

**L. Settlement Charges**

700. Total Real Estate Broker Fees				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :					
701. \$ 5,680.00	to	Listing Broker - the seller's agent			
702. \$ 5,680.00	to	Selling broker - the buyer's agent			
703. Commission paid at settlement					
704. UNDER MOST CIRCUMSTANCES, THE SELLER PAYS THE ENTIRE COMMISSION					\$11,360.00
800. Items Payable in Connection with Loan					
801. Our origination charge	FEE TO LENDER	\$ 1,500.00	(from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen		\$	(from GFE #2)		
803. Your adjusted origination charges			(from GFE #A)	\$1,500.00	
804. Appraisal fee to	APPRAISER WHO WAS ASSIGNED TO YOUR LOAN		(from GFE #3)	\$400.00	
805. Credit report to	NONE CHARGED HERE, IS USUALLY PAID TO LENDER		(from GFE #3)		
806. Tax service to			(from GFE #3)		
807. Flood certification to	LENDER - THIS IS A REQUIRED FEE		(from GFE #3)	\$12.00	
808.					
809.					
810.					
811.					
900. Items Required by Lender to be Paid in Advance					
901. Daily interest charges from 2/12/2010 to 3/1/210	@ \$ 36.76 /day		(from GFE #10)	\$624.99	
902. Mortgage insurance premium for	months to		(from GFE #3)		
903. Homeowner's insurance for	1 years to YOUR INSURANCE AGENCY		(from GFE #11)	\$684.00	
904.					
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account			(from GFE #9)	\$2,021.42	
1002. Homeowner's insurance	2 months @ \$ 57.00	per month \$ 114.00			
1003. Mortgage insurance	months @ \$	per month \$			
1004. Property Taxes	4 months @ \$ 494.09	per month \$ 1,936.60			
1005.	months @ \$	per month \$			
1006.	months @ \$	per month \$			
1007. Aggregate Adjustment		-\$ -28.94			
1100. Title Charges					
1101. Title services and lender's title insurance			(from GFE #4)	\$225.00	
1102. Settlement or closing fee	Paid to the title insurance company	\$ 95.00			\$95.00
1103. Owner's title insurance	A seller's cost -will be credited back to buyer		(from GFE #5)	\$1,711.50	
1104. Lender's title insurance	Included in line 1101 above - a buyer's cost	\$ 125.00			
1105. Lender's title policy limit	\$ 198,000.00				
1106. Owner's title policy limit	\$ 284,000.00				
1107. Agent's portion of the total title insurance premium to	Local title company	\$ 1,561.02			
1108. Underwriter's portion of the total title insurance premium to	Underwriting title company	\$ 275.48			
1109. Guaranty fee and tax certificate	to title company				\$15.00
1110. Courier fee to title company					\$7.14
1111. Attorney fee - an optional expense for attorney to review documents					\$200.00
1200. Government Recording and Transfer Charges					
1201. Government recording charges			(from GFE #7)	\$60.00	
1202. Deed \$ 24.00	Mortgage \$ 36.00	Release \$ 20.00			\$20.00
1203. Transfer taxes			(from GFE #8)		
1204. City/County tax/stamps	Deed \$	Mortgage \$			
1205. State tax/stamps	Deed \$	Mortgage \$			
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for			(from GFE #6)	\$487.13	
1302. Survey - Surveyor chosen by buyer		\$ 487.13			
1303.		\$			
1304. 2010 Homeowner's Association Dues - split to reflect buyer's and seller's days of ownership				\$87.66	\$12.34
1305.					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				\$7,813.70	\$11,709.48

## Page 2 of the HUD-1 Statement

To bring you this illustration, we have copied the numbers used in an actual closing on February 12, 2010. This was a loan with a 30% down payment, so there are no fees for [mortgage insurance](#).

Most of this page is self-explanatory, and we have inserted notes as well, but just to recap:

Lines 700-704 outline the commission paid to the real estate brokerages. This is almost always a seller cost, but as with all things, is negotiable.

Lines 800-811 deal with the buyer's loan fees. 801 shows the standard origination fee charged by the lender, while 802 is for any fee the borrower might pay the bank in order to "buy down" the interest rate on the loan.

