

## **Understanding the Settlement Statement**

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

An [Article](#) by Your Guide, [Janet Wickell](#)

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. They are normally marked "POC," for Paid Outside of Closing.

The actual statement looks a little different than the examples you'll see here, but that's just a matter of cosmetics. All categories are the same. If you prefer, download a [PDF copy](#) of the actual HUD-1, print it out, and follow along with the text.

## **HUD-1 FAQs**

### **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 live it's used for nearly all transactions that involve a buyer and seller, even cash closings.

### **When Will I See the HUD-1?**

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. You could request a delay, but most buyers and sellers simply take the time to 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 doesn't make mistakes. It happens. 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.

If it looks like your HUD-1 will be delayed, ask the settlement agent for a partially completed statement the day before closing.

### **Sections A through I**

Here's where you'll find information regarding what type of loan the buyer is obtaining, the lender's name and address, information about the settlement agent, the settlement date and the property location.

A. US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SETTLEMENT STATEMENT				
B. TYPE OF LOAN			6. File Number	7. Loan Number
	1. _ FHA	2. _ FmHA		
3. _ CONW UNINS.	4. _ VA	5. - CONW INS.	8. Mortgage Insurance Case Number	
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 of closing; they are shown here for informational purposes and are not included in the totals.				
D. NAME AND ADDRESS OF BORROWER		E. NAME AND ADDRESS OF SELLER		F. NAME AND ADDRESS OF LENDER
G. PROPERTY LOCATION		H. SETTLEMENT AGENT: NAME AND ADDRESS		
		PLACE OF SETTLEMENT	I. SETTLEMENT DATE	

### Section L, Settlement Charges

If you downloaded the HUD-1, flip to Section L on page 2. That's where many entries are tabulated before being brought forward to page 1. Both 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.

L. SETTLEMENT CHARGES		
700. TOTAL SALES/BROKER'S COMMISSION based on price \$ _____ @ ___ % = _____	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of Commission (line 700) as follows:		
701. \$___ to		
702. \$___ to		
703. Commission paid at Settlement		
704.		

### Settlement Charges

### Section 800 - Items Payable in Connection with Loan

The entries on these lines are most often paid from the buyer's funds. 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 for appraisal fees. You may have paid that fee when you applied for the loan. If so, it should be marked "POC."
- 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.

<b>800. ITEMS PAYABLE IN CONNECTION WITH LOAN</b>		
<b>801. Loan Origination Fee ___%</b>		
<b>802. Loan Discount ___%</b>		
<b>803. Appraisal Fee to _____</b>		
<b>804. Credit Report to _____</b>		
<b>805. Lender's Inspection Fee</b>		
<b>806. Mortgage Insurance Application Fee to</b>		
<b>807. Assumption Fee</b>		
<b>808.</b>		
<b>809.</b>		
<b>810.</b>		
<b>811.</b>		

**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 that might be collected by the lender, such as flood insurance, mortgage life insurance, credit life insurance and disability insurance premiums.

<b>900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE</b>		
<b>901. Interest from ___ to ___ @ \$___ /day</b>		
<b>902. Mortgage Insurance Premium for months to</b>		
<b>903. Hazard Insurance Premium for years to</b>		
<b>904. years to</b>		
<b>905.</b>		

**Section 1000 Reserves Deposited with Lender**

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

- The borrower paid current charges for these 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 monthly mortgage payment includes an amount for all or a portion of these recurring expenses, building the escrow account a little at a time to ensure that funds are available to pay invoices when they become due.
- 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.

<b>1000. RESERVES DEPOSITED WITH LENDER</b>		
<b>1001. Hazard Insurance months @ \$/mo.</b>		
<b>1002. Mortgage Insurance months @ \$/mo.</b>		
<b>1003. City Property Taxes months @ \$/mo.</b>		
<b>1004. County Property Taxes months @ \$/mo.</b>		
<b>1005. Annual Assessments months @ \$/mo.</b>		
<b>1006. Months @ \$/mo.</b>		
<b>1007. Months @ \$/mo.</b>		
<b>1008. Aggregate Adjustment months @ \$/mo.</b>		

## **Section 1100 - Title Charges**

Here's where you'll find title charges and charges made by attorneys. 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 the attorney's fees for the transaction.
- Line 1108 is the total charge for 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, since adding all three would be a duplication.)
- 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.

