

HUD-1

GFE vs. HUD-1:

The new HUD-1 Settlement Statement (the “HUD-1”) is designed to allow the borrower to compare the document with the Good Faith Estimate (the “GFE”) received before closing, including a comparison table that explicitly matches the fee totals under each tolerance bucket. The fees in the HUD-1 borrower columns are structured to match the fees on the GFE as closely as possible, with special rules for fees paid outside of closing and fees not paid by the borrower. Additionally, the “Summary of Your Loan” and “Escrow Account Information” on the final GFE and the “Loan Terms” of the final HUD-1 must match exactly. If any of the loan terms on the final HUD-1 are incorrectly itemized (but the corresponding terms on the final GFE are correct), then the final HUD-1 may be amended, identified on the form itself as an amendment, and re-signed by the borrower to correct the error. All final documents must reflect compliance with the RESPA requirements for fee tolerance as stated in-depth on the GFE.

The Comparison of GFE and HUD-1 Settlement Charges enables the borrower to compare settlement charges disclosed on the most recent GFE to the actual settlement charges shown on the final HUD-1. Sections of the HUD-1 must match the terms disclosed on the most recent GFE.

This HUD-1 Guide is provided for information purposes for our customers and friends in the industry. IT IS NOT INTENDED TO BE LEGAL ADVICE. This material is written from our perspective as a service provider. It is intended to be a guide and not an all-encompassing manual. For guidance on a particular transaction, please contact an attorney practicing in this field, or a qualified compliance officer.

HUD-1 Introduction:

The HUD-1 Settlement Statement shows the actual settlement costs of the loan transaction. The form itemizes all charges to the borrower and the seller by the loan originator, all sales commissions (whether paid at settlement or outside of it), and any other charges which either the borrower or seller will be paying at settlement. The HUD-1 form consists of three pages. Some investors require the HUD-1 to be signed by all borrowers and sellers. They may sign anywhere on the HUD-1, or an additional signature page may be provided. The Settlement Agent is required to prepare the HUD-1. *If any errors are made, a revised HUD-1 with any necessary tolerance cures must be provided within 30 days after closing.* The lender is responsible for the tolerance cure, and the settlement agent is responsible for preparing the revised HUD-1.

Settlement charges must be displayed in dollar amounts, not percentages. The corresponding GFE block numbers are referenced on the HUD-1 lines, with some settlement charges grouped together. All settlement charges listed on the HUD-1 must be accurate and within the tolerance limits disclosed in the comparison table on the final, most recent GFE. Some investors do not allow any changes to the settlement charges once the HUD-1 has been approved. Others require the Tax Service and Flood

Certification to be entered in the 1300 section instead of the 800 Series. It is recommended to always check for specific investor requirements.

The HUD-1 now groups settlement charges into three categories:

1. Charges that cannot increase at settlement.
2. Charges that in total cannot increase more than 10% at settlement.
3. Charges that can change by any amount at settlement.

Sometimes, an additional line may be added to list all settlement charges. A HUD-1 supplement document may be used to provide additional lines for settlement charges that may not fit on pages 2 and 3.

The HUD-1 supplement document would reflect any additional charges that exceed the number of lines provided on the HUD-1. Settlement charges listed in the HUD-1 column on page 2 are the costs required to complete the transaction, and may not necessarily be the borrower's costs, as POC and fees paid by others are included in the column totals.

HUD-1 Vocabulary:

This guide contains several descriptions that require understanding the unique vocabulary of the GFE and HUD-1 as well as Digital Docs Web terms.

HUD Document Terms:

HUD: Department of Housing and Urban Development is the federal department which currently has jurisdiction over the RESPA statute. Effective January 1, 2010, HUD implemented new requirements regarding the GFE and HUD-1 documents. The HUD website contains useful information about the new RESPA guidelines. www.hud.gov

Disclosures: Providing the loan consumer information concerning the condition or other aspects of the property or loan product.

GFE: Good Faith Estimate. The GFE (Good Faith Estimate) is a three page form that assists consumers in shopping for a mortgage loan and settlement services so they may determine which mortgage is best for them.

HUD-1: The document provided at loan settlement which documents the final settlement charges and includes basic information regarding the loan terms.

Box: A single cell inside the HUD-1 or GFE which will contain one field of information. It will always be surrounded by four black lines.

Column: There are both borrower and seller columns in the HUD-1. The columns will have separate sections on page 1 and will be side by side on page 2. The

GFE, however, only has a borrower column. Other sections of the GFE and HUD-1 contain the loan terms. All costs are assumed to be paid by the borrower. The shopping cart is the only portion that has multiple columns, as they may be used for different loan product breakdowns.

Block: The most basic GFE unit, containing both a column for listing fees and a box that describes the service/fee. The HUD-1 will reference GFE Blocks on individual lines.

Line: For HUD-1 lines and all areas containing descriptions and fees. The line will be the entire the line.

Section: Both the GFE and HUD-1 have different sections which will explain the loan's terms, costs, and conditions, as well as special sections explaining how to understand the documents.

Outside the column: Several fees on a typical HUD-1 will be "Outside the column," meaning they will display to the left of the borrower column's box, and inside the box containing the description line. If a fee does not appear outside the column, it will appear inside the borrower or seller's column.

