

# Settlement Statement Guide

Sample-Page One

HUD-1 (3-86) RESPA, HB 4305.2		Form Approved OMB No. 2502-0265	
<b>A.</b> U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  SETTLEMENT STATEMENT		B. TYPE OF LOAN	
		Page 1 of 2	
		1-5: Loan Type:	
		6. File Number:                      7. Loan Number:	
		8. Mortgage Insurance Case Number:	
<b>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.</b>			
D. NAME OF BORROWER:		E. NAME OF SELLER:	
		F. NAME OF LENDER:	
G. PROPERTY LOCATION:		H. SETTLEMENT AGENT:	
		THE FOUNTAINHEAD TITLE GROUP	
		I. SETTLEMENT DATE:	
		J. SETTLEMENT DATE:	
K. PLACE OF SETTLEMENT:		L. ADJUSTMENT DATE:	

  

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Estimated Mortgage Payments: Prin. & Int. Hazard Ins. Mtge. Ins. Taxes(est.) Ann. Assess. Ground Rent Other Total	First Payment Date:	<b>Note to Seller: The amounts on Line 401, 406 and 407 are important Tax information and are being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if these items are required to be reported and the IRS determines that they have not been reported.</b>
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# Settlement Statement Guide

## *Explanation of Page One of Settlement Statement*

A real estate transaction involves a series of exchanges, not only between the buyer and seller, but also with lenders, brokers, and state and local governments. The settlement statement accounts for all these exchanges, totaling the credits and debits to buyer and seller. It is designed to make a complex series of steps as simple and clear as possible. Below are explanations of key items on the settlement statement. Note that the number next to each explanation corresponds to the line number on the settlement statement. The settlement officer explains all items on this form at the time of closing.

### Summary of Borrower's Transaction

#### Gross Amount Due From Borrower (Costs to Buyer)

- 101. Contract Sales Price**—The full purchase price as stated in the contract.
- 103. Settlement Charges to Borrower**—Buyer's total charges, carried from page 2, line 1400.
- 106-112. Adjustments for items Paid by Seller in Advance**—The buyer reimburses the seller for taxes, special assessments, homeowner dues or other charges that the seller has paid in advance. The adjustment is typically from the date of the settlement to the end of the fiscal period.

#### Amounts Paid By Or On Behalf Of Borrower (Credits to Buyer)

- 201. Deposit or Earnest Money**—All monies deposited by the buyer in good faith, to be applied against the purchase price of the property.
- 202. Principal amount of New Loan(s)**— The amount of the buyer's new loan(s).
- 203. Existing Loan(s) Taken subject to**— On assumptions or wrap loans, the outstanding principal balance of the seller's loan which is being assumed by the buyer.
- 210-219. Adjustments for Items Unpaid by Seller**—Typically, the buyer is responsible for paying all bills received after closing. It is here that the seller reimburses the buyer for those charges he incurred but did not pay, such as water usage and ground rent. The buyer is credited for the period from the last payment due date through the date of settlement. All future bills will be the responsibility of the buyer(s).

### Summary of Seller's Transaction

#### Gross Amount Due To Seller (Credits to Seller)

- 401. Contract Sales Price**—The full purchase price as stated in the contract.
- 404-412. Adjustments for Items Paid by Seller In Advance**—The buyer reimburses the seller for taxes, special assessments, homeowner dues or other charges that the seller has paid in advance. The adjustment

is typically from the date of the settlement to the end of the fiscal period.

