



UNIFORM SETTLEMENT STATEMENT (HUD-1)

On the following pages, is a completed HUD-1, matching the sample transaction used throughout the book. The HUD-1 should be compared to the GFE to ensure that the loan terms quoted by the lender match what the borrower is receiving at closing.

While the HUD-1 is completed by the title company, agents should be familiar with closing procedures and should be ready to answer closing-related questions from either the buyer or seller.

The first section of the HUD-1 includes the identification of the borrower, seller and the property being sold and the type of loan. At closing, a wide variety of fees will be collected from both the buyer and seller. Certain expenses will be prorated between the parties. Proration is the process of dividing expenses such as property taxes and Property Owner Association (POA) fees between the buyer and seller.



OMB Approval No. 2502-0265

A. Settlement Statement (HUD-1)

B. Type of Loan		
1. <input checked="" type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.	
6. File Number: BillHomeowner	7. Loan Number: 1895624	8. Mortgage Insurance Case Number:
C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.*)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.		
D. Name & Address of Borrower: Bill Homeowner Sally Homeowner 1142 East Bannock Houston, TX 77027	E. Name & Address of Seller: Jason Seller 456 Any Street Houston, TX 77069	F. Name & Address of Lender: Giant Mortgage Company 406 Capital St Houston, TX 77027
G. Property Location: 456 Any Street Houston, TX 77555 County: Harris	H. Settlement Agent: Global Title Place of Settlement: 4540 FM 2920 W. Houston, TX 77810	I. Settlement Date: 07/22/2013

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due from Borrower		400. Gross Amount Due to Seller	
101. Contract sales price	\$ 250,500	401. Contract sales price	\$ 250,500
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	\$ 10,820.70	403.	
104.		404.	
105.		405.	
Adjustment for items paid by seller in advance		Adjustment for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments 07/22/2013 to 01/01/2014	\$ 260.51	408. Assessments 07/22/2013 to 01/01/2014	\$ 260.51
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower	\$ 261,581.21	420. Gross Amount Due to Seller	\$ 250,760.51



100. GROSS AMOUNT DUE FROM BORROWER

Line 101: The contract sales price is the sales price from the contract (Paragraph 3C). If the contract sales price includes any tangible personal property value included, the personal property value will be deducted and added back in line 102 (rare).

Line 103: Settlement charges to be paid by the borrower are entered here. The settlement charges are totaled in line 1400 on page two of the HUD-1.

ADJUSTMENT FOR ITEMS PAID BY SELLER IN ADVANCE

Lines 106-107: If the seller had already paid the taxes for the current year, we would see an entry here for tax proration. Property taxes are paid on a calendar-year basis from January 1 through December 31, and become due at the end of the year. If we were closing near the end of the year and the seller had paid the property taxes for the year, an adjustment would appear in line 106. In this case, the sale is closing on July 22, 2013, and no taxes have been paid for 2013 by the seller.

Line 108: Assessments are most often Property Owner Association (POA) fees. POA fees are typically paid in advance at the beginning of the year. The seller probably paid the POA fee for 2013 in January. Because the buyer is taking possession of the home on July 22, the seller will be refunded the POA fee for the remainder of the year. The seller is generally charged through the day of closing, so the seller is due a refund of \$260.51, which represents the POA fee from the day after closing through the end of the year. Line 108 is called a debit – a charge to the buyer because the buyer is paying the fee. Look across to the seller's column, and you will see a credit in the same amount in line 408. *When a party to a transaction is charged for an item on the HUD-1, it is a debit. When they are the recipient of funds, it is a credit.*

Line 120: Gross Amount Due from Borrower is the sum of lines 101-112. In this sale, the borrower/buyer must pay the agreed sales price, settlement charges (discussed later), and POA fees for the remainder of the year.

400. GROSS AMOUNT DUE TO SELLER

Line 401: The seller is due the agreed-upon sales price, which comes from the contract.

ADJUSTMENTS FOR ITEMS PAID BY SELLER IN ADVANCE

Lines 406-407: As mentioned above, the seller would receive a credit had they already paid the property taxes for the tax year 2013.

Line 408: As discussed above, the seller is receiving a credit for POA fees from the day after closing through the end of the year.

Line 420: Gross Amount Due to Seller is the sum of lines 401-412. In this case, we only had one adjustment, so the seller is due the contract sales price plus a refund of their POA fee.