HUD-1A:

A HUD-1A form may be used for refinance transactions in which there is no seller. A Hud-1A form may not be used if there is a credit given by a loan originator or another party. *If there is need of a tolerance cure correction for a loan, then the HUD-1 must be used, even if the HUD-1A was originally used for the loan transaction.*

Loans not affected by new RESPA Regulations:

There are several types of loans for which the documentation does not necessarily need to follow the new regulations regarding the GFE and HUD-1. These include HELOC and Construction loans.

Service Providers:

In addition to the charges to originate the loan, there are other charges for services that will be required for the mortgage.

For some of the services, the loan originator will choose the company that performs the service, which will be listed in the 800 series of the HUD-1. These are not "shoppable" services and often include items such as the property appraisal, credit report, flood certification, tax service and any required mortgage insurance.

The loan originator usually permits the borrower to select the settlement service provider for the "Title services and lender's title insurance," Line 1101, which contains the charges for title service, the lender's title insurance policy, and the services of the

title, settlement, or escrow agent to conduct the settlement, but this may vary from lender and loan product.

The “Owner’s title insurance” is always disclosed in the GFE, but this is an optional service to protect the borrower’s interests. It does not need to be listed on the HUD-1 unless the borrower has agreed to purchase an owner’s title insurance. Under RESPA, the seller may not require the buyer, as a condition of the sale, to purchase title insurance from any particular title company.

Other required services that the borrower may shop for are included in “Required services that you can shop for,” which is listed in the 1300 series of the HUD-1. Some of these items may include a survey or pest inspection. Only services that have actually been selected by the borrower should appear on the HUD-1, but may appear in different tolerance buckets based on if they appear on the GFE.

There are four different types of Service Providers:

Lender Required Service Providers (which appear on Block 3 of the GFE and the 800 Series of the HUD-1)

Lender Identified Service Provider (which appear in Block 6, Block 4 and the 1100’s and 1300’s of the HUD-1)

Borrower Selected Service Providers, Not on the Lender’s list (which may be from required services listed in Block 6, Block 4 and on the 1100’s and 1300’s)

Affiliated Service Provider (which appear in Block 6, Block 4 and the 1100 and 1300 series of the HUD-1).

Some Service Providers charges may appear exclusively on the HUD-1, such as if a borrower desires an extra home inspection, survey, etc.. These are considered Borrower Selected Service Providers (Not on the Lender’s List) and will be listed in the 1300 series.

Affiliated Service Providers exist when several businesses are owned or controlled by a common corporate parent. When a lender, real estate broker, builder, or others refer to an affiliated settlement service provider, RESPA requires that the referring party give the borrower an Affiliated Business Arrangement Disclosure. Except under certain circumstances, borrowers are generally not required to use the affiliate and are free to shop for other service providers. For this reason, an affiliated business may not appear in the 800 Series. A loan originator may not require the use of its affiliate for tax service or flood certificate. If the affiliate tax service or flood certificate is used, it is recommended to list the service in the 1300 Series.

TOLERANCE CURES:

Technical and inadvertent errors, including tolerance violations, should be corrected with a revised HUD-1 statement within 30 days of closing. When a tolerance cure is issued, a revised HUD-1 that states the actual charges paid by the borrower and seller should also be provided. The HUD-1 must always be used for these cure purposes, even if the HUD-1A Form had originally been used in closing. The revised HUD-1 should be provided to the borrower, seller, and lender.

The zero percent tolerances (801, 802, 1203) must be cured directly in the series where they occur (in the first available blank line), with the amount of credit listed and noted as “to meet tolerance,” outside of the column. The original GFE fee amount should be displayed in the fee column on the actual 801, 802, or 1203 item.

The 10% tolerance cures may be credited in the 200 section on page 1 of the HUD-1 as a lump sum and the original listed fees do not need to be changed or altered. This is because the 10% tolerance is the aggregate total, and so it is not required to select any particular fee that is higher than the provided GFE fee for the cure. This will especially be useful in cases when no individual fee is higher than 10%, but enough fees have increased that the final sum has a greater than 10% difference from the original GFE sum.

CHANGED CIRCUMSTANCE:

There should not be any need for Changed Circumstances released HUD-1s, as the HUD-1 will reflect the final settlement charges, and tolerance cures should be used if alterations need to be made.

BORROWER FEES:

All fees originally displayed on the GFE will be displayed in the borrower’s column of the HUD-1 (*even if another person is ultimately paying the fee*). *If someone else is paying a GFE fee, the borrower will be credited for the charge in the 200 series.* POC fees will not displayed in the borrower’s column, but only the portion (if any remains) to be paid at settlement. For clarification purposes, the POC portion should be added back to the HUD-1 line on the comparison table. Because 801 and 802 fees must always show the full origination charge, any POC portion of these fees will be credited back to the borrower in the 200 Series as “Borrower Paid POC.” Fees not originally on the GFE may be displayed on the borrower’s column as needed.

Seller and Loan Originator-Paid Fees:

If a charge is going to be paid by the seller or loan originator that was originally listed on the GFE as borrower paid, the charge will still be listed in the borrower’s column on the HUD-1. To properly offset these charges to the borrower, a lump sum credit of all of these types of charges will appear in Section J, Summary of Borrower’s transaction, on line 206 with an equal reduction to the seller’s proceeds in Section K, Summary of Seller’s Transaction, on line 506. For loan originator paid fees, a lump credit of all of the charges will appear in Section J, Summary of Borrower’s transaction, on line 209.

Rolled Up Fees:

Many fees on the HUD-1 will display as the rolled up (or totaled) values of several individual fees. The fee line will be the total of all the itemized fees (these fees

may or may not appear on the HUD-1 itself, but will normally appear in the closing instructions).