#### Reductions In Amount due To Seller (Costs to Seller)

- 502. Settlement Charges to Seller**— Seller's total charges, carried from page 2, line 1400.
- 503. Existing Loan(s) Taken Subject to**— On assumptions or wrap loans, the outstanding principal balance of the seller's loan which is being assumed by the buyer.
- 504-505. Payoff of First and Second Mortgages**—The costs include:  
1) Outstanding principal balance of the loan;  
2) Interest from the date of the last payment due date through the date the lender receives the payoff check; and,  
3) Attorney's release fee, if applicable. Some lenders require that a separate fee be paid directly to their attorney for preparation of the release.  
*Note:* 1) FHA payoffs may include interest through the end of the month in which the loan will be paid.  
2) Many lenders release the balance in the escrow account after the loan has been paid and satisfied. The lender will forward the escrow funds directly to the seller, usually within 30 to 45 days.
- 506. Deposit or earnest Money**—All monies deposited by the buyer in good faith, to be applied against the purchase price of the property. Typically the broker holds the Buyer's deposit; it is applied toward payment of the commission due from the seller (see line 703).
- 510-519. Adjustments for Items Unpaid by Seller**—Typically, the buyer is responsible for paying all bills received after closing. It is here that the seller reimburses the buyer for those charges he incurred but did not pay, such as water usage and ground rent. The buyer is credited for the period from the last payment due date through the date of settlement.

# Settlement Statement Guide

Sample-Page Two

File # SAMPLE9TRN	L. SETTLEMENT CHARGES	Page 2 of 2	
700. TOTAL SALES/BROKER'S COMMISSION based on price .00 @ % = 0.00		PAID FROM	PAID FROM
Division of Commission (line 700) as follows:		BORROWER'S	SELLER'S
701.		FUNDS AT	FUNDS AT
702.		SETTLEMENT	SETTLEMENT
703. Commissions paid at settlement			
704. Documentation Fees			
<b>800. ITEMS PAYABLE IN CONNECTION WITH LOAN</b>			
801. Loan Origination Fee			
802. Loan Discount			
803. Appraisal Fee			
804. Credit Report			
805. Lender's Inspection Fee			
806. Mortgage Insurance Application Fee			
807. Assumption Fee			
808.			
809.			
810.			
811.			
<b>900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE</b>			
901. Interest from to @.000/day			
902. Mortgage Insurance Premium for 12 months			
903. Hazard Insurance Premium for 1 years			
904.			
905.			
<b>1000. RESERVES DEPOSITED WITH LENDER</b>			
1001. Hazard Insurance 0 months @ \$ 0.00 per month			
1002. Mortgage Insurance 0 months @ \$ 0.00 per month			
1003. City Property Taxes 0 months @ \$ 0.00 per month			
1004. County Property Taxes 0 months @ \$ 0.00 per month			
1005. Annual Assessments 0 months @ \$ 0.00 per month			
1006. Ground Rent 0 months @ \$ 0.00 per month			
1007.			
1008. Aggregate Adjustment 0 months @ \$ 0.00 per month			
<b>1100. TITLE CHARGES</b>			
1101. Settlement or Closing Fee			
1102. Abstract or title search			
includes: Judgements, copies and processing			
1103. Title examination			
1104. Title insurance binder preparation			
1105. Document preparation			
1106. Notary fees			
1107. Attorney's fees			
includes:			
1108. Title Insurance			
includes:			
1109. Lender's coverage \$ 0.00 \$ 0.00			
1110. Owner's coverage \$ 0.00 \$ 0.00			
1111. Title Review			
1112.			
1113. Procurement of Release			
<b>1200. GOVERNMENT RECORDING AND TRANSFER CHARGES</b>			
1201. Recording fees: Deed \$ 0.00 ; Mortgage \$ 0.00			
1202. City/County Tax/Stamps: Deed \$ 0.00 ; Mortgage \$ 0.00 ; Credit Local: \$ 0.00			
1203. State Transfer Tax: \$ 0.00 City/County: \$ 0.00			
1204. Lien Certificate			
1205.			
<b>1300. ADDITIONAL SETTLEMENT CHARGES</b>			
1301. Survey			
1302. Pest Inspection			
1303.			
1304.			
1305.			
<b>1400. TOTAL SETTLEMENT CHARGES</b> ( enter on lines 103, Section J and 502, Section K )		.00	.00
<p>This settlement is subject to further adjustments between the parties. In the event of errors or omissions, parties agree that any errors or omissions shall be corrected, and the adjusted amount shall be paid by the appropriate party within 10 days of notification. Parties further agree that interest at the rate of 12% per annum shall accrue on any adjusted amount from the date of settlement, and that the party indebted for such adjusted amount shall also pay reasonable attorney's fees incurred in the collection of such debt. Borrower hereby acknowledges receipt of a copy of Truth-in-Lending Statement and mortgage instrument, and acknowledges that interest earned on settlement trust accounts is retained by the settlement agent as additional consideration for services rendered. The undersigned hereby acknowledges receipt of a copy of this settlement sheet.</p>			
<p><b>"I have carefully reviewed the HUD-1 SETTLEMENT STATEMENT and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 SETTLEMENT STATEMENT."</b></p>			
Borrower: _____		Seller: _____	
Borrower: _____		Seller: _____	
<p><b>WARNING: IT IS A CRIME TO KNOWINGLY MAKE FALSE STATEMENTS TO THE UNITED STATES ON THIS OR ANY OTHER SIMILAR FORM. PENALTIES UPON CONVICTION CAN INCLUDE A FINE AND IMPRISONMENT. FOR DETAILS SEE: TITLE 18 U.S. CODE SECTION 1001 AND SECTION 1010.</b></p>			
<p>"The HUD-1 SETTLEMENT STATEMENT which I have prepared is a true and accurate account of this transaction to the best of my knowledge, information, and belief at the time of settlement. I have caused or will cause the funds to be distributed in accordance with this statement, subject to any adjustments as hereafter determined."</p>			
SETTLEMENT AGENT: _____		DATE: _____	

