

EXPLANATION OF SETTLEMENT CHARGES

The Settlement Statement that you receive at closing is a summary of the costs associated with your real estate transaction. The Settlement Statement is divided into sections and the amounts are broken down by Borrower and Seller. Below is a brief explanation of what you might see on a Settlement Statement, with the second page being explained first to assist in understanding the document as a whole (like many things in life, it makes more sense if you go backwards).

THE SECOND PAGE - CHARGES:

The charges to the Borrower and Seller are set out on the second page of the Settlement Statement, in sections 700 through 1300. The second page of the Settlement Statement is divided into three columns. The larger column on the left shows an explanation of the charge, and the smaller columns to the right show the dollar amount being charged to each party, with the Borrower showing on the left and the Seller on the right. Each section shows specific types of charges.

700. Total Sales/Broker's Commission based on price \$		
Division of Commission (line 700) as follows:		
701. \$	to	
702. \$	to	
703. Commission paid at Settlement		
704.		

Section 700 shows the real estate commissions being paid as part of the transactions.

Section 800 shows fees being charged by the lender or mortgage broker involved in the transaction, and by other parties who have provided services necessary to the loan approval process, such as appraisers. In addition to fees being charged directly to the Borrower or Seller at closing, there may appear in the explanation column a summary of payments made outside of the closing (such as an appraisal fee that was paid prior to closing).

800. Items Payable In Connection With Loan		
801. Loan Origination Fee		%
802. Loan Discount		%
803. Appraisal Fee		to
804. Credit Report		to
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808.		
809.		
810.		
811.		

900. Items Required By Lender To Be Paid In Advance		
901. Interest from	to	@ \$
902. Mortgage Insurance Premium for		
903. Hazard Insurance Premium for		
904.		
905.		

Section 900 contains items that are required by the lender to be prepaid, such as interest and insurance. Lender's typically collect interest from the date of closing until the 1st day of the following month (prepaid interest). Your payments would then begin one month later (for example, if you close on January 15th, the lender will collect interest through February 1st, and your first payment would be due on March 1st). Lender's also typically require that hazard insurance, and flood insurance (if required), be paid up for one full year.

Section 1000 contains amounts necessary to establish an impound account for the payment of taxes and/or insurance. Your lender may require, or you may choose, that your monthly payments include additional funds to be used for the payment of hazard insurance premiums and property taxes when they are due. This is commonly referred to as an impound or escrow account.

1000. Reserves Deposited With Lender	
1001. Hazard insurance	months@\$
1002. Mortgage insurance	months@\$
1003. City property taxes	months@\$
1004. County property taxes	months@\$
1005. Annual assessments	months@\$
1006.	months@\$
1007.	months@\$
1008.	months@\$

If an impound account is established, the lender will collect an amount equal to one-twelfth of the amount due for taxes and insurance as part of your monthly payment. Depending on what month your closing takes place, the lender will need to collect a sufficient amount at closing to make sure that there are enough funds on hand to pay the bill when it comes due. Your insurance bill will typically be due one year after the day of closing, but because you may not make a payment for the two months after closing (based on prepaid interest as discussed above), your lender may require you to put 3 months worth of insurance in your impound account at closing. Additionally, because tax bills are due at the same time each year, regardless of when you close, your lender will require you to put a sufficient number of months worth of taxes in your impound account so that, when added to the amount collected in your monthly payment, there is enough money to pay the bill in December. This means that if you close in January, your lender may only collect 3 months worth of taxes, but if you close in August they may collect 10 months worth of taxes.

1100. Title Charges	
1101. Settlement or closing fee	to
1102. Abstract or title search	to
1103. Title examination	to
1104. Title insurance binder	to
1105. Document preparation	to
1106. Notary fees	to
1107. Attorney's fees	to
(includes above items numbers:	
1108. Title insurance	to
(includes above items numbers:	
1109. Lender's coverage	\$

Section 1100 reflects charges associated with your title policy and the signing of your documents and funding of your transaction. These include the escrow fee charged by your closing agent, any charges for the preparation of the documents being used in the transaction, the premium for the title insurance policies for both the new owner and the lender and other incidental fees such as courier services, tax certificates, and any State required fees.

Section 1200 shows fees required to record the documents used in your transaction.