This "buy down" is known as points, with one point being equal to 1% of the loan amount. Each point paid can reduce the long term interest rate by 1/8 to 1/2 of one percent, depending upon the lender.

When interest rates were high, buyers often paid as much as 3 or 4 points in order to obtain a lower long-term interest rate. Points are not common with today's low interest rates.

Line 803 combines the origination fee and the points.

Line 804 lists the appraisal fee. The appraisal is required by the bank to verify that the house is worth at least the amount of the new loan. Flood certification on line 807 is also required, to assure the bank that the house is not in a flood zone. If it is, the buyer will be required to purchase flood insurance. Line 805, the credit report fee, is usually a separate fee, but in this instance has probably been included in the origination fee.

Section 900 – Items required to be paid in advance include the first year's homeowner's insurance, which is paid to the buyer's insurance company, mortgage insurance (if the buyer is purchasing with less than 20% down payment), and pre-paid interest.

The pre-paid interest covers the days between closing and the first day of the next month. This charge is required because mortgage payments are always due on the first day of each month, and your first payment will not be due until the first of 2<sup>nd</sup> month following closing, when your payment will include the interest for the previous month. For instance, if you close on February 12, your first payment will not be due until April 1, and it will include the interest on your loan for March.

Banks are not allowed to charge more than 31 days interest in any one month, so they require interest for February (the partial month) to be paid in advance.

Section 1000 – Reserves Deposited with Lender are taxes and insurance funds that will go into an escrow account and held by the bank for the buyer’s benefit. Tax and insurance bills will be sent to the bank and the bank will pay them from this escrow account. The “aggregate adjustment” is an accounting adjustment to keep lenders in compliance with the law.

Because lenders are not allowed to hold more than 14 months (1 year plus a cushion of 2 months) of taxes and insurance in escrow, they must calculate to the day how much they can collect at closing in order to allow for the cushion of 2 months and still have 1 full year’s taxes and insurance available in escrow when those bills come due.

The aggregate adjustment amount will always be either a zero or a negative amount and it will be deducted from the initial reserves that borrowers must deposit with the lender at closing.

Lines 1100 through 1111 cover title insurance and miscellaneous fees charged in connection with the loan closing.

As a rule of thumb, the seller pays for the owner’s title policy and the buyer pays to extend that policy to cover the lender. However, this is a negotiable item and the person responsible for paying is determined during the negotiation phase of the contract.

Title insurance is always a required fee as it provides the proof that the seller owns the property free and clear except for items being paid off through his or her funds at closing. The closer will take responsibility for dispersing the funds to pay off those encumbrances.

The title policy guards against everything from forged signatures to typographical errors that might have been made in a legal description, to a lost deed that gave someone else title long before the current seller owned the property.

This example shows the owner’s title policy in the buyer’s costs column – so it is included in the settlement charges on line 103, buyer’s settlement charges. Notice that it is credited back to the buyer on line 208 and charged to the seller on line 508.

In this example, the title company is closing the sale and is charging a fee to complete the paperwork and notarize the signing of the documents. This could instead be done by an attorney. Also in this example, you’ll see a fee to an attorney – this was probably for going over all the documents prior to closing, as was probably requested by the seller, since the fee is charged on the seller’s side.

Line 1202 shows the fees for recording the loan documents. The deed and the mortgage are recorded for the buyer’s benefit and are charged to the buyer. The release is a seller’s cost because it records the fact that his or her mortgage loan has been paid off

and released from the lender. Tax stamps and transfer taxes are not charged in Texas at this time.

Additional Settlement charges include the survey, and could include items such as a home inspection or a home warranty. In our example this section also includes dues to a homeowner's association. The seller is charged for the number of days he owned the home, while the buyer is charged for the remainder of the year.

The bottom line - #1400 is the number that is transferred to page 1 and is the sum of all the items in each column. The buyer's costs are on line 103, while the seller's costs are on line 502.

These figures probably will not match those on the Good Faith Estimate you were given by your lender, because the various fees are broken up in different ways from one form to the other. If you have any questions, please don't hesitate to call. We'll be happy to help clear up the confusion.