<b>1100. TITLE CHARGES</b>		
<b>1101. Settlement or closing fee to _____</b>		
<b>1102. Abstract or Title Search to _____</b>		
<b>1103. Title Examination to _____</b>		
<b>1104. Title Insurance Binder to _____</b>		
<b>1105. Document Preparation to _____</b>		
<b>1106. Notary fees to _____</b>		
<b>1107. Attorney's fees to _____</b>		
<b>(includes above items numbers )</b>		
<b>1108. Title Insurance to _____</b>		
<b>(includes above items numbers )</b>		
<b>1109. Lender's Coverage \$_____</b>		
<b>1110. Owner's Coverage \$_____</b>		
<b>1111.</b>		
<b>1112.</b>		
<b>1113.</b>		

**Section 1200 - Government Recording and Transfer Charges**

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

<b>1200. GOVERNMENT RECORDING AND TRANSFER CHARGES</b>		
<b>1201. Recording Fees: Deed \$; Mortgage \$; Releases \$</b>		
<b>1202. City/County tax/Stamps: Deed \$; Mortgage \$</b>		
<b>1203. State tax/stamps: Deed \$; Mortgage \$</b>		
<b>1204.</b>		
<b>1205.</b>		

**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 providing 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.

<b>1300. ADDITIONAL SETTLEMENT CHARGES</b>		
<b>1301. Survey to _____</b>		
<b>1302. Pest Inspection to _____</b>		
<b>1303.</b>		
<b>1304.</b>		
<b>1305.</b>		
<b>1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)</b>		

## The Borrower's Summary

### 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 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 a prorated portion of county taxes, since the seller paid an annual bill but will not own the property during that entire year.
- Line 120 is the gross amount due from borrower. It is the total of Lines 101 through 112.

<b>J. SUMMARY OF BORROWER'S TRANSACTION</b>	
<b>100. GROSS AMOUNT DUE FROM BORROWER</b>	
<b>101. Contract Sales Price</b>	
<b>102. Personal Property</b>	
<b>103. Settlement Charges to borrower (line 1400)</b>	
<b>104.</b>	
<b>105.</b>	
<b>Adjustments for items paid by seller in advance</b>	
<b>106. City/town taxes to __</b>	
<b>107. County taxes to __</b>	
<b>108. Assessments to __</b>	
<b>109.</b>	
<b>110.</b>	
<b>111.</b>	
<b>112.</b>	
<b>120. GROSS AMOUNT DUE FROM BORROWER</b>	

#### Section 200, Amounts Paid By or In Behalf of Borrower

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

<b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:</b>	
<b>201. Deposit of earnest money</b>	
<b>202. Principal amount of new loan(s)</b>	
<b>203. Existing loan(s) taken subject to</b>	
<b>204. thru 209 are blank lines</b>	
<b>Adjustments for items unpaid by seller</b>	
<b>210. City/ town taxes to __</b>	
<b>211. County taxes to __</b>	
<b>212. Assessments to __</b>	
<b>213. thru 219 are blank lines</b>	
<b>220. TOTAL PAID BY/FOR BORROWER</b>	

- 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.

<b>300. CASH AT SETTLEMENT FROM/TO BORROWER</b>	
<b>301. Gross amount due from borrower (line 120)</b>	
<b>302. Less amounts paid by/for borrower (line 220)</b>	
<b>303. CASH ( _ FROM) ( _ TO) BORROWER</b>	

## **The Seller's Summary**

## 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.

K. SUMMARY OF SELLER'S TRANSACTION	
<b>400. GROSS AMOUNT DUE TO SELLER</b>	
<b>401. Contract Sales Price</b>	
<b>402. Personal Property</b>	
<b>403.</b>	
<b>404.</b>	
<b>405.</b>	
<b>Adjustments for items paid by seller in advance</b>	
<b>406. City/town taxes to __</b>	
<b>407. County taxes to __</b>	
<b>408. Assessments to __</b>	
<b>409.</b>	
<b>410.</b>	
<b>411.</b>	
<b>412.</b>	
<b>420. GROSS AMOUNT DUE TO SELLER</b>	

- Line 500. REDUCTIONS IN AMOUNT DUE TO SELLER

### Section L, Reductions in Amount Due to Seller

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

<b>501. Excess deposit</b>	
<b>502. Settlement charges to seller (line 1400)</b>	
<b>503. Existing loan(s) taken subject to</b>	
<b>504. Payoff of first mortgage loan</b>	
<b>505. Payoff of second mortgage loan</b>	
<b>506. thru 509. are blank lines</b>	
<b>Adjustments for items unpaid by seller</b>	
<b>510. City/town taxes to __</b>	
<b>511. County taxes to __</b>	
<b>512. Assessments to __</b>	
<b>513. thru 519. are blank lines</b>	
<b>520. TOTAL REDUCTION AMOUNT DUE SELLER</b>	

- 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 much 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**

- Lines 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. It is 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.

<b>600. CASH AT SETTLEMENT TO/FROM SELLER</b>	
<b>601. Gross amount due to seller(line 420)</b>	
<b>602. Less reductions in amount due seller (line 520)</b>	
<b>603. CASH ( __ TO) ( __ FROM) SELLER</b>	

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.