1200. Government Recording and Transfer Charges	
1201. Recording fees: Deed \$; Mortgage \$
1202. City/county tax/stamps: Deed \$; Mortgag
1203. State tax/stamps: Deed \$; Mortgag
1204.	
1205.	

1300. Additional Settlement Charges	
1301. Survey	to
1302. Pest inspection to	
1303.	
1304.	
1305.	
1400. Total Settlement Charges (enter on lines 103, Section	

Section 1300 shows miscellaneous charges that are being paid to third parties. Charges in this section include Surveys, Home Owner's Association Assessments and Fees, Pest Inspections, Home Warranties, and taxes that are currently due against your property.

THE FIRST PAGE – SUMMARY:

The first page of the Settlement Statement shows a summary of the transaction as a whole. The top portion contains information used to identify the transaction by each party. For instance, it has the Borrower’s and Seller’s names, the property location, the name of the lender and loan number, the name of the closing agent and their escrow number. The lower portion of the first page is divided into four quadrants. The two on the left are for the Borrower and the two on the right for the Seller.

The upper left quadrant (Gross Amount Due From Borrower) shows items that are being charged to the Borrower, such as the sales price in a sale transaction or the payoff of any existing loan in a refinance transaction. Line 103 also contains the settlement charges that were totaled from the second page (line 1400). You may also see prorated amounts for taxes or assessments that have been paid in advance by the seller (this shows as a charge to the Borrower and a credit for the same will show on the Seller’s upper quadrant). The gross amount due from the Borrower are shown on line 120.

100. Gross Amount Due From Borrower		
101.	Contract sales price	
102.	Personal property	
103.	Settlement charges to borrower (line 1400)	
104.		
105.		
Adjustments for items paid by seller in advance		
106.	City/town taxes	to
107.	County taxes	to
108.	Assessments	to
109.		
110.		
111.		
112.		
120. Gross Amount Due From Borrower		

200. Amounts Paid By Or In Behalf Of Borrower		
201.	Deposit or earnest money	
202.	Principal amount of new loan(s)	
203.	Existing loan(s) taken subject to	
204.		
205.		
206.		
207.		
208.		
209.		
Adjustments for items unpaid by seller		
210.	City/town taxes	to
211.	County taxes	to
212.	Assessments	to
213.		
214.		
215.		
216.		
217.		
218.		
219.		
220. Total Paid By/For Borrower		

The lower left quadrant shows amounts being credited to the Borrower, such as any earnest money, any option fee paid to the Seller, the amount of any loan the Borrower is getting and prorated amounts for taxes or assessments that have not yet been paid by the Seller. Taxes in Texas are paid at the end of the year, so taxes assessed against a property for 2007 will be due by January 31, 2008. Because the Seller is selling the property during the year, rather than waiting until the tax bill comes out and trying to find the Seller to get the amount due for the part of the year he owned the property, the Borrower is given a credit at closing for taxes that accrued from the first of the year until the date of closing. The Borrower is then responsible for paying the bill for the entire year when it comes due. A corresponding charge will show in the Seller’s lower quadrant. The total credits to the borrower are shown on line 220.

The upper right quadrant (Gross Amount Due To Seller) reflects monies that are being credited to the Seller, such as the sales price. You may also see prorated amounts for taxes or assessments that have been paid in advance by the seller (this shows as a credit to the Seller and a charge for the same will show on the Borrower's upper quadrant). The gross amount due to the Seller is totaled on line 420.

400. Gross Amount Due To Seller	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/town taxes	to
407. County taxes	to
408. Assessments	to
409.	
410.	
411.	
412.	
420. Gross Amount Due To Seller	

500. Reductions In Amount Due To Seller	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes	to
511. County taxes	to
512. Assessments	to
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. Total Reduction Amount Due Seller	

The lower right quadrant shows amounts charged to the seller, such as any option fee paid prior to closing, the payoff on any existing loan, the total Seller's settlement charges from the second page line 1400, and prorated amounts for items that are accruing but have not been paid by the Seller, such as taxes. Taxes in Texas are paid at the end of the year, so taxes assessed against a property for 2007 will be due by January 31, 2008. Because the Seller is selling the property during the year, rather than waiting until the tax bill comes out and trying to find the Seller to get the amount due for the part of the year he owned the property, the Seller's proceeds are reduced at closing for taxes that accrued from the first of the year until the date of closing. The Borrower is then responsible for paying the bill for the entire year when it comes due. A corresponding credit will show in the Borrower's lower quadrant. The total reductions in the Seller's proceeds show on line 520.

