started with a Mortgage Assumption

5. How do I get started?

To confirm if your loan is assumable and instructions on how to apply, contact Loan Servicing Department at **877-561-0922** or email at mortgagehelp@firstunitedbank.com.

6. What documents are required?

For a credit-qualifying assumption, you'll typically need:

- 2 years of tax returns (all schedules)
- 2 years of W-2s
- Most recent 4 pay stubs
- 2 months of complete bank/asset statements
- Divorce decree (if applicable)
- Legal estate documents (if applicable)
- Purchase agreement (if applicable)

7. What's the difference between a qualified (novation) assumption and a non-credit-qualifying (simple) assumption?

- A **qualified (novation) assumption** requires the new borrower to fully qualify for the loan — including a credit check, income verification, and meeting investor guidelines. Once approved, the loan is legally transferred into their name, and the original borrower is typically released from liability.
- A **non-credit-qualifying (simple) assumption** is usually allowed in exempt situations like death, divorce, or transfers into a trust. Full underwriting isn't required, but the new party must continue making payments. In most cases, the **original borrower remains liable** unless a qualified assumption is completed.

8. When is the loan officially assumed?

The assumption is finalized when the lender approves the transfer, and the new borrower signs an **assumption agreement** taking legal responsibility for the loan. If lender approval is not obtained (as with some simple assumptions), the original borrower may remain liable.

9. What do I need to provide to get started?

Contact Loan Servicing Department at **877-561-0922** or email at mortgagehelp@firstunitedbank.com to determine the type of assumption and confirm the required documentation based on your specific situation.

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Eligibility & Occupancy Requirements

10. Who can assume a mortgage loan?

Assumption eligibility depends on the loan type and nature of the transfer. In general, qualified borrowers who meet investor credit, income, and other criteria can assume these loans. Additionally, certain exempt transfers—such as those due to death or divorce—may allow assumption or continuation of the mortgage without requiring full credit qualification.

11. Can I assume a VA loan if I'm not a veteran?

Yes. Anyone who qualifies can assume a VA loan. However, the veteran's entitlement stays tied to the loan until it's fully repaid, unless the new borrower is an eligible veteran using their own entitlement.

12. Can I assume a Section 184 (Tribal) loan?

Only if you are a member of a **federally recognized tribe**. You'll need to provide documentation of tribal enrollment at the time of application.

13. Are assumptions allowed on rental or investment properties?

No. Assumptions are only allowed on **owner-occupied** homes. You must occupy the home as your primary residence.

14. What are the occupancy requirements?

The buyer must occupy the property as their primary residence. Government-backed loans require that you move into the property within **60 days** and remain there for **at least 12 months**.

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Costs, Down Payments & Loan Terms

15. How much does a mortgage assumption cost?

Costs vary depending on the loan type and investor but are generally lower than traditional loan closings. Fees may include lender processing, title, escrow, and recording charges.

16. Can I roll closing costs into the loan?

No. Assumptions do not allow for changes to the loan balance, so closing costs must be paid out-of-pocket.

17. Do I need a down payment?

You may need to pay a down payment equal to the **seller's equity** in the home (the difference between the home's value and the remaining loan balance).

18. Can the loan terms be changed during an assumption?

No. The interest rate, loan balance, and repayment period remain the same. Assumptions do not allow for refinancing or term modifications.

Timelines & Processing

19. How long does the assumption process take?

Assumptions typically can take up to **60 days** from application to closing, depending on how quickly documentation is submitted and investor approval timelines.

20. What are credit and debt-to-income requirements?

Credit and debt-to-income requirements vary by loan type and investor guidelines. Contact Loan Servicing Department at **877-561-0922** or email at **mortgagehelp@firstunitedbank.com** to review current qualification criteria.

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Inheriting or Taking Over a Loan

21. Do I need to assume the loan if I inherit a property?

No. You may continue making payments as a **successor in interest**, refinance the home, or sell the property. Assuming the mortgage is optional.

22. Can I assume a mortgage after the borrower passes away?

Yes. You must establish legal ownership (e.g., through probate or trust documentation) and may be able to assume the loan, especially if it's a government-backed mortgage.

23. Do I need legal advice?

We're happy to help however we can, but please note that we're not able to provide legal advice.