# Settlement Statement Guide

## *Explanation of Page Two of Settlement Statement*

The second page of the settlement statement itemizes all settlement fees assessed to the buyer and seller. Note: any items labeled "P.O.C." (Paid Outside Closing) have been prepaid.

### Settlement Charges

#### Total Sales/Broker's Commission

##### 703. Commission Paid at Settlement–

Commission due the broker, minus any deposit the broker is holding. Lines 506 and 703 will equal the total commission due from the seller.

#### Items Payable in Connection With Loan

**801. Loan Origination Fee**–This fee, a percentage of the amount of the new loan, compensates the lender for the expense of processing the loan.

**802. Loan Discount**–These are the "points" charged by the lender to increase its yield on a loan with a below market interest rate. One point is equal to one percent of the loan amount. The number of points will vary according to market conditions. The responsibilities of buyer and seller for paying the points should be stipulated in the sales contract.

##### 803–804. Appraisal Fee and Credit Report–

These are charged to the buyer and are usually paid when the buyer applies for the loan.

**805. Lender's Inspection Fee**–This charge applies when a lender must re-inspect the property after repairs have been made. The seller typically pays this fee.

**806. Mortgage Insurance Application Fee**–No longer a customary charge.

**807. Assumption Fee**–On assumptions or wrap loans, the lender usually assesses a fee to the buyer for processing the paperwork necessary to transfer the existing loan to the new buyer.

**808. VA Funding Fee**–A loan guarantee fee charge by the Veterans Administration to the veteran buyer. This fee is typically financed with the loan.

#### Items Required By Lender to Be Paid in Advance

**901. Interest**–"Per Diem" (per day) interest on the new loan from the date of settlement to the end of the month in which the loan closes. Keep in mind that interest is paid in arrears. For example, if you close in September, the first payment, due November 1, includes interest owed for the month of October. The "per

diem" interest would cover interest due from the date of settlement through the end of September. Lender regulations determine whether payment is due at closing or on the first day of the following month.