200. Amounts Paid by or in Behalf of Borrower		500. Reductions In Amount Due to Seller	
201. Deposit or earnest money	\$ 2,500.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	\$ 245,962.00	502. Settlement charges to seller (line 1400)	\$ 15,620.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	\$ 127,185.00
205.		505. Payoff of second mortgage loan	
206. Document Preparation - Warranty Deed	\$ 100.00	506. Document Preparation - Warranty Deed	\$ 100.00
207. Owners Title Policy	\$ 1,708.77	507. Owners Title Policy	\$ 1,708.77
208. Escrow Fee	\$ 300.00	508. Escrow Fee	\$ 300.00
209.		509. Daily Interest from 7/12/13 to 7/22/13	\$ 191.65
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213. All Taxes 1/01/13 to 7/22/2013	\$ 2,502.74	513. All Taxes 1/01/13 to 7/22/2013	\$ 2,502.74
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid by/for Borrower	\$ 253,073.51	520. Total Reduction Amount Due Seller	\$ 147,608.16
300. Cash at Settlement from/to Borrower		600. Cash at Settlement to/from Seller	
301. Gross amount due from borrower (line 120)	\$ 261,581.21	601. Gross amount due to seller (line 420)	\$ 250,760.51
302. Less amounts paid by/for borrower (line 220)	(253,073.51)	602. Less reductions in amount due seller (line 520)	(147,608.16)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$ 8,507.70	603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	\$ 103,152.35

200. AMOUNT PAID BY OR IN BEHALF OF BORROWER

These items are reductions in the amount of cash that the borrower needs to bring to closing.

Line 201: When the buyer and seller entered into a contract, the buyer provided earnest money, which was deposited with the title company. That earnest money is a credit to the buyer.

Line 202: The buyer is borrowing \$245,962 for the purchase for the home. The loan amount is shown as a credit to buyer.

Lines 206-208: When the borrower obtained a Good Faith Estimate (GFE) from the lender, a number of items related to the closing were shown in the GFE as buyer-paid items. For example, the GFE indicated that the buyer was paying for the Owner's Title Policy, in spite of the fact that sellers typically pay for it. The notion that the buyer was paying for the title policy was even carried forward from the GFE to the HUD-1 on line 1109 (discussed later) as a buyer charge. In line 207, we are correcting the discrepancy by giving a credit in the amount of \$1,708.77 to the buyer. Now look across to the seller's column and see the corresponding debit in line 507. The credits in lines 206 and 208 correct the same type of error. The GFE had indicated that the buyer would be paying for document preparation. It is customary for the seller to pay for the preparation of the warranty deed. Line 206/506 would be read "debit seller, credit buyer \$100." This built-in discrepancy is a result of federal law mandating the use of a standardized nationwide HUD-1 and GFE that went into effect on January 1, 2010.

500. REDUCTIONS IN AMOUNT DUE TO SELLER

Line 501: This line is rarely used, but would be used if the seller's real estate broker or some other outside party who is not the settlement agent has received and holds a deposit against the sales price (earnest money), which exceeds the fee or commission owed to that party.

Line 502: is used to record the sum of seller charges that are totaled on line 1400 on page two.



Line 503: is a debit to the seller and a corresponding credit to the buyer if the buyer is assuming the seller's existing mortgage loan.

Lines 504: The seller has an existing first mortgage that is being paid off at closing. The payoff will be taken from the seller's proceeds and forwarded to the seller's existing mortgage company. This is referred to as a single-entry item in the HUD-1, and is therefore a debit to the seller with no entry for the buyer.

Lines 506-508: Again, we have the correction from the GFE discussed in line 207 (above).

Line 509: This is a debit to the seller with no entry to the buyer for the interest due on the seller's existing mortgage from the date of the last payment to closing.

Line 520: This entry is the sum of all of the reductions to seller's proceeds.

ADJUSTMENT FOR ITEMS UNPAID BY SELLER

Line 213: Here we have the proration of taxes between the buyer and seller through the day of closing. Property taxes are paid on a calendar year basis from January 1 through December 31. This sale is closing on July 22, 2013. The seller has been in the home from January 1 through the closing date. The purchaser will be obligated to pay taxes for the entire year when they become due in December. In this case, they chose to enter the sum of the taxes in line 213 rather than lines 210 and 211. Line 213 is a credit to the buyer. Look across to line 513, and you can see the corresponding debit to the seller. The tax proration was calculated on a 365-day year.

300 CASH AT SETTLEMENT FROM/TO BORROWER

Line 300-303: These are summary lines for the borrower's transaction. Line 303 indicates the cash due from or to the borrower. In most cases, the borrower will need to bring cash (good funds – cashier's check or wire transfer) to closing. The cash to borrower box will be checked if the borrower's earnest money deposit exceeds the amount due. The cash to borrower box would also be checked in a cash-out refinance.

