

Vets Helping Vets: Veteran Sellers Helping Veteran Buyers to Assume their low rate mortgages

Assumable loans are below-market rate mortgages that can be taken over by a new borrower without having to go through the full loan application process.

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are a type of mortgage that can be taken over by a new borrower without having to go through the full loan application process. This can be a benefit for both buyers and sellers, as it can save time and money. It's especially common with Veterans helping Veterans. Veterans can also allow "non-veterans" to assume their loan, but it's best to contact an expert before entering into this arrangement.



Sarah and Paul Scheper

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Loan assumptions allow qualified buyers to assume below-market rates from sellers, which helps homes sell faster and helps buyers save big. The key is to present a perfect packet to the bank.”

*Dan Dobbs,
www.DanDobbs.org*

According to VA financing expert and top real estate blogger, Dan Dobbs of DanDobbs.org, there are many benefits for VA buyers who assume a VA loan. According to Dobbs, the VA buyers win because of these advantages:

- 1) Buyers get lower interest rates: Buyers can take over a VA loan with a lower interest rate than they could qualify for on their own.
- 2) Buyers pay lower closing costs: Buyers can avoid paying some of the closing costs associated with getting a new mortgage, such as appraisal fees and origination fees.
- 3) Buyers have smaller down payments: VA loans do not require a down payment, so Buyers can take over a VA loan

without having to come up with a large sum of money upfront, if the loan amount equals the sales price. This doesn't happen a lot, but VA buyers can take over loans if the numbers work out.

Sarah Scheper, a top flight real estate agent and Vice President of Homegevity Realty, thinks that VA Sellers also benefit by allowing buyers to assume their below-market loans.

According to Scheper, sellers benefit by offering their assumable loan to potential buyers for three reasons:

- 1) Sellers can sell their home faster: A home that is listed with an assumable VA loan may be more attractive to buyers, as it can save them money.
- 2) Sellers can help other Veterans by helping them assume their low-rate loans. They can also help non-veterans as long as they are willing to relinquish all or part of their entitlement, but over ½ of VA sellers help other veterans because they can preserve their VA entitlement for their replacement home.

- 3) Sellers can transfer their entitlement (all or part) to the any buyer: If the buyer is a veteran, the seller can transfer their VA loan entitlement to them. This means that the buyer can use their own VA entitlement to purchase another home in the future. If the buyer is not a veteran, assumptions are still possible, but it'll require a consultation to make sure all parties know the process.

Vets not only help other Vets, but can help civilian homebuyers, too. Dobbs points out that a non-VA borrower can assume a VA loan. VA loans are assumable by anyone who meets the lender's creditworthiness requirements. This means that you don't need to be a veteran or eligible surviving spouse to take over an existing VA loan. However, the seller's VA entitlement must be relinquished or "on hold" if the buyer is not a VA buyer. This means that the seller will not be able to use their VA entitlement to buy another home until the original loan (assumed by the non-VA Buyer) is paid off.

In order to assume a VA loan, the buyer must, according to Dobbs, be creditworthy and meet the



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lender's income requirements. They also have to have a good credit score and be able to afford the monthly mortgage payments. To assume a VA loan, the buyer and seller agree to the terms of the loan assumption. Dobbs explains, "The buyer submits a loan application to the lender. Then, the bank approves the buyer's credit and verifies their income. Then, the VA approves the loan assumption. And, the best part, the VA seller is released from all liability." The [assumption processing](#) can be done by the Buyer or outsourced to an experienced Buyer Consulting company.

Scheper sells many homes to Veterans, but warns that whether the veteran is a buyer or seller, they need to speak to a VA loan professional. "I also think each buyer must interview a loan assumption expert like FHA Pros or Loangevity Mortgage, who can consult the buyer and coach the buyer on the intricacies of the loan assumption process. Adds Dobbs, who specializes in VA loan assumptions, a VA loan can be a great way for buyers to save money and get a lower interest rate. However, it is important to understand the requirements and the whole assumption process before an assumption is the right solution. All veterans need to know how assumptions work, from A to Z, so that Vets can continue helping Vets, and can continue helping all types of buyers. Dobbs jokingly brings up a Yogi Berra quote that underscores the importance of having a plan with loan assumptions. Dobbs reminds us that Yogi once said, "If you don't know where you are going, you'll probably end up there." According to Dobbs and Scheper, the same is true with assumptions. If you don't have a specific, strategic, intentional game plan, the assumption processing will be almost impossible to get approved. Knowing who, when and how to contact the right person at the bank is the key.

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