Items “Paid Outside of Closing”:

Charges paid outside of the settlement by the borrower, seller, loan originator, real estate agent, or another third party must be included on the HUD-1, but should be marked “P.O.C.” (**P**aid **O**utside of **C**losing) and must not be included in the computing totals. If a borrower pays part of the origination charges before settlement, then this will not be reflected in the 800 Series of the HUD-1. 801 will still show the entire amount of the origination charge, but the portion paid by the borrower will be reflected as a credit in the 200 Series. This is to make the comparison between the GFE and HUD-1 provided numbers as simple as possible for the borrower. In addition, Yield Spread Premiums will no longer be able to be classified as POC, but should be marked as charges on the loan.

The POC fees should not be placed in the borrower or seller columns, but on the appropriate line outside of the columns marked as “POC” and indicating whether they have been paid by the borrower or seller. Closing costs or credits from a lender to the borrower that are applied to pay a mortgage broker may not be disclosed as POC, and must be included as a lump sum amount on line 802, unless a government loan program or state law mandates that the credits are itemized. However, even if not required, additional itemization of lump sum fees or credits may be included in an addendum to the HUD-1. Up front payments for appraisals, credit reports, tax service fees, flood certification, and other services that are normally separately itemized in the 800 series of the HUD-1 are able to be disclosed as POC payments directly in the fee’s HUD-1 line.

For fees that would not appear on the GFE (such as fees always paid by the seller), the seller-paid amount may appear in the seller’s column of the HUD-1. Seller POC fees should be identified on the HUD-1 lines as (POC seller) outside of the column, and loan originator POC fees may or may not be identified on the HUD-1 lines as the lender decides. Whether or not the loan originator POC fees are displayed on the HUD-1 lines, the lump sum credit to the borrower must be shown on the 200 Series.

Separate Settlements for Buyer and Seller:

Closing agents may offer separate settlement statements to the buyer and seller, reflecting only each individual part of their transaction. However, some loan originators may wish to supply a complete copy of the second page of the HUD-1 to both since the fees on that page affect both parties.

HUD-1 Individual Portions

The rest of this document will now explain each individual portion of the HUD-1, listed by either the number or letter that is presented on the HUD-1 itself. For the sake of clarity, the HUD-1A is not listed concurrently. However, the changes between the two forms are minimal, except for the 1500 series displaying payoffs on the loan and the 1600 line used for the total.

A. Settlement Statement (HUD-1)

This section contains the header of the HUD-1 form and the HUD logo, both of which must always be printed on the HUD-1 forms. This section requires no additional entry of information. A personal business name and logo may be added (as desired), and the portions may be rearranged, but must not be deleted.

B. Type of Loan

This section identifies important and unique elements of the loan, such as the loan type, loan number, and mortgage insurance case number.

C. Note

This is a note from HUD to the borrower that must be included in each loan transaction.

D. Name & Address of Borrower

The full name and current mailing address and zip codes of *each* of the borrowers involved with the loan.

E. Name & Address of Seller

The full name and current mailing address and zip codes of *each* of the sellers involved with the loan.

F. Name & Address of Lender

The current name, mailing address, and zip code of the lender (*this should not include broker information*). *The information should always be the party funding the loan*, which may or may not be the lender named on the loan's note itself. A table funding lender, for example, is the lender that this section would require to be listed.

G. Property Location

The street address of the property being sold should be listed. If there is no street address, a brief legal description should be inserted in its place. In all cases, the zip code of the property must be listed.

H. Settlement Agent

The name, address, zip code, and telephone number of the settlement agent should be listed.

I. Settlement Date

The date of closing.

Place of Settlement

Both the address and zip code should be listed for the place of settlement.

J. Summary of Borrower's Transaction**Gross Amount Due from Borrower**

This box identifies the obligations of the borrower. The 100 and 400 series should be used for any fees not specifically listed elsewhere on the HUD-1.

Line 101 Contract Sales Price

The contract sales price of the property being sold which excludes the price of any items of tangible personal property if the borrower and seller have agreed to a separate price for those items.

Line 102 Personal property

The listed sales price of any items of tangible personal property, which could include carpets, drapes, stoves, refrigerators, etc. Manufactured homes are not considered personal property for this purpose.

Line 103: Settlement Charges to borrower (line 1400)

The total charges to the borrower as itemized in Section L and totaled on line 1400 on page 2 of the HUD-1.

Lines 104 – 105

Used for additional amounts owed by the borrower, such as charges not listed on the GFE or items paid by the seller prior to settlement that need to be reimbursed. Should also be used to list taxes in instances where they are delinquent or need to be paid before the date of the first loan payment.

Adjustment for items paid by seller in advance

This section displays all items that have been paid by the seller to other parties outside of closing in advance of the settlement which will now be reimbursed by the borrower. This may include taxes, assessments paid in advance, HOA dues, insurance premiums, fuel or supply payments, and ground rent. Typically, these items will be

identified in the sales contract. 106, 107, and 108 will always be used to identify pre-paid City/Town taxes, county taxes, and assessments.

Line 120 Gross Amount Due from Borrower

The subtotal of Lines 101 through 112.

Amounts Paid By or on Behalf of Borrower

This section lists all credits to the borrower, including items that the seller pays on behalf of the borrower which are not refundable to the seller, tolerance cures for the aggregate 10 percent tolerance bucket seller credits, mortgage broker credits, lender credits, third party credits, an offsetting credit for POC items that are a part of the origination charge (the full origination charge must always be displayed on line 801, 802, and 803), and any rebates of an real estate agent's commission to the borrower.