600 CASH AT SETTLEMENT TO/FROM SELLER

Line 601: The gross amount due to the seller is brought down from line 420.

Line 602: All of the reductions are brought down from line 520.

Line 603: Line 601 minus line 602 is the seller's net proceeds from the transaction.



L. Settlement Charges					
700. Total Real Estate Broker Fees		\$ 15,030.00			
Division of commission (line 700) as follows:					
701. \$	7,515.00	to Acme Realty		Paid From Borrower's Funds at Settlement	
702. \$	7,515.00	to First Realty			Paid From Seller's Funds at Settlement
703. Commission paid at settlement					\$ 15,030.00
704.					
800. Items Payable in Connection with Loan					
801. Our origination charge	(Includes Origination Point 1.000 % or \$ 2,417.32) \$ 3,692.32		(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen	\$ - 4,943.40		(from GFE #2)		
803. Your adjusted origination charges			(from GFE A)	\$ -1,251.08	
804. Appraisal fee to	Kyle Appraisal	\$ 450.00 P.O.C (Buyer)	(from GFE #3)		
805. Credit report to	Credco		(from GFE #3)	\$ 25.00	
806. Tax service to			(from GFE #3)		
807. Flood certification	Lender's Flood Certificate, Inc.		(from GFE #3)	\$ 20.00	
808.			(from GFE #3)		
809.			(from GFE #3)		
810.			(from GFE #3)		
900. Items Required by Lender to Be Paid in Advance					
901. Daily interest charges	from 07/22/2013 to 08/01/2013 @ \$ 35.8695 /day		(from GFE #10)	\$ 358.70	
902. Mortgage insurance premium	for 12 months to FHA		(from GFE #3)	\$ 4,230.31	
903. Homeowner's insurance	for 1.00 years to Allstate		(from GFE #11)	\$ 1,500.00	
904. Flood Insurance	for months to				
905.	for months to				
906.	for months to				
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account			(from GFE #9)	\$ 3,375.00	
1002. Homeowner's insurance	4 months @ \$	125.00 per month		\$ 500.00	
1003. Mortgage insurance	2 months @ \$	110.79 per month		\$ 221.58	
1004. Property taxes	9 months @ \$	375.00 per month		\$ 3,375.00	
1005. School taxes	months @ \$	per month			
1006. Flood insurance	months @ \$	per month			
1007. Aggregate Adjustment				-721.58	

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Lines 700-704: Total broker fees are enumerated here.

800. ITEMS PAYABLE IN CONNECTION WITH LOAN

Line 801: "Our origination charge" comes from the GFE, and includes all charges received by the loan originator, except for any charges for the specific interest rate chosen (points). Notice that this charge is not listed in either the buyer's or the seller's column. This line must include any amounts received for origination services, including administrative and processing fees, performed by or on behalf of the loan originator.

Line 802: "Your credit or charge (points) for the specific interest rate chosen," states the charge or credit adjustment as applied to "Our origination charge," if applicable. This number is not listed in either the borrower's or seller's column.

Line 803: "Your adjusted origination charges," states the net amount of the loan origination charges, the sum of the amounts shown in lines 801 and 802. This amount must be listed in the columns as either a positive number (for example, where the origination charge shown in line 801 exceeds any credit for the interest rate shown in line 802), or as a negative number (for example, where the credit for the interest rate shown in line 802 exceeds the origination charges shown in line 801).

Lines 804-808: These lines are used for items found in the "Required services that we select" section of the GFE. Each provider must be identified by name and the amount paid recorded either inside the columns area as paid at closing, or outside of the columns if the payment was made outside of closing (POC).



900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE

Line 901: If interest is collected at closing, an entry will be made here. The interest collected at closing will be a calculation of daily interest from closing, to the date in which interest will be collected from the first, regular monthly payment.

Line 902: If mortgage insurance premiums are due at closing, they will be entered here. This would include any monthly mortgage insurance premiums and any up-front premiums. In this case, we have a charge for the FHA Up-front Mortgage Insurance Premium (UFMIP). Line 902 would not include any collection of mortgage insurance premiums in the reserve account. These would be listed in line 1003.

Line 903: The lender will require the prepayment of homeowner's insurance for one year. This line does not include collection of homeowner's insurance for reserve accounts, which will be listed in line 1002.

1000. RESERVES DEPOSITED WITH LENDER

Line 1001: The initial escrow deposit is brought over from the GFE, and should equal the sum of lines 1002-1007.

