LOAN ASSUMPTION GUIDE

For more information and free resources for Oahu home buyers and sellers, visit IslandLivingOahu.com
IslandLivingOahu.com



AKSANA TUPALSKAYA
REALTOR® (S) RS-85710

808.990.7141
aksana@islandlivingoahu.com

ISLAND LIVING
OAHU
by Keller Williams Honolulu RB-21303

Aloha,

We help clients navigate the unique opportunities of assumable home loans on Oahu, whether the loan is VA or FHA, making the process clear, straightforward, and beneficial for both buyers and sellers.

For sellers, an assumable loan can attract more qualified buyers, often resulting in faster sales and stronger offers. For buyers, it opens the door to interest rates that are simply not available in today's market. With a deep understanding of loan assumptions and strong marketing and negotiation strategies, we make sure our clients capture these advantages and move forward with confidence.



AKSANA TUPALSKAYA
REALTOR® (S) RS-85710
808.990.7141
aksana@islandlivingoahu.com

What Is a VA Loan Assumption?

A VA loan assumption allows a buyer to take over the seller's existing mortgage, maintaining the original loan's terms—including the balance, interest rate, and repayment schedule.

This can be an excellent option for buyers looking for affordability and sellers seeking to market their homes more effectively in a competitive environment.

Who can assume a VA loan?

VA loans can be assumed by any financially qualified buyer, regardless of military status. However, if a seller allows an individual who does not have VA entitlement (either a non-veteran or a veteran without remaining entitlement) to assume their VA loan, the seller's own VA entitlement will remain tied to the loan until it is paid off in full.

This means the seller will not be able to use their VA entitlement to purchase another home while the assumed loan is still active.

For this reason, many sellers prefer buyers with VA benefits, as it ensures their entitlement is fully restored once the assumption process is complete. This allows the seller to retain the flexibility to use their VA benefits for future home purchases.



What about FHA loans?

Every FHA loan is also assumable with lender approval. The buyer does not need to be a veteran, only to qualify with the lender, and there is no VA entitlement involved, so the seller keeps full flexibility. In practice, FHA assumable listings are rare on Oahu right now. I watch the MLS for them, and when one appears it tends to move fast. If you are not VA eligible, this is the loan type to ask me about.

Not a veteran? You still have two paths

1. Assume a VA loan as a non-VA buyer. This is allowed when the seller agrees, and everything in this guide still applies. The catch is on the seller's side: their VA entitlement stays tied to the loan until it is paid off, so fewer sellers say yes. It happens, but it is rare. If you find a listing you love, ask me and I will find out if the seller is open to it.

2. Watch for FHA assumable listings. Any financially qualified buyer can assume these. They are rare on Oahu, but I can let you know the moment one hits the market.

Plan your next move! Scan the QR code to access our mortgage calculator and estimate your payments.
IslandLivingOahu.com

BENEFITS OF VA ASSUMPTIONS

For Buyers:

- Lower interest rates: Buyers can take advantage of the seller's existing loan terms, which often feature interest rates much lower than current market rates, resulting in significant savings.
- Reduced funding fee: VA loan assumptions come with a reduced funding fee of just 0.5%, significantly less than the fees associated with new VA loans.
- Cost-effective homeownership: By assuming an existing loan, buyers may save thousands of dollars annually in interest payments.

For Sellers:

- Increased market appeal: Offering a VA loan assumption can make a property more attractive to buyers, particularly in a high-interest rate market.
- Potential for higher sale price: Buyers may be willing to pay a premium for a home with a lower assumable interest rate.
- Supporting the community: Helping another individual or military family achieve affordable homeownership creates a sense of shared purpose.



Curious about your home's value? Scan the QR code for an instant home valuation!
IslandLivingOahu.com

Funding fee details

One of the key financial benefits of a VA loan assumption is the reduced funding fee. While new VA loans typically have a funding fee of 2.15% to 3.3% (with $0 down) of the loan amount, an assumption currently requires only 0.5%.

For example:

- On a $500,000 loan assumption, the funding fee would be $2,500 compared to $10,750 (first-time use of VA loan) or $16,500 (subsequent use of VA loan) for a new VA loan.
- On a $750,000 loan assumption, the funding fee would be $3,750 compared to $16,125 (first-time use) or $24,750 (subsequent use) for a new VA loan.
- On a $1,000,000 loan assumption, the funding fee would be $5,000 compared to $21,500 (first-time use) or $33,000 (subsequent use) for a new VA loan.
- Note: Veterans with service-connected disabilities are exempt from paying the funding fee. For more details, visit VA.gov or consult your local VA office.