Line 201 Deposit or Earnest Money:

Any amount paid against the sales price (the earnest money deposit) prior to settlement.

Line 202: Principal Amount of new loan(s)

The amount of the new loan (principal amount) that is being provided by the loan originator. For loans covered by Regulation X which will be used to finance the construction of a new structure or the purchase of a manufactured home, the sales price of the land will be listed on 104 with the construction cost or purchase price of the manufactured home on line 105 and the amount of the loan on line 202. The remainder of the HUD-1 should be completed taking into account the necessary adjustments and charges related to the temporary financing and permanent financing known at the date of the settlement.

Line 203. Existing loan(s) taken subject to

When the borrower is taking the title of the property subject to assuming an existing loan or lien on the property, the assumed loan amount will be listed here.

Lines 204-209:

These lines list other items that will be paid by (or on behalf of) the borrower, including credits from the seller, lender, broker, or third parties. These lines indicate any financing arrangements or other new loans that are not listed on line 202. Seller credits (also called "concessions" or "contributions") should be mirrored as seller charges in lines 506-509. Real estate broker credits must name the individual giving the credit and not the company.

If the borrower is using a second mortgage or note to finance part of the purchase price, the principal amount of the loan and the name of the lender should be listed, with the amount disbursed to the borrower shown in the column.

In a reverse mortgage, the principal limit (the credit limit) is shown as if it is a POC item on line 202. The initial draw should be shown on line 204.

All allowances given to the borrower for items that the borrower is to purchase separately (typically from a seller that is also the builder) will be shown as a credit, as well as any application fee paid by the borrower that is applied to other closing costs.

Adjustments for Items unpaid by seller:

Used for items which have not yet been paid and which the borrower will be expected to pay, but which were originally scheduled to be paid by the seller prior to settlement. Instead of reimbursing the seller for paying the items, the items will be directly paid through the closing costs.

Lines 210-219

Charges listed in the rest of the 200 Series include those jurisdictions in which taxes are paid late in the tax year, with the proration of the taxes shown in these lines. Other examples are utilities that are used but not paid for by the seller, rent collected in advance by the seller from a tenant for a period that extends beyond the settlement date, and interest on loan assumptions.

Line 220:

The subtotal of lines 201 through 219 is listed.

300 Cash at Settlement from/to Borrower

The 300 series contains summary lines and totals calculated from the amounts provided from the two previous series.

301. Gross Amount due from borrower (line 120)

A summary line for the borrower repeating the amount on line 120.

302. Less amounts paid by/for borrower (line 220)

A summary line for the borrower repeating the amount on line 220.

303. Cash From To Borrower

Used to indicate either the cash required from the borrower at settlement (the usual case in a purchase transaction) or the cash payable to the borrower at settlement (if

the earnest money exceeds the transaction costs or the loan is a cash-out refinance). The total is the subtraction of line 302 from line 301.

If the borrower's earnest money is applied toward the charge for a settlement service, the amount so applied should not be included on line 303, but instead should be shown on the appropriate line for the settlement service, marked "POC (borrower)," and must not be included in computing totals.

K. Summary of Seller's Transaction

The K section lists the seller's payments and credits, which is designed to mirror the divisions of the borrower's section.

400. Gross Amount Due to Seller

This box identifies the obligations of the seller. The 100 and 400 series should be used for any fees not specifically listed elsewhere on the HUD-1.

401. Contract Sales Price

The contract sales price of the property being sold, excluding the price of any items of tangible personal property if the borrower and seller have agreed to a separate price for such items.

402. Personal Property

The sales price of any items of tangible personal property excluded from line 401. Personal property could include such items as carpets, drapes, stoves, refrigerators, etc. Manufactured homes are not considered personal property for this purpose.

403-405.

These lines are used for additional amounts owed to the seller.

Adjustments for items paid by seller in advance

These are used for any items that the seller has paid in advance that the borrower must now reimburse.

406. City/town taxes.

City and town taxes that the seller has paid in advance and that the borrower must now reimburse.

407. County taxes

County taxes that the seller has paid in advance and that the borrower must now reimburse.

408. Assessments

Assessments that the seller has paid in advance and that the borrower must now reimburse.

409-412.

All additional items that the seller has paid in advance and that the borrower must now reimburse.

420. Gross Amount Due to Seller

The total sum of lines 401 through 412.

500. Reductions in Amount Due to Seller

The 500 series describes the reductions and apportionment of payments between the seller and the borrower.

501. Excess deposit (see instructions)

The earnest money line is used if the seller's real estate broker or other party who is not the settlement agent has received and holds a deposit against the sales price which exceeds the fee or commission owed to that party. If that party will render the excess deposit directly to the seller rather than through the settlement agent, then the amount of excess deposit should be entered on line 501 and the amount of the total deposit (including commissions) should be entered on line 201.

502. Settlement charges to seller (line 1400)

Used to record the total charges to the seller detailed in section L and totaled on line 1400.

503. Existing loan(s) taken subject to

When the borrower is taking title to the property subject to assuming an existing loan or lien on the property, the assumed loan amount that will be subtracted from the sales prices is listed here.

504. Payoff of first mortgage loan

Lists the amounts (including any accrued interest) of the first loan which will be paid as part of the settlement.

505. Payoff of second mortgage loan

Lists the amounts (including any accrued interest) of the second loan which will be paid off as part of the settlement.