Line 1002: The lender generally requires the escrow of taxes and insurance (hazard, flood, etc.). Line 1002 is the initial deposit for insurance. The amount of the initial deposit varies depending on the circumstances. The lender wants to be certain that there will be sufficient funds in the escrow account when the policy must be renewed in a year. This transaction is closing on July 22, 2013. In line 903, we see that the borrower paid for one year of hazard insurance. This new policy will expire on July 21, 2014, and the lender will receive an invoice for the insurance premium in June.

The borrower's first payment, which will be due on September 1, 2013, will include insurance escrow equal to 1/12 of the annual premium. When the insurance bill arrives in June, the borrower will have paid nine or ten monthly payments, which is not sufficient to pay for the renewal of a one-year policy. Therefore, the lender collects a number of months in advance at closing to ensure that there will be sufficient funds to pay the renewal.

Line 1003: Because this is an FHA loan, the borrower must pay an annual mortgage insurance premium (MIP). The monthly payment includes 1/12 of the annual premium, and the lender will collect two months cushion at closing.

Line 1004: Similar to insurance, the lender wants to ensure that there are sufficient funds when taxes become due. In this case, the lender is collecting nine months' worth of taxes. Property taxes for the year become due at the end of the calendar year. Therefore, in December, the lender will pay property taxes for a full year. Of course, at that time the borrower will have only made four monthly payments.

It is important to note that the nine months of taxes is not entirely out of pocket for the borrower. In line 213, we credited the buyer with \$2,502.74 for taxes unpaid by the seller from 1/1/13 to 7/22/13.

Line 1007: The Aggregate Adjustment is an accounting function that recognizes that, when the lender uses line item accounting to determine the initial escrow deposit, the calculation results in the collection of too much money under RESPA guidelines. This results in an overage in the escrow account. This overage occurs because lenders make payments out of the escrow account at various time throughout the year, and will schedule these payments to take advantage of discounts or to avoid penalties. The timing of payments out of the account results in the account having too large a balance or "cushion" at times.



In aggregate accounting, the lender projects collections from the borrower as they make monthly PITI payments into the account, and expenses as they pay out of the account for taxes and insurance as they become due. This analysis of the account is known as a trial balance, and the lender can see at what point the account will approach a zero balance. They then make adjustments for the acceptable “cushion” allowed under RESPA, and calculate the aggregate adjustment, which is almost always a negative number. In other words, the line item accounting collects too much from the borrower and the aggregate accounting corrects the overage.

1100 TITLE CHARGES

Title Charges include amounts collected for expenses paid to attorneys and settlement agents. Included would be charges for work performed by the title company and others, including fees directly related to the transfer of title such as title examination, title search and document preparation. This section would also include fees for the title insurance policy and fees for conducting the closing (escrow fee).

1100. Title Charges			
1101. Title services and lender's title insurance	(from GFE #4)	\$ 750.00	
1102. Settlement or closing fee	\$ 600.00		
1103. Owner's title insurance	(from GFE #5)	\$ 1,708.77	
1104. Lender's title insurance	\$ 150.00		
1105. Lender's title policy limit	247,170.00		
1106. Owner's title policy limit	250,500.00		
1107. Agent's portion of the total title insurance premium	\$ 1,560.13		
1108. Underwriter's portion of the total title insurance premium	\$ 275.32		
1109. Document Preparation Fee			
1110. Notary Fee			
1111. Attorney Fees			
1112.			
1113.			
1114.			
1115.			
1116.			
1117.			
1118.			
1119.			

Line 1101: This is taken directly from the borrower's Good Faith Estimate.

Line 1102: The settlement or closing fee is commonly referred to as the escrow fee, and is a fee charged by the title company for conducting the closing. Notice that it is not in either column, but is listed to the left. This is because the \$600 escrow fee is included in line 1101. However, the confusion does not end here. It is customary that the buyer and the seller split the escrow fee equally. The rules for completing the GFE and HUD-1 do not recognize or allow for this fact, and require that the entire charge be shown as a charge to the buyer. So, as to line 1101, we have included in this number a \$600 charge, half of which is being paid by the seller. This error is recognized and corrected in lines 208 and 508 where we find a debit to the seller and a credit to the buyer of \$300.

Line 1103: The Owner's Title Insurance policy premium is generally paid by the seller. Once again, we have a conflict between GFE/HUD-1 and the reality of the transaction. Per the requirements of the GFE, it is listed here as a charge to the buyer. The discrepancy is corrected in lines 207 and 507 with a debit to the seller and a credit to the buyer of \$1,708.77.

Line 1104: The lender's (mortgagee's) title insurance policy is normally paid for by the buyer. It is not listed in the buyer's column because it is included the line 1101.

