

# Mortgage Assumptions

## Frequently Asked Questions (FAQ)

A mortgage assumption occurs when a new borrower takes over an existing borrower's mortgage and releasing the existing borrower(s) from the liability of the debt (except for USDA). This means that the new borrower becomes responsible for paying off the remaining loan balance over the remaining term. A qualifying assumption requires an approval process similar in nature to refinancing and involves income and credit qualifying.

### Seller-Related FAQs:

#### **Are all loans assumable?**

**Answer:** No. All loans are not assumable. Assumption eligibility is determined by verbiage contained within the Note/Mortgage. Each eligible investor will have requirements that govern eligibility. Please contact M&T Customer Service at 1-800-724-2224 to speak with a representative about eligibility.

#### **What are the requirements to assume a loan?**

**Answer:** A qualified assumption requires the assuming borrower to qualify based on current investor underwriting guidelines. Credit score, debt-to-income ratios and other factors may be used to determine qualification but vary based on loan type.

#### **My relative wants to take over my payments. Is that an assumption?**

**Answer:** An assumption is a purchase transaction, which means that you will be selling your home to someone who wishes to assume your current mortgage. If your relative wishes to become that purchaser, then yes, they can apply for an assumption.

#### **My family member passed away and I want to assume the mortgage. Is this the correct process?**

**Answer:** No. If we can declare that you are successor in interest, this is an exempt transfer, and it does not require you to credit qualify. You can initiate this request by sending the death certificate and/or probate documents to: M&T Bank, Estate Services PO Box 1850 Buffalo, NY 14203.

#### **Can the assumption applicant take on the mortgage payments without credit-qualifying?**

**Answer:** No. All applicants will have to enter into a formal purchase agreement, identify a purchase price, document enough money for a downpayment and closing costs, and be able to credit-qualify to assume the loan payments.

#### **Will the seller remain financially responsible for the loan once the qualified assumption is approved and completed?**

**Answer:** If the investor is FHA, VA, Fannie Mae, or Freddie Mac, once a Qualified Assumption is approved and closed, the seller is released from all future liability associated with the loan. After closing it can take up to 60 - 90 days for the sale to reflect on your credit reporting.

For USDA the new purchaser/assumption applicant must be credit-qualified and must meet applicable income limits set forth by USDA. In addition, you (the Seller) will **always** remain liable for the debt and will not be released from liability until the loan is paid in full.

#### **Will the person(s) being released from liability for the loan be required to sign any documentation?**

**Answer:** Yes. To complete the Qualified Assumption, the person(s) being released from financial liability will be required to sign certain documents.

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### **Does the purchaser/assumption applicant pay all the costs; or, as seller, do I have to pay anything to let them assume my mortgage?**

**Answer:** The seller (current mortgage holder) will pay all traditional transfer taxes and closing costs associated with the sale of a home. The purchaser/assumption applicant will pay any required down payment and all traditional closing costs associated with a purchase transaction. At the time of application M&T will issue a disclosure document known as the Loan Estimate to the assumption applicant outlining these costs.

### **My current mortgage is a VA loan, do I need to find another VA borrower to assume my loan?**

**Answer:** No, the purchaser/assumption applicant does not need to be a Veteran. However, if they are not a Veteran, it is important to know your VA home loan entitlement will not be restored until the loan is paid in full. By not having entitlement restored, your future ability to obtain another VA-guaranteed home loan may be affected.

If the purchaser/assumption applicant is a Veteran, they have the option to substitute their entitlement (providing they have sufficient entitlement) which will allow for your entitlement to be restored without the loan being paid in full.

### **I do not wish to sell my home. May I add someone to the loan to help me repay? Is this an assumption?**

**Answer:** No. This is not an assumption. If you wish to add someone to the Note, which means they would be obligated for repayment, you need to complete a full refinance transaction. Contact a Mortgage Representative at 1-800-479-1992, Select Option 1. If you wish to add someone to the deed as an owner, this would be a transfer of title request, please contact M&T Customer Service at 1-800-724-2224.

### **Is an appraisal required for an assumption?**

**Answer:** Usually not. It depends on the mortgage type (investor) you currently hold. An appraisal may be required to determine the need to maintain or remove private mortgage insurance if applicable.

### **Do I need an attorney/settlement agent to complete an assumption?**

**Answer:** Yes. You will need an Attorney/Settlement Agent/Title Company to facilitate the new Deed (to transfer ownership) at the assumption closing. You may also wish to engage an Attorney/settlement Agent/Title Company to help you negotiate a legally binding purchase contract.

### **I want to remove an existing Co-borrower from my current mortgage. Is this an assumption?**

**Answer:** No. What you are describing is called a "Release of Liability." You would apply to release the co-borrower from liability, which means you will have to qualify on your own for the mortgage payments. This assumes you are already on the mortgage Note and are requesting to release the Co-borrower. Please contact M&T Customer Service at 1-800-724-2224 to apply for a Release of Liability.

### **If my mortgage payments are currently being automatically drafted, do I need to cancel the automatic payments?**

**Answer:** Yes. Once the assumption transaction has closed, you should immediately cancel automatic payments. Should you cancel your automatic payment prior to closing, please note you are still responsible to make the mortgage payment through the month the Assumption transaction closes. To cancel your automatic payment, please contact M&T Customer Service at 1-800-724-2224.