506.-509.

This rest of the series is used to list additional liens which must be paid off through the settlement to clear the property's title. Other seller obligations should be shown on these lines, including charges disclosed on the GFE but that are now being paid by the seller. Any amounts entered in lines 204-209 that are seller credits or charges should also be entered in lines 506-509.

These lines may also be used to indicate funds to be held by the settlement agent for the payment of repairs, water, fuel, or other utility bills that cannot be prorated between the parties at settlement because the amounts used by the seller prior to settlement are not yet known. Subsequent disclosure of the actual amount of these post-settlement items to be paid from settlement funds is optional.

Adjustments for items unpaid by seller

Used for items which have not yet been paid and which the borrower will be expected to pay, but were originally scheduled to be paid by the seller prior to settlement. Instead of reimbursing the seller for paying the items, the items will be paid directly through the closing costs. Examples of charges listed include jurisdictions which pay taxes late in the year (the proration of taxes would be shown in these lines). Other examples include utilities used but not paid by the seller, rent collected in advance by the seller from a tenant for a period extending beyond the settlement date, and interest on loan assumptions.

510. City/town taxes

A listing of city/town taxes on the property that have not yet been paid.

511. County taxes

A listing of county taxes on the property that have not yet been paid.

512. Assessments

A listing of assessments on the property that have not yet been paid.

513-519.

The rest of the 500 series is used for any additional requirements.

520. Total Reduction Amount Due Seller

The total of lines 501 through 519.

600. Cash at Settlement to/from Seller

The summary lines for use by the seller of the property.

601. Gross amount due to seller (line 420)

The re-printed total from line 420.

602. Less reductions in amount due seller (line 520)

The re-printed total from line 520.

603. Cash To From Seller

Indicates either the cash required to be paid to the seller at settlement (such as for purchase transactions), or the cash payable by the seller. The subtraction of line 602 from 601 will be the amount of cash due *to or from* the seller. The appropriate box of either *“to”* or *“from”* must be checked.

L. Settlement Charges

Each of the settlement charges will be listed, grouped in relation to the party that will normally be paid for the services (real estate agent, lender, insurance, escrows, settlement agent, government, and additional service providers)

700. Total Real Estate Broker Fees

The commissions paid to the real estate agents. There is no corresponding GFE block because lenders never require the use of this service.

For line 700, the net sales commission charged by the sales agent or real estate broker is listed inside the column. This is all charges for listing and selling the home, reported as a dollar amount regardless of whether the value is determined using a flat fee, a percentage of the sales price, or a combination of those methods.

701. \$

702. \$

The listed commission split of the amount listed on line 700 between two or more sales agents or real estate brokers, which will be disbursed by the settlement agent at closing. Each receiving party should be identified.

703. Commission paid at settlement.

The amount of sales commission disbursed at settlement, which will appear in the borrower column and seller column as needed. If the sales agent or real estate broker is retaining a part of the deposit against the sales price (earnest money) to apply towards the sales agent's or real estate broker's commission, the amount listed on line 703 should only be the part of commission being disbursed at settlement and a note should be inserted on line 704 indicating the amount the sales agent or real estate broker is retaining as a POC item. The percentages used to calculate commissions are no longer disclosed, and administrative broker commissions are not separately disclosed.

704.

Used for additional charges made by the sales agent or real estate broker, or for a sales commission charged to the borrower, which will be disbursed at closing by the settlement agent.

800. Items Payable in Connection with Loan

This series contains charges and origination fees imposed in connection with the loan transaction. Only fees paid by the seller which can never be paid by the borrower (e.g. seller points in a VA guaranteed loan) should be included in the seller's column, as all fees listed in the 800 section should also be listed on the GFE.

Fees that will be paid by the seller and/or the broker at or before closing for any of the services required by the lender are shown as borrower-paid fees in this section, with a credit given in the 200-series (and also reflected in the 500 series for seller paid items).

Fees paid by the borrower before closing for the appraisal, credit report, tax service or flood certification are designated as POC payments and will appear outside the columns. POC fees for closing services that will be rolled up into the 801 and 802 lines will not be itemized, instead the full origination charge will be displayed and a credit will be given for the amount in the 200 series of the HUD-1.

801. Our origination charge

All charges received by the lender and/or mortgage broker, except any charge for the specific interest rate chosen (points). Information on points must not be listed in either the buyer's or seller's column. The amount shown on line 801 must include any amounts received for origination services, including administrative and processing services, performed by or on behalf of the loan originator. Third party administrative and processing fees are not shown as POC items in the 800 series (put as a credit in the 200 series), even if paid to an independent contractor.

Items included in "Our Origination Charges" such as document preparation fee or a loan processing fee, are not separately itemized in the GFE or in the HUD-1 (even if the fees are paid to a third party not related to the lender) unless a government loan program or state law mandates that these items must be disclosed. However, even if not required,

additional information (like the itemization of the lump sum credits) may be included in an addendum to the HUD-1 or the closing instructions.

Fees for services normally conducted by service providers that will be conducted by the lender (such as in-house appraisals) should be included in the origination fee disclosed on line 801 and not separately disclosed in the rest of the Series.

802. Your credit or charge (points) for the specific interest rate chosen

Shows the charge or credit adjustment that will be applied to the fee listed on line 801. The number will be shown to the left of the columns. When the lender is contributing to the transaction by providing a credit based on the interest rate for the payment of compensation to the mortgage broker and/or payment of closing costs, the credit is shown as a negative number on 802. When the borrower is paying a charge, such as a discount point and/or a temporary buy-down fee (when these charges are to lower the interest rate) the charge is shown as a positive number on line 802.

