37.00 Assumptions of Mortgage

Revised Date: 11/13/2026

Purpose

This policy describes requirements on the transfer of equity or sale with assumption of mortgages and sales tax due on assumption of mortgage.

Authority:
R.S. 32:711
R.S. 47:301(13)
To view Louisiana Statutes: https://legis.la.gov/legis/Home.aspx

Definitions:

- **Transfer of equity** – when an individual sells his vehicle to another individual before the mortgage recorded on his title has been satisfied

Requirements:

- When a vehicle is sold before the recorded mortgage or security interest has been satisfied, and the parties execute a notarized act of sale with an assumption of mortgage/security interest (transfer of equity), the following must be submitted:
  - A completed Vehicle Application (DPSMV 1799)
  - The properly assigned title
  - An odometer disclosure statement, if applicable
  - Act of sale that includes
    - A complete description of the vehicle
    - The unpaid balance being assumed
    - The amount paid to the seller for the equity
    - Statement indicating that the purchaser is assuming responsibility for the remaining lien
- The lienholder is not required to release the lien on the seller's title.
  - A $10.00 fee is required to record the existing lien on the purchaser's title.
- All transfer of equity or sale with assumption transactions must include the seller's title with the first assignment completed in accordance with the Federal Truth in Mileage Act.
- If the transferee assumes the lien but later defaults, and the original mortgagor pays off the lien:
  - Ownership does not automatically revert to the original mortgagor.
    - The vehicle may be titled in the original mortgagor's name only upon submission of:
      - A properly assigned title or a court order awarding ownership; and
      - A notarized affidavit from the titled owner or lienholder explaining that the original mortgagor satisfied the lien and ownership is being transferred.

- If a non-titled cosigner pays off the lien:
    - The same ownership documents are required.
    - Sales tax is due on the principal balance paid, since the cosigner has not previously titled the vehicle or paid sales tax.
- **Sales Tax on the Assumption of Mortgage**
    - Sales tax on the assumption of mortgage is calculated on:
        - The amount paid for the seller's equity; plus
        - The unpaid principal balance of the lien being assumed.
        - If the lienholder does not provide an itemized breakdown of the unpaid balance, sales tax must be collected on the total unpaid balance plus the amount paid for the seller's equity.
    - When the transferor donates his or her equity and the transferee assumes the lien:
        - Sales tax is due on the unpaid principal balance of the assumed lien.
        - Sales tax is not due on the unpaid principal balance when the assumption results from a surviving spouse transaction or an eligible property settlement.

Notes:

- A transfer of equity or sale with assumption is not permitted after the vehicle has been repossessed by the lienholder or sold/traded to a dealer, as the transaction is no longer being completed by the original mortgagor.
- If the lien is released by the lienholder, normal title transfer rules apply.