



COMPLIANCE UPDATE

Compliance Memo C2021-12 Transfer Tax on Refinance Transactions

This memo is notification of the recent addition of transfer taxes being charged on refinance transactions in various states and counties when a change in ownership applies.

Overview:

It has recently been brought to our attention, in particular in the state of California, that some counties are enforcing their interpretation of ordinances that allow the county to charge a transfer tax on refinance transactions where there is a change in ownership. Change in ownership is defined as adding or removing a borrower from current ownership position. Unfortunately, it is at the discretion of that state or county if they are enforcing the charge.

Unlike transfer taxes on a purchase transaction, we may not know at initial disclosure that transfer taxes will be collected. Due to this, I have added a valid Change of Circumstance (COC) in Encompass and will allow for the transfer taxes to be redisclosed based on the conditions below: New COC – “STLMT - Change in Ownership requiring additional charges (Transfer Tax) not known at initial application”.

Process

To ensure we are meeting the 3-day requirement:

- must redisclose within 3 days of **receiving title commitment** reflecting a change in ownership will be required and a transfer tax will be charged or collected.
- must redisclose within 3 days of **adding or removing a borrower** due to a change in ownership and a transfer tax will be charged or collected.
- must redisclose within 3 days of **learning of a change in ownership** and a transfer tax will be charged or collected due to the change in ownership

As this does not apply to all states or all counties, it is the responsibility of the Loan Officer or Loan Processor to do their due diligence and confirm with title or escrow if this will apply in that state or county.

Effective: Immediately

If you have any questions or need additional clarification, please reach out to the Compliance at Compliance@goldstarfinancial.com.