



Understanding the HUD-1 Settlement Statement

http://homebuying.about.com/cs/titleescrow/a/hud1_settlement.htm

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What is the HUD-1 and When is it Used?

The HUD-1 is a form used by the settlement agent (also called the closing agent) to itemize all charges imposed upon a borrower and seller for a real estate transaction. It gives each party a complete list of their incoming and outgoing funds.

Fees associated with the transaction but paid prior to closing are also included on the HUD. They are normally marked "POC," for Paid Outside of Closing.

Here's a [printer-friendly version of the HUD-1](#) that you can print out and use to follow the text.

When is the HUD-1 Used?

The statutes of the Real Estate Settlement Procedures Act (RESPA) require the form be used as the standard real estate settlement form in all transactions in the United States which involve federally related mortgage loans. Where I work, it's used for nearly all transactions that involve a buyer and seller, including cash closings.

When is the HUD-1 Distributed?

RESPA states you should be given a copy of the HUD-1 at least one day prior to settlement. In real life, entries may still be coming in a few hours before closing. Most buyers and sellers study the statement on their own, with their real estate agent, and with the settlement agent. The more people who review it, the more likely that errors will be detected.

Don't assume that the closing agent is always correct. Mistakes happen. I've been in more than one closing where an error was found at the last minute. Ask as many questions as necessary to help you understand all charges.

Section L, Settlement Charges

If you printed the HUD-1, flip to Section L on page 2. That's where many entries are tabulated before being brought forward to page 1. Columns contain charges that are paid from either the borrower's or the seller's funds. Your closing statement probably won't have entries in all lines.

Section 700, Agency Commissions

This section deals with the commission paid to real estate agencies. Lines 701 and 702 show how commissions are split between two participating agencies.

Commissions are usually paid from the seller's funds. However, a buyer's agent who sells a for-sale-by-owner home may be paid by his or her client, not the seller.

Section 800, Items Payable in Connection with Loan

The entries on these lines are most often paid from the buyer's funds, although in some cases sellers agree to pay specified amounts to help the buyer close.

Line 801 shows the fee the lender charged for processing or originating the loan. If the fee is a percentage of the loan amount, the percentage will be stated.

Line 802 is used to record the "points" charged by the lender. Each point is 1% of the loan amount.

Line 803 is used to record appraisal fees. You may have paid the fee when you applied for the loan. If so, it should be marked "POC," for paid outside of closing. The amount would be shown, but would not be included in the total fees you bring to settlement.

Line 804 is used to record the cost of the credit report if it is not included in the Origination Fee.

Line 805 includes charges for inspections done at the request of the lender. Other pest and structural inspections are recorded in another area.

Line 806 is for an application fee that might be required by a Private Mortgage Insurance (PMI) company.

Line 807 is only used for loan assumption transactions, where the buyer takes over the seller's existing mortgage.

Lines 808 to 811 are used for miscellaneous items connected with the loan, such as fees paid to a mortgage broker.

Section 900, Items Required by Lender to be Paid in Advance

These charges are typically paid by the buyer. They are all items which the lender requires, but which are not always paid to the lender.

Line 901 is used to record interest that is collected at settlement for the time period between closing and the first monthly payment.

Line 902 shows mortgage insurance premiums that are due at settlement. Escrow reserves for mortgage insurance are recorded later. If your mortgage insurance is a lump sum payment good for the life of the loan it should be noted.

Line 903 is used to record hazard insurance premiums that must be paid at settlement in order to have immediate insurance on the property. It is not used for insurance reserves that will go into escrow.

Lines 904 and 905 are for miscellaneous items, such as flood insurance, mortgage life insurance, credit life insurance and disability insurance premiums.

Section 1000, Reserves Deposited with Lender

This section is used to itemize escrow funds collected by the lender from the borrower for such things as hazard insurance and property taxes. The number of months charged varies, but there are limits as to how much the lender can collect.

The borrower paid current charges for the expenses in Section 900. The entries on lines 1001-1007 are for funds used to start the borrower's escrow account, from which the lender will pay next year's premiums. Each mortgage payment includes an amount that covers a portion of these recurring expenses.

Line 1008 is an escrow adjustment calculated by the settlement agent by comparing different escrow formulas. This step is to make sure the lender is not collecting more escrow funds than are allowed. The figure is always zero or a negative number.

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Section 1100, Title Charges

Title charges include fees directly related to the transfer of title, such as the title examination, title

search, document preparation, and fees for the title insurance policy. They are normally charged to the buyer.

Legal fees include fees for both the borrower's and seller's attorneys, and sometimes an attorney for the lender. Other items covered in this section are fees for closing agents and notaries. When one person performs many tasks fees may be lumped together. Line 1101 is used to record the settlement agent's fee.

The fees for the abstract or title search and examination are entered in lines 1102 and 1103. If the same person performs both duties, a lump sum will be entered in line 1103. If the person doing the work is a title company or attorney, charges are entered later, in lines 1107 or 1108.

Line 1104 shows charges for the title insurance binder (also called a commitment to insure). Payment for title insurance policies is entered later.

Line 1105 records charges for deed preparations, and such bills as work on mortgages and notes.

The fee charged by a notary public for authenticating the execution of the settlement documents is entered on line 1106.

Line 1107 discloses an attorney's fees.

Line 1108 is the cost of title insurance (except the cost of the binder).

