GUIDES & ANSWERS

Assumable Mortgages Explained

The rate carries over. The equity does not. Here is the whole picture.

By Carter Barstad, Hometown Realty Group · Published November 2026 · Updated November 2026 · 9 min read

Quick answer: An assumable mortgage lets you take over the seller's existing home loan instead of getting a new one. You keep their interest rate, their remaining balance, and the years left on the loan. Government backed loans, FHA, VA, and USDA, are the ones that allow it. Most conventional loans do not. The catch is that you still have to qualify with the loan servicer, and you have to cover the seller's equity with cash or a second loan.

Key takeaways

- FHA, VA, and USDA loans can usually be assumed. Conventional loans usually cannot.
- The rate carries over. The equity does not.
- You still have to qualify. The servicer checks your credit and income much like a new loan.
- The gap between the loan balance and the price is yours to solve, with cash, a second loan, or a mix.
- Plan on 30 to 90 days. The servicer sets the pace, not you.
- On a VA loan, the seller's entitlement can stay tied up in the loan long after the sale.

What does it mean to assume a mortgage?

When you assume a mortgage, you step into the seller's loan. The loan itself does not change. Same rate. Same payment. Same number of years left. What changes is the name on the account.

Here is the one line to remember. The rate carries over. The equity does not.

Say a seller owes $240,000 on a home that is now worth $320,000. You can take over that $240,000 loan and its low rate. The other $80,000 is the seller's equity, and it has to get paid at closing somehow. That gap is where assumption deals are won or lost.

An assumption is not a handshake deal, either. The servicer, the company that collects the payments, has to approve you first. When it is done right, the seller also gets a release of liability and walks away clean.

Which loans can you actually assume?

LOAN TYPE	ASSUMABLE?	THE CATCH
FHA	Yes	You must pass the servicer's credit review, and on loans closed after December 15, 1989, you must live in the home. Processing fee capped at $1,800.
VA	Yes, veterans and non-veterans	Loan must be current and you must be creditworthy. If no veteran substitutes entitlement, the seller's VA entitlement stays tied to the loan until payoff.
USDA	Yes, with USDA approval	You must meet USDA eligibility rules, a new guarantee fee is charged on the remaining balance, and the seller stays personally liable.
Conventional	Generally no	Most carry a due-on-sale clause, so the lender can demand full payment when the home changes hands. A few adjustable rate loans are exceptions.

FHA is the straightforward one. HUD's handbook says every FHA insured mortgage is assumable, and an approved assumption comes with a formal release of liability for the seller. VA surprises people, because you do not need to be a veteran to assume a VA loan. The catch lands on the seller, and it is in the risks section below.

USDA loans, common in the smaller towns around Eau Claire, carry an odd quirk. Even after an approved transfer, the seller stays personally liable, so sellers should hear that part early. Conventional loans are mostly a dead end thanks to the due-on-sale clause. The Garn-St Germain Act protects a short list of family transfers, a home passing on death, in a divorce, to a spouse or kids, or into a living trust, but those are not open market assumptions, and the original borrower usually stays on the hook.

How does the process work, step by step?

1. **Confirm the loan type and balance.** The seller's servicer can confirm whether the loan is assumable and what is owed.
2. **Write the offer with the assumption in it.** The contract should say the sale depends on the servicer approving your assumption.
3. **Apply with the servicer.** The assumption package works like a mortgage application, with income, asset, and debt documentation.
4. **Go through underwriting.** The servicer checks your credit, income, and debts. VA servicers with automatic authority have 45 calendar days to decide once your package is complete.
5. **Line up the equity gap money.** Cash, a second loan, or both, arranged before closing, not after.
6. **Close and record.** You sign the assumption agreement, the seller signs a release of liability, and the deed gets recorded.

7. **Payments switch over.** The servicer moves the account into your name and billing follows.

On timing, plan on 30 to 90 days. Plenty of files land in the 60 to 90 day range, because assumption departments are small and paperwork moves slowly. If a VA loan needs the VA's own prior approval because the servicer lacks automatic authority, it can run longer. If you need to close in three weeks, this is not your route.

What does it cost?

Next to a brand new loan, the fees are small.

- **FHA:** a processing fee of up to $1,800, plus normal closing costs like title work and recording.
- **VA:** a funding fee of 0.5 percent of the remaining balance, paid at closing. On $240,000, that is $1,200. The processing fee is capped at $300, or $250 when the VA must approve the file itself. Some buyers are exempt from the funding fee, including many veterans receiving disability compensation.
- **USDA:** a new guarantee fee based on the remaining balance, plus closing costs.
- **Conventional:** on the rare loan that allows an assumption, there is no federal cap on the fee, so ask what it is before you start.