803. Your adjusted origination charges

This line reflects the amount from Box A of the GFE, though the final charge may be lower. This line will always list the net amount of the loan origination charges (the sum of the amounts shown on 801 and 802). This number may be positive or negative, depending on the loan product being offered. No-cost loans may either reflect this value as “0” or as a negative number large enough to cover the other closings costs. In cases when it is large enough to cover other service provider closing costs, a lender may chose to itemize the charges on blank lines in the 800 series.

804-808

These lines contain charges for third party settlement service providers required by the lender and listed in Block 3 of the GFE. Each settlement service provider must be identified by name and the amount paid recorded either inside the columns or as POC. An additional page may be attached to the HUD-1 to add sequentially numbered lines as needed to accommodate the complete listing of all items required to be shown on the HUD-1.

804. Appraisal fee

The fee listed for all appraisal reports drawn for the loan. When the appraisal is ordered through an appraisal vendor management company and the appraisal is subcontracted to an independent appraisal company, the name identified is the appraisal management company and not the independent appraisal provider.

805. Credit Report

The fee listed for all credit reports drawn for the loan.

806. Tax Service

The fee for any tax service performed for the loan

807. Flood certification

The fee for any flood certification process generated for the loan.

808.

This line and all additional sequentially numbered lines are used to record other third party services required by the loan originator. These lines may also be used to record other required disclosures from the loan originator. Any such disclosures must be listed outside the columns.

900 Items Required by Lender to Be Paid in Advance

The 900 Series lists the items that the lender requires to be paid at the time of settlement (most typically insurance on the property), excluding any reserves collected by the lender for the escrow which will be separately recorded in the 1000 series.

901. Daily interest Charges

The odd days interest charge (the interest collected at settlement for that portion of time between settlement and the date from which the interest will be collected with the first regular monthly payment). Along with this amount, this line should also include per diem charges. If such interest is not collected until the first regular monthly payment, no entry should be made. In cases when the lender will actually credit per diem interest to the borrower because a full loan payment will be due on the first of the month following the closing, then a negative number may be entered on line 901.

902. Mortgage Insurance Premium

The mortgage insurance premiums due and payable at settlement, including any monthly amounts dues at settlement and any up front mortgage insurance premium. If a lump sum mortgage insurance premium paid at settlement is included, a note should be added indicating that the premium is for the life of the loan. All reserves collected by the loan originator and recorded in the 1000 series are excluded.

903. Homeowner's Insurance

Homeowner's insurance premiums that the loan originator requires to be paid at the time of settlement, excluding any reserves collected and recorded in the 1000 series by the loan originator.

904.

Additional items required by the loan originator, including premiums for flood or other insurance. These lines may also be used to list amounts paid at settlement for insurance that is not required by the lender but is desired by the borrower.

1000 Reserves Deposited with Lender

The 1000 series is used for listing amounts collected by the loan originator from the borrower and held in escrow or impound or trust account.

1001 Initial deposit from your escrow account

Lists the initial escrow deposit that will be paid at closing to start the escrow account. The amount is listed inside of the columns.

1002-1007

These lines itemize individual deposits being collected for the escrow, each one including the time period (in the number of months), the monthly assessment of the price, and listed outside of the columns. In addition to the property taxes and insurance listed, some lenders may require reserves for flood insurance, condominium owner's association assessments, etc.

1004 Property taxes

The total amount of all property taxes held in an escrow or reserve account should be listed here. Sub-itemization of different types of property taxes held in reserve is not required.

1099. Aggregate Adjustment

After itemizing individual deposits in the 1000 series, the servicer makes an adjustment based on the rules of aggregate accounting. This adjustment is the difference between the deposit required under aggregate accounting and the sum of the itemized deposits using single item accounting. The adjustment will be either a negative number or zero, except in rare moments when a positive amount will appear due to rounding. The aggregate adjustment amount is listed outside of the columns and must be the last line item in the series.

1100. Title Charges

This series lists all title charges in addition to charges by attorneys and closing or settlement agents. Includes a variety of services performed by title companies or others, and include fees directly related to the transfer of title (title examination, title search, document preparation), fees for title insurance, and fees for conducting the closing. The legal charges include fees for attorneys representing the loan originator, seller, borrower,

or any attorney preparing title work. The series also includes any settlement, notary, and delivery fees related to the services covered in this series.

Disbursements to third parties other than for processing and administrative services must be broken out in the appropriate lines or in a blank line in the series, and amounts paid to these third parties must always be shown outside of the columns if the amounts are included in line 1101. Charges that are not included in line 1101 should be listed inside the columns.

Line 1101, Title services and lender's title insurance.

This should be *the total of all title services*, which includes the lender's title premium, closing fee, wire and fax fees, title document preparation charges, title search fee, overnight delivery fee, notary fees, surveys fees that have been explicitly required by the title company, and other title and closing agent administration and processing fees. Such fees should not be separately itemized. *If the lender conducts the settlement, the closing fee is included in the amount on line 801 and not on line 1101.*

1102 Settlement or closing fee

If the title agent is conducting the settlement, then the closing fee will already be included in the roll-up on line 1101, but, regardless of whether a title agent or third party conducts the closing, the closing fee must always be itemized on line 1102 outside of the columns.

1103. Owner's Title Insurance

The owner's title insurance and related endorsements. This amount must be listed inside the columns.