Mortgage payment examples

Here's how monthly payments compare for different loan amounts and interest rates. These calculations include principal and interest only on a 30-year fixed-rate loan. They do not include taxes, insurance, HOA fees, or other costs associated with homeownership:

Loan Amount: $500,000

- Assumable rate: 2.5% → Monthly payment: $1,975.60
- Assumable rate: 3.0% → Monthly payment: $2,108.02
- Assumable rate: 3.5% → Monthly payment: $2,245.22
- **Market rate: 6.0%** → Monthly payment: $2,997.75
- Monthly savings: $752.53–$1,022.15
- **Market rate: 6.66%** → Monthly payment: $3,213.13 ·
- Monthly savings: $967.91–$1,237.53

Loan Amount: $750,000

- Assumable rate: 2.5% → Monthly payment: $2,963.41
- Assumable rate: 3.0% → Monthly payment: $3,162.03
- Assumable rate: 3.5% → Monthly payment: $3,367.84
- **Market rate: 6.0%** → Monthly payment: $4,496.63
- Monthly savings: $1,128.79–$1,533.22
- **Market rate: 6.66%** → Monthly payment:
- $4,819.70 · Monthly savings: $1,451.86–$1,856.29

Loan Amount: $1,000,000

- Assumable rate: 2.5% → Monthly payment: $3,951.21
- Assumable rate: 3.0% → Monthly payment: $4,216.04
- Assumable rate: 3.5% → Monthly payment: $4,490.45
- **Market rate: 6.0%** → Monthly payment: $5,995.51
- Monthly savings: $1,505.06–$2,044.30
- **Market rate: 6.66%** → Monthly payment: $6,426.27
- Monthly savings: $1,935.82–$2,475.06

CONSIDERATIONS

For Buyers:

- You may need additional cash to cover the difference between the loan balance and the agreed-upon purchase price. For example, if the purchase price is $550,000 and the seller's remaining loan balance is $500,000, the buyer would need $50,000 in cash to cover the gap.
- Closing costs, including the 0.5% funding fee and lender's assumption fee, must be factored into your budget.
- The process may take 3-6 months, requiring patience and planning.

For Sellers:

- Be prepared for a longer timeline before receiving sale proceeds.
- Ensure that you understand the impact on your VA entitlement if the buyer lacks VA benefits.
- Work closely with a knowledgeable real estate agent to manage the complexities of the transaction.

Curious about your home's value? Scan the QR code for an instant home valuation!
IslandLivingOahu.com

Steps in the Assumption Process

1. Accept an offer	The seller accepts a buyer's offer, initiating the process.
2. Notify the lender	The seller's agent contacts the lender to start the assumption paperwork.
3. Complete initial forms:	Both buyer and seller fill out the required documents from the lender and VA.
4. Buyer due diligence:	The buyer provides financial documents to prove eligibility for the loan.
5. Closing:	Both parties sign final paperwork, and the buyer pays any required closing costs.

Frequently Asked Questions (FAQs)

1. **How much money do I need for a VA loan assumption?**

The amount required depends on the purchase price, remaining loan balance, and associated closing costs.

For example:

- Purchase price: $600,000
- Seller's loan balance: $500,000
- Cash required: $100,000 (difference between purchase price and loan balance)
- VA funding fee: 0.5% of loan balance ($500,000 × 0.5% = $2,500)
- Lender's assumption fee: Varies (contact us for property-specific estimates)
- Additional expenses: ~2% of purchase price ($600,000 × 2% = $12,000) for insurance, taxes, and the buyer's portion of closing expenses.

Total estimated cash required: ~$114,500 (including funding fee and other expenses).

Frequently Asked Questions (FAQs)

2**. Can I get a second mortgage to cover the difference?**
In the past, some credit unions have offered second mortgages for VA assumptions. However, the combined amount of the original mortgage and the second mortgage typically cannot exceed 90% of the purchase price.

For example, if the purchase price is $900,000 and the remaining VA loan balance is $800,000, a credit union might approve a second mortgage of up to $10,000, allowing the combined loans to equal 90% of the purchase price ($810,000). The buyer would still need to provide the remaining 10% ($90,000) in cash to complete the transaction.

However, many local credit unions no longer offer second mortgages for VA assumptions. As a result, it may not be an available option for financing the difference. It's often safer to target properties where you can rely on your own cash reserves to cover the difference.

3. What happens to the seller's VA entitlement?
If the buyer has VA benefits, the seller's entitlement is restored after the assumption is complete. If the buyer does not have VA benefits, the seller's entitlement remains tied to the loan.

4. What are the benefits of a VA loan assumption for buyers?
Buyers can save significantly by assuming a lower interest rate. For example:

Loan amount: $750,000
Assumable rate: 3.0% → Monthly payment: $3,162
Market rate: 6.0% → Monthly payment: $4,496
Monthly savings: $1,334
Market rate: 6.66% → Monthly payment: $4,820
Monthly savings: $1,658



For more information and free resources for VA home buyers and sellers, visit **IslandLivingOahu.com**

Explore valuable tips and free resources for buying or selling your home at **IslandLivingOahu.com**

ISLAND LIVING
OAHU
by Keller Williams Honolulu RB-21303

AKSANA Tupalskaya
REALTOR®(S) RS-85710

808.990.7141

aksana@islandlivingoahu.com