

The HUD-1 Settlement Statement Explained

The following is a line-by-line explanation of the HUD-1 Settlement Statement most commonly used in all Real Estate Transactions.

Typically you should start with page two, which is a break down of all the costs involved in your closing. They are separated as to if it is a buyer's expense or the seller's expense. The buyer's expenses are always in the left column and the seller's expenses are always in the right column. All the expenses are totaled and recapped on page one.

Describing Page Two: Section 700 of the HUD only refers to purchases. It describes all commissions paid to Realtors. Commissions are paid according to whatever the buyer and seller agree to in the purchase contract.

Line 801 - **Loan Origination Fee.** The fee your broker will charge for gathering all your data needed to qualify for the loan.

Line 802 - **Discount Points.** A percentage of the mortgage paid to the lender to lower the interest rate on a loan. One point equals one percent.

Line 803 - **Appraisal.** An appraisal is a written report from a qualified appraiser of the estimated fair market value of the property.

Line 804 - **Credit report.** A history of how you pay your bills.

Line 805 - **Lender's Inspection Fee:** Charged when an inspector will visit the property to make sure the home is thoroughly finished and ready for occupancy.

Line 806 is a **Mortgage insurance application fee.** If the borrower has less than 20% equity in the house, then it will be charged on a monthly basis.

Line 808 - **Tax Service Fee.** An auditor at the bank will verify with the IRS that the tax information you provided to qualify for the loan is not fraudulent.

Line 809 — **Flood Certification.** Lender will verify if borrower's property is or is not in a flood zone using a flood certification company.

Line 811 - **Underwriting Fee.** This is the service provided by an Underwriter at the lending institution that will evaluate all of your data, and all of the data provided by the required sources.

Line 812 - **Processing Fee.** Usually paid to Broker or Lender for processing paperwork needed for the loan.

Line 813 - **Yield Spread.** This fee is paid by Lender to broker, AND IS NOT CHARGED TO CUSTOMER.

Line 814 - **Commitment Fee**. This is the fee the underwriter will charge for approving the loan in writing.

The 900 Section of the HUD-1 is for Interest and Escrows

Line 901 - **Interest**. Charged from the day of funding of the loan to the beginning of the next month.

Line 902 and 903 — **Insurance Premiums**. Insurance premiums that are due for a full year at the time of closing.

Line 1001 - **Homeowner's Insurance Escrow**. Though you may pay a full year's premium up front for your homeowner's policy, the lender may require you to make monthly payments on your next year's premium which will be held in escrow until due. Since your payments may not begin for a while after closing, the lender may require a couple of months payment up front at closing.

Line 1004 - **Property Tax Escrow**. Though the taxes may be paid in full at closing by the seller, the lender may require you to make monthly payments on your next year's taxes which will be held in escrow until due. Since your payments may not begin for a while after closing, the lender may require a couple of months payment up front at closing.

Line 1011 - **Aggregate Adjustment**. A credit to borrower for insurance and tax escrow funds that exceed Fannie Mae guidelines.

Line 1101 - **Settlement or Closing Fee**. When all the requirements of the lender have been met and your loan has final approval, an appointment will be made for you to sign all the necessary paperwork, such as Note, Mortgage, etc.

Line 1102 - **Abstract or Title Search**. A search of the public records at the courthouse is made regarding the subject property. The courthouse holds all records relating to land.

Line 1103 - Same as Title Search and Examination above.

Line 1104 - **Title Insurance Binder**. A written report/promise to insure the title examination as explained above and a commitment to insure the property as shown therein.

Line 1105 - **Document Prep**. For any legal document preparation needed to close.

Line 1107 - **Attorney's Fees**. Sometimes the use of a Real Estate Attorney is required by one of the parties involved in the closing.

Line 1108 1109 and 1110 - **Title Insurance**: a contract to protect an owner against losses arising through defects in the title to real estate owned. If the title is insurable, the company guarantees the owner against loss due to any defect in title or expenses in legal defense of the title pursuant to the terms of the policy.

Line 1111 and 1112 — Any **Endorsements** to the Insurance Policy as explained above.

Line 1201 1202 and 1203 - **Recording fees**. The new Deed and/or Mortgage are required by the Title Agent to be filed with the county recorder. These fees are referred to as "filing fees" as well.

Line 1301 - **Survey**: A detailed check of the public records and your "legal description" of the property. The survey will let the lender know the structures on your property are not overlapping on your neighbor's property and/or there aren't any encroachments.

Line 1302 - **Inspections**. Pest Inspection, Gas line inspections which are performed for purchases only and are mandatory by lenders.

NOW LETS GO BACK TO PAGE 1

BUYER'S RECAP

Line 101	Purchase Price
Line 102	Personal Property
Line 103	Total Settlement Charges from Page 2
Line 106 – 112	Items paid in advance by Buyer
Line 120	Total Charges to Buyer
Line 201	Deposit given by Buyer
Line 202	New Loan Amount
Line 203	Loans provided by Seller
Line 204 – 219	Credits given to Buyer
Line 220	Total Credits to Buyer
Line 303	Funds needed to CLOSE/ Cash Back

SELLER'S RECAP

Line 401	Purchase Price
Line 402	Personal Property
Line 403 – 405	Credits to Seller
Line 406 – 412	Deductions to Seller credited to Buyer
Line 420	Total due to Seller
Line 501	Deposit paid directly to Seller
Line 502	Total Settlement Charges from Page 2
Line 503 – 509	Mortgage Payoffs
Line 510 – 519	Taxes & Maintenance due
Line 520	Total Deductions to Seller
Line 603	Amount due Seller