Lines 1109 and 1110 are informational lines that disclose the costs for the separate title insurance policies for borrower and lender. (Only line 1108 is carried forward.)

Lines 1111 to 1113 are used to enter other title-related charges which vary by location. Entries might include a fee to a county tax collector for a tax certificate or a fee to a private tax service.

Section 1200, Government Recording and Transfer Charges

This section is used to itemize charges such as costs for recording deeds and mortgages and fees for tax stamps.

Sections 1300 & 1400, Additional Settlement Charges and Totals

Section 1300 is used to record survey fees and inspections for such things as pests, lead-based paint and radon. Structural inspections and inspections for heating, plumbing, or electrical equipment might also be included. If either party is buying a home warranty, the charge will be entered in this section.

Line 1400 is for the total settlement charges paid from borrower's and seller's funds. They are also entered in Sections J and K, lines 103 and 502.

Section J, Summary of Borrower's Transaction **Section 100, Gross Amount Due from Borrower**

Line 101 states the gross sales price of the property.

Charges for personal property (such items as draperies, washer, dryer, outdoor furniture, and decorative items being purchased from the seller) are listed on 102.

Line 103 shows the total settlement charges to the borrower that are brought forward from Line 1400.

Lines 104 and 105 are for amounts owed by the borrower or previously paid by the seller.

- Entries charged to the borrower include a balance in the seller's escrow account if the borrower is assuming the loan.
- The borrower may owe the seller a portion of uncollected rents.

Lines 106 through 112 are for items which the Seller has paid in advance. For instance, the buyer must reimburse the seller for his prorated portion of county taxes if the seller paid an annual bill. Each person pays charges for the time they owned the property.

Line 120 is the gross amount due from borrower. It is the total of Lines 101 through 112.

Section 200, Amounts Paid By or In Behalf of Borrower

These are all entries for funds the borrower will receive at closing.

Line 201 gives the buyer credit for the amount of earnest money paid when the offer was accepted.

Line 202 is the amount of the new loan, which is being paid to the borrower by the lender.

Line 203 is used when the borrower is assuming a loan or taking title subject to an existing loan or lien on the property.

Lines 204 through 209 are used to list miscellaneous items paid by or on behalf of the buyer. They may include such items as an allowance the seller is making for repairs or replacement of items. This area is also used when the seller accepts a note from the borrower for part of the purchase price.

Lines 210 through 219 are for bills which the seller has not yet paid, but owes all or a portion of. Taxes and assessments are listed, but the area might also include rent collected in advance by the seller for a period extending beyond the settlement date.

Line 220 is the total for all items in Section 200. The total is added to the borrower's proceeds.

Section 300, Cash at Settlement From/To Borrower

Line 301 is a summary of the total amount due from the borrower.

Line 302 is a summary of all items already paid by or for the borrower.

Line 303 is the difference between lines 301 and 302. It most often shows how much money the borrower must bring to closing. It could be a negative number, indicating that the borrower will receive funds back at closing.

Section K, Summary of Seller's Transaction

Section 400, Gross Amount Due to Seller

The amounts in this section are added to the seller's funds.

Line 401 states the gross sales price of the property.

Entries for personal property (such items as draperies, washer, dryer, outdoor furniture and decorative items that the seller may be selling to the buyer) are listed on 402.

Lines 404 and 405 are for other amounts owed by the borrower or previously paid by the seller, such as:

- If the borrower is assuming the seller's loan, he/she must reimburse the seller for the balance in the seller's escrow account.
- The buyer may owe the seller a portion of uncollected rents.

Lines 406 through 412 are for items which the Seller has paid in advance. For instance, the buyer may need to reimburse the seller for a prorated portion of county taxes if the seller paid an annual bill but will not own the property during that entire year.

Line 420 is the gross amount due to the seller. It is the total of Lines 401 through 412.

Section 500, Reductions in Amount Due to Seller

The amounts in this section are subtracted from the seller's funds.

Line 501 is used when the seller's real estate broker or another party holds the borrower's earnest money deposit, and will pay it directly to the seller.

Line 502 contains the figure from Line 1400, the seller's total charges as computed in Section L.

Line 503 is used if the borrower is assuming or taking title subject to existing liens which are deducted from the sales price.

Lines 504 and 505 are for any first and/or second loans which will be paid-off as part of settlement (including accrued interest).

Lines 506 through 509 are shown as blank lines for miscellaneous entries.

Line 506 is used to record deposits paid by the borrower to the seller or another party who is not the settlement agent. This is slightly different than the entry in 501. In this case the party holding the funds transfers it to the settlement agent to be disbursed at closing.

These lines may also be used to list additional liens which must be paid at settlement to clear title to the property.

Lines 510 through 519 are for bills which the seller has not yet paid, but owes all or a portion of. Taxes and assessments are listed, but the area might also include rent collected in advance by the seller for a period extending beyond the settlement date.

Line 520 is the total for all items in Section 500. The total is deducted from the seller's proceeds.

Section 600, Cash at Settlement To/From Seller

Line 601 is the gross amount due to the seller, from line 420.

Line 602 contains the total of reductions in seller's proceeds, from line 520.

Line 603 is the difference between lines 601 and 602. It usually indicates a cash amount paid to seller, but it's possible for the seller to owe money at closing. For instance, the seller might owe more on first and second mortgages than is recovered in the contract.

Whew! That took a bit, but the article is really just an overview of the closing statement, and mentions only the most common entries. I hope it gave you a better understanding of the HUD-1.