1104. Lender's Title Insurance

The lender's title insurance premium and all related endorsements. The portion of the premium retained by the title agency and underwriter are disclosed as POC items.

1105. Lender's title policy limit

The amount of the lender's title policy limit, recorded outside of the columns, displayed for the borrower's knowledge.

1106. Owner's title policy limit

The amount of the owner's title policy limit, recorded outside of the columns, displayed for the borrower's knowledge.

1107 Agent's portion of the total title insurance premium

The amount of the total title insurance premium, including endorsements, that is retained by the title agent, recorded outside of the columns. If a portion of the title insurance premium will not be retained by the title agent but will instead be paid to an attorney, then a blank line in the 1100 series should be used to itemize the value outside of the columns, along with the attorney's name and the type of service provided.

1108 Underwriter's portion of the total title insurance premium

The amount of the total title insurance premium, including endorsements, that is retained by the title underwriter, recorded outside of the columns.

1109

Additional sequentially numbered lines may be used to itemize title charges paid to other third parties, which will be identified by their name and the type of service provided. Examples include independent notary services required when a loan originator mails the closing documents to the borrower, or attorneys selected by the borrower to represent the borrower's personal interests at settlement. If state law requires further itemization of title service or title insurance related fees other than as required under RESPA, those fees may be itemized on blank lines in the 1100 series on the HUD-1 with the charge listed outside the borrower's column.

1200. Government Recording and Transfer Charges

This series reflects government recording and transfer charges. Charges paid by the borrower must be listed in the columns as described for lines 1201 and 1203, with itemizations shown outside the columns. Any amounts charged to the seller that were not included on the GFE must be listed in these columns. *Transfer taxes, mortgages taxes, and intangibles taxes may not increase between the GFE and HUD-1, or a tolerance cure must be provided.*

In this series, individual itemization is always displayed, so the seller recording fees may appear in the seller's column and be itemized alongside the buyer's fees in the individual lines (though only the borrower's roll-up totals appear on lines 1201 and 1203). Only if the seller pays portions of fees disclosed on the GFE should a seller credit be used.

1201. Government recording charges

The total amount of the government recording charges must be listed in the columns.

1202. Deed. Mortgage. Releases

The itemized recording charges recorded outside of the columns. When the seller typically pays the charge to record the deed, the charge must be listed in the seller's column.

1203. Transfer taxes

The transfer taxes, mortgage taxes, and intangibles taxes are listed in the columns. The fees are individually itemized outside of the column, with the total paid by the borrower listed inside of the column. Any portion paid by the seller must be listed in the itemized lines below.

1204. City/County tax stamps

This line lists the further itemization of the transfer taxes. The total amount for the City/County tax stamps are recorded outside of the columns and split between the deed and mortgage. If it is required by state law for a seller to pay a portion of the total charge for transfer taxes, the seller's charge should be listed in the seller's columns, with the total charges still itemized outside of the columns.

1205. State tax/stamps

This line lists the further itemization of the transfer taxes. The total amounts for State transfer taxes and stamps are recorded outside of the columns and split between the deed and the mortgage. Any seller portion may be listed outside of the columns, with the total charges still itemized outside of the columns.

1206.

Reserved for additional sequentially numbered lines that may be used to record specific itemized third party charges for government recording and transfer services, recorded outside of the columns.

1300 Additional Settlement Charges

The 1300 series records required services that the borrower can shop for as set forth in Block 6 of the GFE, such as fees for the survey, pest inspection, or other similar inspections. The series also records services requested by the borrower, but not required by the lender or title agency and therefore not listed in the GFE. It includes additional itemized settlement charges that are not included in a specific category, such as fees for structural and environmental inspections, pre-sale inspections of heating, plumbing, or electrical equipment, homeowner association dues, insurance against mechanical breakdown, and warranty coverage. Except for the itemization of amounts included in line 1301, the amounts will be listed in either the borrower or seller's column, depending on the transaction.

1301. Required services that you can shop for

The total of all charges listed in GFE Block 6 that are separately itemized outside of the columns from the rest of the series. This charge, however, is always shown inside the borrower's column.

1302-1305

Used for the itemization of the individual GFE Block 6 services, each individually listed with the name of the provider, the type of service, and the amount of the charge, including the charge for the HOA transfer fee. Services that are not required by the loan originator (and are not included in line 1301) are shown as borrower charges on separate lines after the last of the loan originator required charges are listed.

1400

This series states the total of all settlement charges as calculated by adding the amounts within each column. Both the seller and borrower are listed. The amount from line 801 that is included on IRS form 1099 may either be displayed in parenthesis on line 801 or as a footnote below line 1400.

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges

A chart that allows the borrower to compare the initial listed GFE cost disclosures with the actual, final costs disclosed in the HUD-1 and determines whether the fee tolerances have been exceeded. There are three separate sections: charges that may not increase at settlement, charges that in total may not increase by more than 10 percent, and charges that may change completely. The comparison chart must be prepared using the exact information and amounts from the most recent GFE and the actual settlement charges shown on the HUD-1 Settlement Statement. Seller, lender, broker, and other credits are not individually accounted for in these charts, but only the fee displayed on the HUD-1 borrower column. In this same vein, any HUD-1 fees that have had a POC fee subtracted from them before being displayed in the fee column should have the POC portion added back for the comparison table so that the whole charge is compared against the GFE fee. *The loan originator is responsible for refunding tolerance violations regardless of who pays a fee, which may result in a refund to the borrower when the borrower did not pay the fee.*

Charges that Cannot Increase

This section list the amounts in GFE Blocks 1 and 2, Line A, and Block 8, which correspond to the amounts shown on HUD-1 lines 801, 802, 803, and 1203. If there is a credit in GFE Block 2 or HUD-1 line 802, the credit should be entered as a negative number on the comparison chart. Note that all mortgage taxes and intangibles taxes must be included in the last line of this chart, as these taxes do require separate comparisons.

