In today's high-interest-rate environment, homebuyers are looking for every possible advantage to secure an affordable mortgage. One often-overlooked opportunity is **assuming an existing FHA or VA loan**, especially those issued in the past few years when interest rates were at historic lows.

An assumable loan allows a qualified buyer to take over the seller's existing mortgage, including its **remaining balance, interest rate, and repayment terms**. FHA and VA loans are generally assumable, but buyers must meet the lender's qualification standards, just like they would for a new mortgage.

With interest rates currently much higher than they were just a few years ago, assuming a loan that carries a **lower-than-market interest rate** can be a game-changer for buyers. Here are some key advantages:

Lower Interest Rate = Lower Monthly Payments - If the seller's mortgage has an interest rate of **3% or 4%**, assuming the loan means **immediate savings** compared to today's rates, which are often above **6% or 7%**. A lower rate can translate into **hundreds of dollars in savings each month**.

Lower Closing Costs - Unlike taking out a new mortgage, assuming an existing loan typically comes with **reduced lender fees** and **fewer closing costs**, saving the buyer thousands at the closing table.

No Need for an Appraisal - Since the buyer is taking over an existing mortgage, there's often **no need for a new appraisal**, reducing both **costs and potential delays** in the transaction.

More of Your Payment Goes Toward Principal - Because the loan is further into its **amortization schedule**, a higher percentage of each payment goes toward paying down the **principal** rather than just interest, building equity faster.

One of the biggest hurdles with loan assumptions is that the **seller's remaining loan balance may be significantly lower than the home's purchase price**. This means the buyer **must cover the difference** between the sale price and the outstanding loan balance.

For example, a home is selling for **$400,000** with the seller's assumable FHA loan balance is **$300,000**, the buyer needs to **bridge the $100,000 gap** between the sale price and the assumed loan.

If a buyer doesn't have enough cash to cover this gap, there are financing options:

- **Second Lien Financing** … If the buyer puts down at least **10%**, they may qualify for a **second mortgage** to cover the remaining difference. This could come from a **conventional lender** or even **through owner financing**.
- **Home Equity Loans or HELOCs** … If the buyer can arrange temporary funding to close the assumption, they may be able to get a **home equity loan or line of credit** to fund the difference once the property is closed and in their name.

Navigating the Loan Assumption Process

While any **FHA- or VA-approved lender** can originate new loans, **assumptions must be processed through the current loan servicer**. Some lenders may not be familiar with the process and could discourage assumptions due to lower fees and longer processing times.

Buyers should be persistent if a lender is uncooperative, request to speak with someone who understands loan assumptions. It is to a buyers' advantage to work with a knowledgeable agent who is experienced with assumptions and can help negotiate financing solutions and streamline the process.

If you're a **buyer looking for lower payments** in today's market, an FHA or VA loan assumption could be an excellent opportunity. While it requires **careful planning** to cover the price difference, the long-term savings from a lower interest rate can make a significant impact.

Thinking about assuming a loan or selling a home with an assumable mortgage? Let's discuss how this strategy could work for you!