Mortgage Assumption

Last Modified on 08/13/2026 1:02 pm EDT

What is a mortgage assumption?

To keep it simple, this means an existing property title or ownership and mortgage obligation is transferred from one borrower to another as part of a property sale. When a mortgage is assumed, its remaining balance, payment schedule, interest rate, and escrow account and balance (if applicable) are preserved. Not all mortgages are eligible for assumption.

Continue reading below to learn about potential advantages, eligibility requirements, the assumption process, and more.

Note: In some cases, a mortgage can be assumed as a result of a divorce involving the original borrower, or due to the death of an original borrower where the successor has been established and the title has been transferred.

What are the potential advantages?

It can be easier to sell a home via a mortgage assumption due to potential advantages to buyers, which may include:

- When interest rates are high, assuming an existing mortgage with a lower interest rate could potentially save a homebuyer money over the life of the loan compared to a new mortgage.
- Often, assumptions have lower closing costs compared to a new mortgage.
- The escrow balance stays with the loan (at the seller's expense).
- An appraisal is not required, which may cost hundreds of dollars.
- An owner's title policy is not required, which is normally paid by the buyer.

What are the potential disadvantages?

For sellers:

- The escrow balance stays with the loan and will not be refunded to the seller.
- With a VA loan, the original borrower's entitlement, meaning the portion of the balance the government guarantees it will repay if the borrower defaults, stays with the assumed mortgage after the sale for the life of the loan. For this reason, the seller might not have enough entitlement remaining to qualify for another VA loan to buy their next home. However, if the assuming buyer is a member of the military and eligible for a VA loan, he and/or she can substitute their entitlement for the seller's and the VA will restore the seller's entitlement in full.

For buyers:

- The buyer may be required to make a down payment, and since the loan amount cannot be

increased, if the purchase price is greater than the existing loan balance, the buyer will need to bring the additional funds to closing.

Are all mortgages assumable?

No, only some types of mortgages may be assumed. In general, conventional loans (Fannie Mae and Freddie Mac) are not assumable—except in some cases involving divorce or death when the party assuming the mortgage already has a legal interest in the property.

Mortgages insured by the Federal Housing Administration (FHA) or backed by the Department of Veterans Affairs (VA) are assumable if they satisfy the respective requirements.

For all FHA and VA loans, a seller must obtain lender approval for an assumable mortgage.

How does an assumable mortgage work?

In many ways, the process is similar to that of a traditional mortgage. For example, a buyer must qualify through the typical underwriting process, which will include credit and income verification of the potential buyer. One key difference: the loan can only be financed through the seller's lender, and this lender must approve the assumption.

What is the process?

If you would like to explore an assumption for your mortgage, here's an overview of our process and what to expect. In total, the assumption process may take up to 90 days.

1. Contact Customer Care by secured message (log in required), email, or phone to initiate the request.
2. We'll review your loan against the eligibility requirements described above and notify you within 10 business days.
3. To qualify, a potential buyer must complete a basic underwriting process (a credit report fee for the potential buyer may apply).
    - When the potential buyer is identified, contact us to provide their name, address, phone number and email address. We will provide a Third Party Authorization Form for you to sign and return to us, which will allow us to discuss your mortgage with the potential buyer.
    - We will reach out to you and your potential buyer to let you know if eligible and to request any additional information needed to process the assumption.
    - If eligible, an assumption package detailing the terms of the agreement will be sent to the potential buyer, which must be signed, notarized, and returned to us according to the instructions provided. Non-refundable processing fees may be collected from the proposed buyer to process the assumption. These fees, which may vary based on loan type and/or state law, will be specified in the assumption package and collected with the application.

Ready to explore mortgage assumption for your home?

To initiate the process or for more information, contact Customer Care today. As your mortgage partner for life, we look forward to serving you!