Lines 1105-1106: These lines display the dollar amount of the owner's and lender's coverage, respectively. They are not entered in the buyer's or seller's column.



Lines 1108-1108: This area shows the portion of the total title insurance premiums (including any endorsements) retained by the title agent and the underwriter. These figures are never entered in the buyer's or seller's columns.

Lines 1109-1111: Title-related expenses paid to third parties would be listed here. The name of the provider and the service provided must be listed.

1200. GOVERNMENT RECORDING AND TRANSFER CHARGES

1200. Government Recording and Transfer Charges			
1201. Government recording charges		(from GFE #7)	\$ 104.00
1202. Deed \$ 56.00	Mortgage \$ 48.00	Release \$	
1203. Transfer taxes		(from GFE #8)	
1204. City/County tax/stamps	Deed \$	Mortgage \$	
1205. State tax/stamps	Deed \$	Mortgage \$	
1206.	Deed \$	Mortgage \$	
1207.	Deed \$	Mortgage \$	
1208.	Deed \$	Mortgage \$	
1300. Additional Settlement Charges			
1301. Required services that you can shop for		(from GFE #6)	\$ 378.00
1302. Pest inspection fee			
1303. Survey - Mike's Surveying Co.	\$ 378.00		
1304. Home Warranty			\$ 490.00
1305. POA Resale Certificate			\$ 100.00
1306.			
1307.			
1308.			
1309.			
1310.			
1311.			
1312.			
1313.			
1314.			
1315.			
1316.			
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)			\$ 10,820.70 \$ 15,620.00

P.O.C. - Paid Outside of Closing, B - Borrower, S - Seller, Br - Broker, L - Lender, C - Correspondent, O - Other

Line 1201: Total recording charges are taken directly from the GFE.

Line 1201: The recording charge for the deed and the mortgage are listed here. Charges for recording are based upon the number of pages in the recorded document. These fees are not listed in the buyer's or seller's column because they are included in line 1201.

Lines 1202-1205: Not used in Texas.



1300. ADDITIONAL SETTLEMENT CHARGES

Line 1301: This is taken from the GFE.

Line 1302: The survey charge of \$378.00 is included in line 1301 and is therefore listed outside of the columns.

Line 1304: The seller agreed to pay for a one-year home warranty, and is charged here in the amount of \$490.00.

Line 1305: The seller is paying \$100.00 for a resale certificate. The resale certificate includes all the legally required POA disclosures, as well as a copy of the deed restrictions for the buyer. It protects the seller from later claims by the buyer that the seller did not disclose any of a range of POA-related issues. The resale certificate also notes any outstanding unapproved structures or modifications, as well as any outstanding account balance due the association.

1400. Total Settlement Charges is the sum of all items in the buyer's and seller's columns.

COMPARISON OF HUD-1 AND GFE

The comparison chart is prepared using the exact information and amounts from the GFE and the actual settlement charges shown on the HUD-1. The comparison chart is comprised of three sections:

CHARGES THAT CANNOT INCREASE

The amounts shown in blocks 1 and 2, in line A, and in block 8 of the borrower's GFE are entered in the appropriate line in the Good Faith Estimate column. The amounts shown on lines 801, 802, 803 and 1203 of the HUD-1 are entered in the corresponding line in the HUD-1 column. In our example, there is no discrepancy between the GFE and the HUD-1.

CHARGES THAT CANNOT INCREASE MORE THAN 10%

A description of each charge from blocks 3 and 7 on the borrower's GFE is entered on separate lines. This would include the amount shown on the borrower's GFE for which the loan originator selected the provider or for which the borrower selected a provider identified by the loan originator. A description is entered on a separate line in this section, with the amount shown on the borrower's GFE for each charged entered in the corresponding line in the GFE column.

The amounts shown in the GFE and HUD-1 for this section must be separately totaled and entered in the designated line. If the total for the HUD-1 column is greater than the total for the GFE column, the amount of increase is entered both as a dollar amount and as a percentage in the appropriate line.

CHARGES THAT CAN CHANGE

The amounts entered in blocks 9, 10 and 11 on the GFE are entered in the appropriate blanks in the GFE column. Third-party settlement services for which the borrower selected a provider other than one identified by the lender will be listed in this section. The amounts shown on the HUD-1 for each charge in this section are entered in the appropriate blanks in the HUD-1 column.

LOAN TERMS

Because the title company does not analyze loan documents, this section is completed based upon information provided by the lender. This final comparison allows the buyer to ensure that the terms that they are getting are equal to those quoted on the GFE.

