



# The HUD I Settlement Statement Explained

For every federally related mortgage transaction, a HUD-1 Form must be filed. The HUD-1 Form lists a complete accounting of the purchase transactions. The HUD-1 Settlement Statement is the financial picture of the closing. All money flowing into and out of settlement appears on the form. "Buyers" are referred to as "borrowers" on this form even though it may be used when there is no loan involved, such as in a cash transaction. For our purposes, we will refer simply to "buyers" and "sellers."

The Escrow officer is responsible for preparing the HUD-1 and closing the transaction in accordance with several documents. The Purchase and Sales agreement or escrow instructions is the written agreement between buyer and seller which shows the purchase price of the home as well as the "who-pays-what" information relating to closing costs. The Loan Closing Instructions, provided by the Lender, show all loan-related costs.

Recall that the preliminary title commitment reflects any existing mortgages or judgment liens that must be satisfied or paid off at time of closing.

It is the responsibility of the escrow officer to see that all charges on the HUD-1 are substantiated in writing and to see that all deposits and disbursements are made in accordance with the HUD-1. Let's review the HUD-1 Settlement Statement section by section.

Sections A-I: The top portion shows the parties to the transaction are: Buyers, Sellers, Lender and Escrow Company, the property address, and closing date.

Sections J and K: The bottom portion of page 1 is divided into two columns: Section J for Buyers and Section K for Sellers

J-Scans Sections 100-300: Section J is further broken down into the Buyer's debits (section 100), credits (section 200) and totals (section 300).

Section 100 Buyer Debits: Section 100 shows what the Buyer owes, such as the purchase price of the home.

Line 103: Line 103 reflects the settlement charges paid by the Buyer, which are itemized on Page 2 and carried over from Line 1400.

Line 120: Line 120 is the total of what the Buyer owes.

Section 200 Buyer Credits: Section 200 shows what credits the Buyer has, such as the loan amount, the deposit made by the Buyer and any money owed to the Buyer by the Seller at time of closing, like prorations for taxes and insurance.

Section 300: Section 300 carries the totals down to the bottom of the page. Line 301 is the same as Line 120. Line 302 is the same as Line 220. Line 303 is the total "cash" due from the Buyer at closing.

Line 303: Generally, the buyer is asked to bring a cashier's check or other certified funds for this amount to closing.

Sections J and K: Section K reflects the credits, debits and totals of the Seller and is broken down into Sections 400, 500 and 600.

Section 400 Seller Credits: Section 400 reflects the credits due the Seller at closing, like the sales price of the home.

Line 420: Line 420 shows the total credits due to the Seller at closing.

Section 500 Sellers Credits: Section 500 reflects the charges or debits of the Seller. Examples include the settlement charges paid by the Seller (Line 502), payoffs of existing loans and prorations of items such as taxes and assessments to be credited to the Buyer at closing.

Line 520: Line 520 shows the total debits due from the Seller at closing.

Section 600: Section 600 carries the totals down to the bottom of the form. Line 601 is the same as Line 420. Line 602 is the same as Line 520.

Line 603: Line 603 is the “cash” due to the Seller at closing.

Section L - Highlighted: Page 2 of the settlement statement Buyer/Seller Columns contains Section L, “Settlement Charges,” with separate Buyer and Seller columns. Section L is further divided into Sections 700 through 1300, ending with Line 1400.

Line 700: Section 700 reflects the amount of commission to be paid to the real estate agents.

Section 800: Section 800 discloses loan-related charges such as origination fees and discount points.

“POC” Example: Any fee the Lender requires to be paid “up front” (at time of loan application), such as a credit report fee, will be shown on the HUD-1 with the notation “POC” for “Paid Outside Closing”.

Section 900 Prepaids: Section 900 reflects any prepaid items the Lender requires be paid in advance, such as preliminary interest on the new loan or the first year’s hazard insurance premium.

Section 1000 Escrows: Section 1000 reflects escrow items, such as deposits for taxes and insurance, which the Lender collects and holds for payment of future bills.

Section 1100 Title: Section 1100 reflects title insurance policy charges payable to the title company. Such fees may include an escrow or closing fee, and title insurance premiums.

Section 1200 Recording: Section 1200 reflects county and/or state document recording fees like the warranty deed and deed of trust.

Section 1300 (Additional): Section 1300 reflects any additional settlement charges, such as a survey or pest inspection fees.

Line 1400: Line 1400 reflects the total of charges for the Buyer and the Seller.

Line 1400 carried to Buyer 103: The total due from the Buyer is carried over to Page 1, Line 103.

Line 1400 carried to Seller 502: The total due from the Seller is carried over to Page 1, Line 502.

Once the consumer is satisfied that the information shown on the HUD-1 Settlement Statement is complete and accurate, the consumer will be asked to sign the statement, indicating approval for the disbursement of funds in connection with the transaction. The escrow officer will also sign the HUD-1, certifying that the information shown is accurate and that disbursement of the funds will be made in accordance with the Statement.

A blank HUD I Settlement Statement is included

Notes: