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What Becomes Of My Mortgage When I Sell My House?

You've decided to make the plunge and sell your home. Many people ask, "What will happen to my mortgage when I sell my home?"

What Happens to My Mortgage When I sell My Home

If you have a house, then you are carrying a mortgage on it. A mortgage is simply a loan from a bank or financial institution for percentage of the value of the home, which you pay to the person you purchased the home from when you bought it. It would depend on the type of mortgage you have, but the amount due on the loan should decrease during the time you lived in the home and made monthly payments.

When you go to sell your home, the simple question is what happens to the then due balance on the mortgage? The financial institution has to be paid out of the proceeds of the sale. So it's needed that you calculate the loan repayment amount when you are determining if it would be right to sell a house. For example, don't sell your home if it is worth \$300,000 and you owe \$280,000 on the mortgage, because there will be little or no profit.

If you have plenty of equity built up in the home, your mortgage can still end up costing you more than you originally expected. Nowadays, many mortgages come with restrictive penalties. These penalties are designed to encourage you to hold onto the home for a set period of time, usually a couple of years, so the bank can recover a certain amount of interest up front. Put another way, the bank is trying to lock in a certain amount of profit on the loan.

Lending institutions are quite creative when they come up with restrictive penalties. Many would include a penalty if you sell or refinance your property within the first two years of the loan period. The penalties can be anything from the equivalent of three months of payments to a preset amount or even a percentage of the loan. Read your mortgage loan documents carefully.

Regardless, your mortgage is going to be paid off as part of the sales process. The amount will depend on the nature of your loan.

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