If the HUD-1 amount is higher than the corresponding amount disclosed in the GFE for any line item, the lender will be responsible for refunding the difference. The refund is included in the borrower column in a blank line in the 800 or 1200 section of

the HUD-1 as appropriate to the line item, and the refund is noted on the HUD-1 line for the item that exceeds the GFE disclosure.

Charges That Cannot Increase More than 10 Percent

The sum of all amounts listed in this section cannot increase by more than 10 percent of the original sum of the amounts listed in the GFE.

A description of each relevant charge included in GFE Blocks 3 and 6 are listed on separate lines in this section. For each charge included in GFE Blocks 4, 5, and 7, the total displayed in the block is used. For the vast majority of loans, line items in this chart will include the appraisal fee, credit report fee, tax service fee, flood certification fee, and up front mortgage insurance premium (including FHA premium or VA guarantee fee).

If the borrower did not purchase owner's title insurance, then the item may either not appear in the 10% section, or the GFE and HUD-1 amounts may both remain blank. If the total for the HUD-1 is greater than the total for the GFE column, then the amount of the increase must be entered both as a dollar amount *and* as a percentage increase on the appropriate line. Additional lines may be added as necessary.

Charges That Can Change

The amounts listed in this section are not subject to a tolerance, meaning they can vary completely from the amounts disclosed on the GFE.

The amounts shown in GFE Blocks 9, 10, and 11 should be entered here, as well as third party settlement services for which the borrower selected a provider other than one identified by the loan originator. Loan originators should be especially clear about marking which third party settlement services should be listed here so that the settlement agent does not believe a tolerance error has been made. Additional lines may be added as necessary.

Loan Terms

Delineates the terms of the loan, including loan amount, interest rate, monthly payments, and monthly escrow payment account information. This final portion gives the borrower the opportunity to confirm that the loan received is the same as the one set forth in the GFE. This section may not be altered except for formatting, such as the margins or shading, or adding additional lines. Page 3 pertains only to the charges to the borrower and to loan information and is not required to be given to the seller.

The loan term must be in years, but may include a fraction or decimal if the loan product is a loan modification that has a remaining term that is not in whole years. For a reverse mortgage loan, the initial loan amount is the credit limit and the term is "NA."

The initial interest rate is not necessarily the note rate, as it must reflect any temporary buy-downs.

The payment amount and interest rate should reflect only the amounts paid by the borrower. When the seller or other party establishes an account to buy down the interest rate by making partial interest payments, the interest rate and payment amount disclosed in this chart will reflect only the partial payments made by the borrower.

If the offered loan does not contain a cap of periodic interest change other than by setting the overall floor and ceiling, the loan originator should complete the answer to the question, “Every change date your interest can increase or decrease by ____” with the difference between the floor and the ceiling. The instructions do not anticipate more than one rate cap, and the disclosure should not disclose separated floor and cap percentage numbers.

To disclose limits on the periodic interest rate adjustments, in which different limits apply at different times over the life of the loan (such as an ARM with a special adjustment limit applicable at the first adjustment), the settlement agent may either insert the maximum interest rate possible or the range of the change limits, such as 2-5 percent. Although loan rates may also increase or decrease by percentage points, HUD only instructs that the HUD-1 show that the interest rate may increase or decrease by a certain percentage (e.g., an increase from 4 percent to 5 percent is a 25 percent increase in the total rate). It is recommended that the disclosure reflect the actual percentage point change (1 percentage point) rather than the overall “percentage” change (25 percent).

For balloon loans, the maximum balloon payment should be disclosed as shown in the payment schedule disclosed under TILA regulation. The balloon maturity date is stated in the note. Ignore conditional and mandatory rights to refinance. Disclose interim balloon payments required by the note.

For the escrow disclosure, each escrow item is disclosed. The disclosure does not warn borrowers that escrow payments may increase or decrease, and should therefore state only what the initial monthly escrow payment and the initial total monthly payment are. The disclosure may be misleading when the initial lender does not require an escrow account, but the investor that purchases the loan at some future date may require an escrow account so should still be listed.

In a reverse mortgage where the lender has established an arrangement that will pay for items such as property taxes or homeowner’s insurance through draws from the principal limit, the second box in the “total monthly amount owed including escrow payments” section on page 3 of the HUD-1 must be checked. The blank following the first “\$” sign must be completed with “0” and an asterisk, and all items paid on a monthly basis from available loan proceeds, such as property taxes, must also be checked. An asterisk must also be placed under the statement, “Total monthly amount owed including escrow account payments,” with a description such as “paid by or through draws from the principal limit.”

HUD-1 /1A Additions and Addendums

Certain changes to the HUD-1/1A are permitted which are not permitted for the GFE. These include: Adding an addendum page to break out line items when required by state law, government loan programs, or to assist regulatory agencies and investors to determine whether all finance charges are properly disclosed under TILA, adding a certification and signature lines for the borrowers, sellers, and closing agent, removing blank lines that are not needed, and making notations in the margins.