What does the equity gap look like in real numbers?

Here is an example with round, illustrative numbers. It is not a quote.

A home here in Eau Claire sells for $320,000. The seller's loan balance is $240,000 at 3.25 percent, with about 27 years left on it. That payment is roughly $1,114 a month in principal and interest. You assume the loan. The equity gap is $80,000. Three ways to cover it:

1. **All cash.** You bring the $80,000, plus closing costs. Your only debt is the $240,000 loan at 3.25 percent. Your blended rate is 3.25 percent.
2. **All second loan.** You borrow the $80,000 as a second loan or home equity line at an illustrative 8 percent. The math: $240,000 at 3.25 percent is $7,800 a year in interest. $80,000 at 8 percent is $6,400. Together, $14,200 a year on $320,000 borrowed, a blended rate of about 4.44 percent.
3. **A blend.** You bring $40,000 in cash and borrow the other $40,000 at that same illustrative 8 percent. Interest is $7,800 plus $3,200, which is $11,000 a year on $280,000 borrowed. Blended rate, about 3.93 percent.

Now compare a new $320,000 loan at 7 percent. That is roughly $22,400 of interest in the first year. Even the all second loan route above runs about $14,200. That gap is the whole reason assumptions are worth the paperwork.

How do you find an assumable loan around Eau Claire?

- **Start with 2020 and 2021 loans.** That is the hunting ground. A huge share of homes here were bought or refinanced when rates sat in the high 2s and low 3s, and every FHA, VA, and USDA loan from those years is a candidate.
- **Read the listing remarks.** Some listing agents write "assumable" right in the description. Many do not, even when the loan qualifies.
- **Search the word itself.** Running "assumable" as a keyword turns up the listings marketed that way.
- **Ask the question.** Have your agent ask the listing agent what kind of loan the seller has, and whether the servicer will entertain an assumption. Most sellers never advertise it, because most agents never think to check.

What can go wrong?

- **Slow servicers.** Assumption departments are small, and files sit. If your contract has a hard closing deadline, an assumption can blow it up. Build in time, and ask for an extension clause.
- **The seller's VA entitlement.** When a veteran lets a non-veteran assume the loan, the veteran's entitlement stays locked in that loan until it is paid off. That can shrink what the veteran can buy next with a VA loan. A veteran buyer who substitutes entitlement fixes it, but most buyers are not veterans.
- **Gap math that does not work.** The lower the balance compared to the price, the bigger the gap. On a high equity home, the cash or second loan needed can eat the rate savings. Assumptions shine when the balance is still most of the price.
- **A second loan that will not cooperate.** Not every lender will write a second loan behind an assumed first loan. Line yours up early.
- **A loan that is not current.** VA rules require the loan to be current, or brought current by closing. A seller who is behind on payments makes everything harder.

My take

> If the rate on a new loan is the thing scaring you off buying in Eau Claire, assumptions deserve a serious look. The sweet spot is a home bought or refinanced in 2020 or 2021, with an FHA, VA, or USDA loan, and a balance that is still most of the purchase price. Bring patience, because the servicer will test it, and bring a plan for the equity gap before you write the offer. If a listing catches your eye, I can call the listing agent and ask what kind of loan sits on the house.
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> CARTER BARSTAD

Common questions

Can a non-veteran assume a VA loan?

Yes. Anyone the servicer finds creditworthy can assume a VA loan. The trade off falls on the seller, whose entitlement stays tied to the loan unless a veteran substitutes their own.

Do I still need decent credit to assume a loan?

Yes. For FHA, VA, and USDA loans, the servicer runs a creditworthiness review much like a new loan application. An assumption is not a way around underwriting.

How long does an assumption take?

Plan on 30 to 90 days. A complete VA file gets a decision within 45 calendar days when the servicer has automatic authority, but the full process, application to closing, commonly runs 60 to 90 days.

Can the seller get off the loan completely?

On FHA and VA loans, yes, if the servicer grants a release of liability as part of the approved assumption. Get it in writing. USDA is the exception. There, the seller stays personally liable even after the transfer.

What if the seller has a conventional loan?

Then an assumption is almost certainly off the table, because of the due-on-sale clause. The transfers federal law protects, death, divorce, a transfer to a spouse or kids, or into a living trust, are family situations, not a sale to a stranger.

Carter Barstad, REALTOR® · Hometown Realty Group · (715) 828-0039 · Carter@echtrg.com · Full guide library at carterbarstad.com/guides-and-answers