Assumption

Call Dawn

When selling a property, most mortgages require that the existing loan be paid off before the title can be transferred to the new owner. This means that to sell your home, you must pay off your current mortgage, and the buyer needs to secure their loan. This common requirement is known as a **"due on sale" clause**.

The Lucky Few: Assumable Mortgages

However, if your mortgage allows for an **"assumption of mortgage,"** you may have a valuable option. This allows the buyer to take over your existing loan rather than obtaining a new one. Loans such as FHA, VA, and Oregon State Bond loans often permit assumptions. Additionally, most **adjustable-rate mortgages** become assumable once the interest rate begins to adjust.

Why Aren't Assumptions More Common?

Despite the potential benefits of mortgage assumptions, they are relatively rare. One significant reason is that buyers seeking new loans can customize their down payments, monthly payments, and terms to fit their financial situation. In contrast, a buyer assuming an existing mortgage must accept the original loan's terms, which may not align with their budget.

It's also essential to understand that any modern loan with an assumption clause requires the buyer to apply and qualify for the mortgage. They must meet various underwriting guidelines, including income and credit requirements. Therefore, assuming a mortgage is not a shortcut for buyers struggling to qualify through traditional lending channels.

Due to a period of historically low interest rates from 2009 to 2014, mortgage assumptions may become somewhat more common in today's market.

As interest rates continue to rise, many buyers may look for ways to leverage the terms of an existing loan. Taking over an older loan with a low interest rate, particularly one that has been partially paid down by the previous owner, can be an attractive option.

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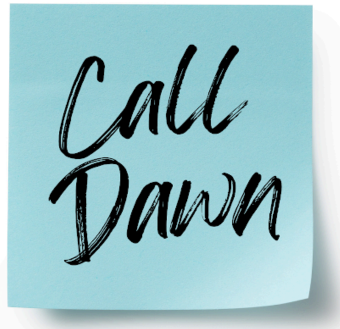
Common Reasons for Mortgage Assumptions



In practice, one of the most frequent situations where mortgage assumptions occur is during a divorce. When one spouse decides to keep the home while the other moves out, assuming the mortgage can simplify the process of settling mortgage liability.

Another scenario where mortgage assumptions are beneficial arises when a family member has co-signed for a loan. For instance, if parents co-sign a mortgage for their daughter while she attends medical school, she may later choose to assume the loan after graduation, effectively removing her parents from any financial liability associated with the mortgage.

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