

WHAT'S AN ASSUMPTION OPTION FOR MY CLIENT?

An assumable mortgage allows a qualified buyer to assume a home's remaining mortgage balance from a current Carrington borrower. When new home loan rates have risen compared to recent years, a home purchase through assumption would allow a buyer to become a homeowner by qualifying for the current loan and paying the difference between the remaining loan balance and the purchase price. The assuming buyer will be liable for the current principal balance, repayment period, interest rate and additional terms outlined in the current borrower's mortgage.

ARE ALL MORTGAGES ASSUMABLE?

Not all types of mortgages are assumable. Usually, mortgages that are backed by the government like Federal Housing Authority (FHA), and Veterans Affairs (VA) are assumable.

HOW DOES THE SELLER APPLY FOR AN ASSUMPTION?

The current Carrington Homeowner will need to submit an inquiry on the website: <https://www.carringtonmortgage.com/marketing/assumption/>, to determine eligibility. Once eligibility is determined, the Assumption Support Team will connect with the homeowner and assign a Carrington Assumption Coordinator who will interface with all parties involved until closing and funding.

WANT TO SPEAK TO US ON BEHALF OF YOUR CLIENT?

We will need a Third Party Authorization Form (TPA) to authorize our lending team to communicate with you regarding their account. Feel free to point them in the direction of logging into their loan dashboard and on the left-hand side they will see the Third Party Authorization Document. Submission of the form through their loan dashboard is available for their convenience. Once we have the updated TPA on file we will have the authorization to communicate directly with you on their account.

HOW CAN A BUYER BENEFIT FROM AN ASSUMABLE LOAN?

For a qualified buyer, assuming a current mortgage could mean saving money if the assumable mortgage has a lower interest rate compared to current interest rates. Oftentimes, there are fewer closing costs associated with mortgages that are assumed rather than those that are originated. In addition, the lender will not require an appraisal when a mortgage is assumed, offering additional savings. If the buyer is also applying for additional financing to cover a portion of the remaining purchase price not covered in the current loan, the lender may require an appraisal.

WE HAVE A BUYER, WHAT'S NEXT?

Once the buyer is identified, they will proceed with credit qualification for the loan. The buyer assuming the loan will need to go through the application and underwriting process for approval, similar to a loan origination process. This process includes (but is not limited to) credit and income requirements.

WHERE DO WE CLOSE?

Closing services will be needed. Vylla Title and Vylla Escrow offer our customers a simple and seamless settlement experience for their homeownership journey.



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PROS AND CONS OF ASSUMPTION:

PROS: Seller: Lower closing costs provide additional pricing influence on the purchase price of the home.

Buyer: Buyer has opportunity for significant savings due to lower interest rate and fees.

CONS: Seller: For VA loans if the buyer does not have a VA entitlement, the seller's entitlement will stay with the loan until it is financed out of the VA mortgage or paid in full.

Buyer: Out of pocket costs could be high if the seller has high equity in the home. Second financing option needed in some cases.

PROCESS SUMMARY:

1. Have the Carrington Homeowner inquire to see if they are eligible through our inquiry website.
2. Assumption Support Team will connect and communicate with the Carrington Homeowner.
3. Once buyer is identified, the Assumption Support Team will connect with the buyer, assign a Carrington Assumption Coordinator and initiate the application process for determining buyer eligibility.
4. Prospective buyer submits loan application and required documents.
5. Buyer approval received.
6. All parties will sign the assumption agreement upon closing.

F.A.Q.'S FOR YOUR BUYER

1. **If I cannot qualify on my own. Can I have a co-borrower?**
You can have a co-borrower, but they must meet the guidelines to qualify for the loan.
2. **Who is responsible for making the mortgage payments during the assumption?**
The mortgage payments should be made by the current borrower.
3. **Can any payments be skipped during an assumption?**
All payments must continue to be made on time throughout the assumption process. If the loan becomes delinquent at any time, the loan may become ineligible for assumption.
4. **Will the interest rate/term change during an assumption?**
No. The terms of the loan will remain unchanged after the assumption is complete.
5. **Who receives the funds in escrow, once the assumption is completed?**
The escrow funds will remain with the loan, once it is assumed. If there is a shortage, it will need to be satisfied before, or at closing. Typically, there is a credit given to the releasing borrower(s). Any excess funds should be discussed with all parties prior to closing.
6. **I am just removing the other party from the loan. Why do I have to qualify for an assumption?**
Removing a borrower from the loan is similar to a sale and considered an assumption. An assumption is a qualifying process. Any remaining borrower must demonstrate ability to repay the loan, even if their credit and finances were used to obtain the original loan.

QUESTIONS?

Assumption Support Team
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