

Wouldn't It Be Great if You Could Assume the Seller's Low-Interest Loan? Maybe, if It's a VA Loan

Most mortgage loans are not assumable, but VA loans are assumable when certain conditions are met. Here's what I have learned about that.

Many sellers are veterans with a VA mortgage on the home they are now selling. If they don't need to use a VA loan for the purchase of a replacement home, they can sell their home to anyone — not just a veteran — and let that person assume their VA loan. In that case, for the loan to be assumed, the buyer would have to be another veteran able to qualify for a new VA loan but desiring to take advantage of the existing loan's low interest rate.

Wendy Renee of Fairway Mortgage, our in-house lender at Golden Real Estate, helped me learn the rules for assuming a VA loan. That led me to research the topic further.

Rocket Mortgage has an excellent website explaining those rules and is the source for the following. I posted a link to their webpage at <http://RealEstateToday.substack.com>.

The good news is that a buyer can assume a VA loan, even if they would not qualify for a VA loan for themselves. If the seller has a VA mortgage at, say, 2.75%, a buyer would get to take over that loan and

make the same payments.

Conventional loans guaranteed by Fannie Mae and Freddie Mac are not assumable. Every seller who has an existing VA loan should have his listing agent emphasize that fact in the MLS, pointing out its interest rate and that it's assumable. However, if it's important to the seller that he regain his entitlement to a VA loan for his replacement home, then it should be noted in the MLS that the seller will only allow an **eligible veteran** to assume the loan.

Although the buyer will not need to meet the military eligibility, he or she will need to meet the financial eligibility requirements of the lender. The lender, not the VA, must approve the assumption. If the lender approves your financial qualifications, you can proceed with the assumption. **Note:** Lenders are not **required** by the VA to allow assumption.

Most lenders have a minimum FICO score to qualify for a loan. With Rocket Mortgage, that score is 580. Other lenders require a minimum score of 620.

VA loans don't require a down payment, but in assuming a VA

loan, you may be asked for a down payment. Since most homes for sale have lots of equity due to the rise in home values, that's not very likely.

VA loans require the payment of a funding fee, and that is true for the buyer who assumes a VA loan. That funding fee is 0.5% of the loan amount. As with the original borrower, that fee can be waived if the buyer is a disabled veteran or the spouse of a deceased veteran with a service-related disability.

Compensating for that 0.5% funding fee is the fact that you won't have other fees, including paying for an appraisal.

A processing fee of \$250 to \$300 will be charged to the buyer in addition to the funding fee.

Note that **the VA is not the lender**. The loan is **guaranteed** by the VA. The underwriting requirements may differ from lender to lender.

So, how do you find a home on which the seller has a VA loan?

Unfortunately, that is not a searchable field on the MLS, even for us MLS members. However, if you find a home you want to buy, we can find that property on Realtor, an app within the MLS, which tells what kind of loan, if any, was taken out by the seller. And, of course, we can ask the listing agent what the current balance and interest rate is. Depending on the buyer's cash reserves, it may be necessary to apply for a second mortgage.

When the loan is assumed, the seller needs to request a release of liability from the lender. Without that, the seller could be responsible for late payment fees or even default by the new borrower. Ask your lender in advance of agreeing to the assumption whether you will receive a release. If they won't, that could or should be a deal breaker.

If you'd like help finding a home with a VA loan in place, call one of us. Our cell numbers are below.

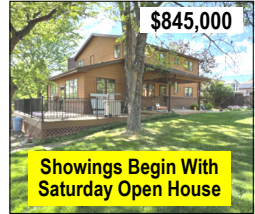
REAL ESTATE TODAY



By JIM SMITH Realtor®

Just Listed: 5-BR Home in Scenic Heights

The sellers designed this 4,603-sq.-ft. home at 6714 Field St. in Arvada for entertaining and were the general contractor for it in 1985. Spaces for entertaining abound both indoors and on the large wraparound deck. There's an indoor hot tub in its own room that is well ventilated to avoid moisture-related issues. Floors are a mix of carpet, oak hardwood and ceramic tile. A guest bedroom on the main floor was used by the seller as a home office and a reading room and sewing room are upstairs. This home is an early example of passive solar design. In addition to the solar thermal panels on the roof which provide hot water for the home, there are solar thermal panels built into the south wall of the great room to capture solar gain in the winter for warming the house after dark. The backyard includes a large garden area and a shed with electricity with two compartments — a storage area with a concrete floor and a south-facing area with gravel floor and windows to capture solar gain for starting plants early. There is no HOA and there's a gate on the north side of the house for parking an RV next to the garage. Find more info and pictures at www.ArvidaHome.info, then come to my open house on Saturday, June 22, 11am to 1pm. Or call for a private showing.



Megan's Insights on the June Real Estate Market

By MEGAN ALLER
First American Title

As we navigate the real estate market for the week of June 5th-12th, 2024, it is clear that the market continues to retract. Increased inventory and hesitant buyers have led to significant shifts in market dynamics. Now the key points:

- ◆ Retraction persists as more inventory enters the market and pending transactions decline, leading to a higher months' supply of inventory than usual for the second week of June.
- ◆ The growing inventory and shrinking buyer pool have caused prices to fall slightly as we transition into summer.
- ◆ Our average daily active listings have increased week over week, with inventory significantly higher compared to the same period last year.
- ◆ New listings have shown an upward trend, and this activity is expected to continue growing until September. However, pending transactions have declined compared to the previous weekend.
- ◆ The odds of selling have decreased

compared to last week, trending historically below the average for June in previous years.

- ◆ To balance the market with a 6-month supply of inventory, we would need a significantly higher number of total listings, indicating we are currently far from market equilibrium.
- ◆ Showings last week were down slightly, with the average number of showings per property and the number of showings required to go under contract showing some fluctuations.
- ◆ Price reductions were more prevalent this week, with a notable portion of units going under contract after reducing their price. The size of these reductions has remained consistent.
- ◆ If you are wondering when to list your property this summer, it is advisable to list as soon as possible. Growing inventory and a diminishing buyer pool could lead to longer days on market and potential price reductions. Listing earlier in the summer may help achieve the best possible price for your home.

Price Reduced on 2-BR Lakewood Condo Listed by Jim Swanson

This clean condo at 5725 Atlantic Place #101 is in the Sunpointe condos of southeast Lakewood. It has both a detached garage and a reserved space. This garden level unit has new flooring throughout. It has two good sized bedrooms and a nice living space with a wood-burning fireplace. There's a small outdoor patio, with storage. The subdivision is west of Sheridan Blvd. and just south of Jewell. All furniture in the unit is included if the Buyer wants it, otherwise it will be removed. Take a narrated video walk-through at www.LakewoodCondo.online, then call 303-929-2727 to see it.



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"Concentrate on giving, and the getting will take care of itself." —Anonymous

