

MINNESOTA - REVENUE

February 14, 2008

Mortgage Amendments and Supplements

When submitting a mortgage amendment or supplement, please adopt the following procedures to improve the process of determining state mortgage tax.

Amendment

A document that alters an existing mortgage without securing a new debt or increasing the amount of an existing debt is not subject to mortgage tax. Minn. Stat. § 287.01 subd. 2.

Option 1: Recommended language (first page of document):

“This is a mortgage amendment, as defined in Minnesota Statutes, section 287.01, subdivision 2, and as such it does not secure a new or an increased amount of debt.”

Option 2: Complete Form MRT-1

Mortgage Supplement or Modification

A document submitted for recording that does secure a new debt, or an increased amount of an existing debt, is subject to mortgage tax. For example:

1. In 2001, a mortgage is recorded securing a non-revolving \$ 50,000 note. This is not a line-of credit loan.¹
2. In 2004, when the existing principal balance is \$ 20,000, the lender provides the borrower with an additional of \$ 15,000 and modifies the mortgage accordingly.

		<u>Tax (.0023)</u>
Documents Recorded:	2001 Original Mortgage (50,000 x .0023)	\$ 115.00
	2004 Modification (15,000 x .0023)	\$ 34.50

Option 1: Recommended language (first page of document):

“This instrument secures an additional debt amount of _____.”

Option 2: Complete Form MRT-1

Limiting Clause

Please note, in all cases (i.e. new mortgage, amendment or supplement) a lender can chose to limit the amount of debt they are securing with the instrument being presented by using either the limiting clause provided in Minn. Stat. § 287.05, subd. 1a or the form MRT-1. However, use of the recommended language above for amendments and supplements will often be more efficient in providing the taxing and recording officials with the necessary information.

If you have any questions, please contact me at (651) 556-4721.

Bill Lonergan

¹ Line-of-Credit Loan: \$ 50,000 can be paid down and have “new” money advanced without filing a mortgage amendment or paying MRT.

Mortgage Registry Tax

Form MRT1 may be used to document your claim for an exemption from mortgage tax or the basis of your tax. The mortgage registry tax rate is .0023 of the amount of the debt being secured.

Mortgage registry tax	Name of borrower _____			
	Name of lender _____			
	Amount secured by mortgage (box 1) \$	Taxable Amount (box 2) \$	Mortgage tax due (box 3) \$	Reason code (box 4)

Mortgagor or authorized agent, sign below.

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief.

Sign here	Signature of mortgagor or authorized agent _____	Title _____	Date _____	Daytime phone _____
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If you have questions, call 651-556-4721. TTY: Call 711 for Minnesota Relay. Fax: 651-297-1939.

Reason codes

- 1 Decree of marriage dissolution or an instrument made pursuant to it.
- 2 Mortgage given to correct a misdescription of the mortgaged property.
- 3 Mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.
- 4 Mortgage executed as part of a plan of reorganization under a Chapter 11 or Chapter 12 bankruptcy case. (*Federal bankruptcy codes 1146[c] and 1231[c]*).
- 5 Mortgage secured by real property subject to the minerals production tax (*M. S. 298.24 to 298.28*).
- 6 Mortgage loan made under a low and moderate income or other affordable housing program if the mortgagee is a federal, state, or local government agency (*Revenue Notice # 01-05*).
- 7 A mortgage granted by a Fraternal Benefit Society (borrower) (*M. S. 64B*).
- 8 Mortgage amendment or extension, as defined in *M. S. 287.01*.
- 9 Reverse Mortgage/Home Equity Conversion Mortgage — tax is due on the expected total disbursements less interest, mortgage insurance premiums, and lender service fees. *M. S. 287.05, subd. 6*.
- 10 Agricultural mortgage whose proceeds are being used to acquire or improve real property that is or will be used for the production of agricultural products. Note: The exemption does not apply to the portion of the proceeds used for nonexempt purposes (e.g., the construction or improvement of a house).
- 11 Mortgage encumbering real property located within the boundaries of a federally recognized American Indian

- tribe if the mortgagor (i.e., borrower) is (1) the tribe or a member of the tribe; or (2) purchasing the property from the tribe or a member of the tribe and the mortgage is a purchase-money mortgage.
- 12 Federal government and agencies:

Mortgages exempt if one of these entities is acting as either mortgagor (borrower) or mortgagee (lender):

 - Commodity Credit Corporation
 - Farm Credit Banks
 - Agribank (i.e., Farm Credit Bank of St. Paul)
 - AgAmerica Farm Credit Bank
 - Farm Housing Assistance
 - USDA Rural Housing Service mortgages that secure a Section 502, 504, 514, 516 or Rural Rental Housing Preservation Direct Loan.
 - Farm Service Agency
 - Federal Financing Bank
 - Federal Home Loan Mortgage Corporation (“Freddie Mac”)
 - Federal National Mortgage Association (“Fannie Mae”)
 - Government National Mortgage Association (“Ginnie Mae”)
 - National Consumer Cooperative Bank
 - Small Business Administration
 - Federal Land Bank Associations
 - Ag Star Financial Services, FLCA
 - Ag County Farm Credit Services, FLCA
 - Farm Credit Services of Grand Forks, FLCA
 - Farm Credit Services of Minnesota Valley, FLCA

13 If the above codes do not apply, please attach additional information.

14 Limiting Clause

The limiting clause can be used when a lender chooses to secure only a portion of the debt amount recited in the mortgage. Example- A promissory note for \$1 million is secured with \$ 300,000 of personal property and \$ 700,000 of real property. Because the real property is valued at \$ 700,000 the lender can choose to secure and pay MRT on the \$ 700,000.

“Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to a debt amount of \$ under chapter 287 of Minnesota Statutes.”

- Box 1:** Portion of debt being secured.
- Box 2:** Portion of debt being secured. Same as Box 1.
- Box 3:** Tax Due (Box 2 x .0023)
- Box 4:** 14

15 Mortgage Amendment

This is a mortgage amendment, as defined in *Minn. Stat. § 287.01, subd. 2*, and as such does not secure a new or an increased amount of debt.

- Box 1:** Current debt amount upon which MRT has been paid.
- Box 2:** -0-
- Box 3:** -0-
- Box 4:** 15

16 Mortgage Supplement

This agreement increases an existing debt by _____.

- Box 1:** Current debt amount upon which MRT has been paid.
- Box 2:** Amount of increase in existing debt.
- Box 3:** Tax Due (Box 2 x .0023).
- Box 4:** 16