**902. Mortgage Insurance Premium**–On an FHA loan, Buyers will be required to pay a one - time up front mortgage insurance premium in addition to the monthly mortgage insurance. This insures the lender against loss in the event of foreclosure. FHA will generally allow the buyer to finance all or most of the premium. On conventional loans, most lenders require mortgage insurance when the loan amount exceeds 80% of the purchase price. Typically, mortgage insurance is paid on a monthly basis.

##### 903. Hazard Insurance Premium–

The hazard (homeowner's) insurance premium, if not already paid, is collected at settlement. The buyer should contact the lender for specific requirements concerning policy coverage prior to settlement.

#### Reserves Deposited With Lender

##### 1001-1008. Insurance, Taxes,

**Assessments**–Funds to cover these items are collected in advance from the buyer and held by the lender in an account to pay future obligations as they become due. This is referred to as an escrow. The amounts collected at settlement depend on the number of monthly payments to be made between settlement and the date each charge is due. There is a maximum two-month cushion of taxes and insurance that a lender may require. An initial analysis of the escrow is made by the lender to verify that sufficient funds have been collected for projected payments throughout the first year of the loan and to further verify that an excess beyond the allowable two month cushion would not occur. Any additional adjustment made to the escrow account would be called an "aggregate adjustment".

# Settlement Statement Guide

## Title Charges

- 1101. Settlement or Closing Fee**—A charge for conducting the settlement.
- 1102. Abstract or Title Search (Includes judgements, copies and processing)**—This includes the fee for performing the necessary research of the land records in the jurisdiction where the property is located, in order to establish the seller's right to convey the property to the buyer.
- 1103-1111. Title Examination/Title Review**—A title examination is performed to determine if the seller has clear and marketable title to the property. The examination also discloses any matters of record that could adversely affect the buyer, the lender, or others with an interest in the property. Examples of these problems include unpaid mortgages, judgements, tax liens and open bankruptcies.
- 1104. Title Insurance Binder**—A fee for issuing title insurance commitments protecting both the lender and the buyer.
- 1105. Document Preparation**—The title company's fees for preparation of the Deed, and other related documents.
- 1106. Notary Fees**—Fee for notarization of documents, usually paid by the buyer.
- 1107. Attorney's Fees**—A fee charged for services provided over and above the customary services included in the title examination fee. These might include fees for preparation of additional documents required at closing, such as a power of attorney, subordination agreement, etc.
- 1108. Title Insurance**—This is a one-time premium, paid at settlement, protecting the buyer and the lender against other claims of ownership as a result of forgeries, recording errors, or other title problems. A policy insuring the lender is required; a second policy protecting the buyer's equity is optional but highly recommended. If a competing claim to title is found valid, the title company guarantees against loss to the extent of the purchase price of the property, if an owner's policy is purchased.

**1111. Title Review**—See Title Examination.

## 1113. Procurement of Release of

**Mortgage**—A charge to the seller for obtaining mortgage payoff figures and the release of mortgage from the lender. Any cost incurred in transmitting the payoff to the lender is normally included.

## Government Recording and Transfer Charges

**1201. Recording Fees**—Charges levied to the buyer or seller, where appropriate, for recording documents in the land records.

**1202. County Tax/Stamps**—A one-time assessment imposed by the county on property transfers and/or mortgages. Typically these are known as "documentary stamps."

**1203. Transfer Taxes**—A one-time assessment by the state and most counties on the transfer of property. Qualified first time homebuyers in the State of Maryland are exempt from paying state transfer tax. *Note:* The cost of items in lines 1202-1203 vary from county to county. Local custom or contract provisions will dictate whether buyer or seller will pay these charges.

**1204. Lien Certificate**—A statement issued by the local taxing authority disclosing the status of the taxes.

## Additional Settlement Charges

**1301. Survey**—A house location drawing which locates the improvements on the lot. Among other things, this survey will disclose encroachments or violations of setback lines.

**1302. Pest Inspection**—A certificate issued by a licensed pest inspection company. The contract will specify whether buyer or seller pays the charge.