### **What will I receive to evidence the assumption has finalized?**

**Answer:** Both parties will be required to sign an Assumption Agreement with a notary present. This is the legally binding agreement that transfers liability to the new borrower. Additionally, a new deed to transfer the ownership will be required at closing. The purchaser/assumption applicant will receive a welcome letter from M&T following the closing.

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### **What happens to the funds remaining in my escrow account once the assumption is completed?**

**Answer:** It is up to you and the party(s) assuming your loan to negotiate into the purchase contract to determine what happens with existing funds in the Escrow account for the loan. Consult with your attorney for further information. M&T will apply the escrow funds as directed by the purchase contract. If the funds are staying in escrow for the new owner, M&T will keep the funds in escrow. If the contract indicates the escrow funds are to be returned to the seller, the return of escrow funds will be reflected on the Closing Disclosure for the assumption transaction.

### **Do I need to update M&T Bank with my new mailing address?**

**Answer:** Yes. This will ensure that any additional documents we need to send to you will reach you in a timely manner. You should submit a Change of Address with your local post office.

## **Purchaser-Related FAQs:**

### **How long does the Assumptions process take?**

**Answer:** Once you apply for an assumption transaction with M&T, the process could take up to 90 days or more to complete from application to closing.

### **May a new interest rate be negotiated when assuming the loan?**

**Answer:** No. An assumption, by definition, means the assumption applicant is assuming the exact terms (including the interest rate) from the original closing. There is no renegotiation permitted. If the assumption applicant wishes to apply for a new mortgage loan (not assume) – they would have access to current market interest rates.

### **I cannot find my W-2's and/or tax returns and do not want to provide bank statements. Can these be waived?**

**Answer:** No. Assumption applicants must be credit qualified and are required to provide documentation to confirm their income, employment, and assets for M&T underwriting review and decision.

### **I do not have enough funds for a downpayment or closing costs, can I borrow the money or put it on a credit card?**

**Answer:** Secondary financing secured by the subject property and/or gift funds may be acceptable depending upon investor requirements. Unsecured financing including credit cards is not permitted.

### **I have submitted all documents for the Assumption request, why am I being asked to submit additional documents for review?**

**Answer:** Additional documents may be requested up until closing to meet underwriting and investor requirements.

### **Will I be required to escrow my taxes and insurance?**

**Answer:** If the seller does not have an escrow account established, M&T will not escrow your taxes and insurance. To establish an escrow account, contact M&T Mortgage Servicing after the loan closes. If the Seller has an escrow account established, the account will be required to remain open, and taxes and insurance must continue to be escrowed. It is up to you and the Seller to negotiate into the purchase contract to determine what happens with existing funds in the Escrow account for the loan. Consult with your Attorney/Settlement Agent for further information. M&T will apply the escrow funds as directed by the purchase contract. If the contract indicates the escrow funds are to be returned to the seller, the return of escrow funds will be reflected on the Closing Disclosure for the assumption transaction.

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### How will assuming a loan impact the taxes and insurance escrow account?

**Answer:** There are many variables to consider which will impact an Escrow account balance to ensure the account is appropriately funded. Insurance premiums may differ from one customer to another and even from one insurance company to another. Tax payments can differ from customer to customer as a result of tax exemptions or other jurisdiction discounts. Additionally, purchasers assuming a loan should be aware that a transfer of ownership may result in a reassessment or revaluation of the property by the jurisdiction.

### When will I need to obtain Hazard Insurance for the subject property and how will I know what the effective date should be?

**Answer:** A representative for M&T will contact you during the loan process to obtain. The effective date will be determined after the loan has been approved and the closing date has been established.

### Can the closing of my assumption loan be delayed?

**Answer:** Yes. An assumption closing may be delayed for reasons including but not limited to:

- Required assumption loan documentation not being provided prior to closing.
- If the Seller is not current on their monthly mortgage payments in the month the closing date is scheduled.

### When do I need to make my first mortgage payment?

**Answer:** For a transaction that involves a mortgage loan assumption, M&T's policy is to collect the next mortgage payment (the Purchaser's first mortgage payment) due at closing from the purchaser, to avoid any late payments or customer service issues with the assuming borrower(s) (purchaser) in making their first mortgage payment in a timely manner. This will also allow time for M&T to update our servicing system of record to reflect the transfer in ownership to the assuming borrower(s) and mail applicable correspondence of their assumed mortgage obligation.

### Will the loan number change after going through an Assumption?

**Answer:** The loan number will remain the same as the Assumed loan.

### I recently closed on the Assumption transaction; however, I have not received any correspondence in my name indicating when my next mortgage payment is due. How should I make my next mortgage payment?

**Answer:** After closing, Mortgage Loan Servicing can take up to 15 days to update our servicing system of record with your information. You can make your next mortgage payment in the following manner:

- Pay by Mail: P.O. Box 62182, Baltimore, MD 21264-2182 Please include a check made out to M&T Bank with your M&T mortgage account number on it.
- Contact Customer Service at 1-800-724-2224. You will need your mortgage account number.