The bottom line for both the Borrower and Seller show at the bottom of the first page (line 303 for the Borrower and line 603 for the Seller). This number is calculated by subtracting the lower quadrant for that party from the upper quadrant for that party. If money is required from either party in excess of \$500.00, that money must be brought to closing in the form of a Certified or Cashier's Check, unless other arrangements are made with your closer prior to closing.

300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	
303. Cash	<input type="checkbox"/> From <input type="checkbox"/> To Borrower	603. Cash	<input type="checkbox"/> To <input type="checkbox"/> From Seller

A. Settlement Statement

**U.S. Department of Housing
and Urban Development**

OMB Approval No. 2502-0265
(expires 11/30/2009)

B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

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.

D. Name & Address of Borrower:	E. Name & Address of Seller:	F. Name & Address of Lender:

G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due From Borrower		400. Gross Amount Due To Seller	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes	to	406. City/town taxes	to
107. County taxes	to	407. County taxes	to
108. Assessments	to	408. Assessments	to
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		420. Gross Amount Due To Seller	
200. Amounts Paid By Or In Behalf Of Borrower		500. Reductions In Amount Due To Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes	to	510. City/town taxes	to
211. County taxes	to	511. County taxes	to
212. Assessments	to	512. Assessments	to
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		520. Total Reduction Amount Due Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt. due seller (line 520)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

Section 5 of the Real Estate Settlement Procedures Act (RESPA) requires the following: • HUD must develop a Special Information Booklet to help persons borrowing money to finance the purchase of residential real estate to better understand the nature and costs of real estate settlement services; • Each lender must provide the booklet to all applicants from whom it receives or for whom it prepares a written application to borrow money to finance the purchase of residential real estate; • Lenders must prepare and distribute with the Booklet a Good Faith Estimate of the settlement costs that the borrower is likely to incur in connection with the settlement. These disclosures are mandatory.

Section 4(a) of RESPA mandates that HUD develop and prescribe this standard form to be used at the time of loan settlement to provide full disclosure of all charges imposed upon the borrower and seller. These are third party disclosures that are designed to provide the borrower with pertinent information during the settlement process in order to be a better shopper.

The Public Reporting Burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

The information requested does not lend itself to confidentiality.

L. Settlement Charges

700. Total Sales/Broker's Commission based on price \$	@	% =		
Division of Commission (line 700) as follows:				
701. \$	to		Paid From Borrowers Funds at Settlement	Paid From Sellers Funds at Settlement
702. \$	to			
703. Commission paid at Settlement				
704.				
800. Items Payable In Connection With Loan				
801. Loan Origination Fee		%		
802. Loan Discount		%		
803. Appraisal Fee		to		
804. Credit Report		to		
805. Lender's Inspection Fee				
806. Mortgage Insurance Application Fee to				
807. Assumption Fee				
808.				
809.				
810.				
811.				
900. Items Required By Lender To Be Paid In Advance				
901. Interest from	to	@ \$	/day	
902. Mortgage Insurance Premium for			months to	
903. Hazard Insurance Premium for			years to	
904.			years to	
905.				
1000. Reserves Deposited With Lender				
1001. Hazard insurance	months @ \$		per month	
1002. Mortgage insurance	months @ \$		per month	
1003. City property taxes	months @ \$		per month	
1004. County property taxes	months @ \$		per month	
1005. Annual assessments	months @ \$		per month	
1006.	months @ \$		per month	
1007.	months @ \$		per month	
1008.	months @ \$		per month	
1100. Title Charges				
1101. Settlement or closing fee	to			
1102. Abstract or title search	to			
1103. Title examination	to			
1104. Title insurance binder	to			
1105. Document preparation	to			
1106. Notary fees	to			
1107. Attorney's fees	to			
(includes above items numbers:)	
1108. Title insurance	to			
(includes above items numbers:)	
1109. Lender's coverage	\$			
1110. Owner's coverage	\$			
1111.				
1112.				
1113.				
1200. Government Recording and Transfer Charges				
1201. Recording fees: Deed \$; Mortgage \$; Releases \$
1202. City/county tax/stamps: Deed \$; Mortgage \$		
1203. State tax/stamps: Deed \$; Mortgage \$		
1204.				
1205.				
1300. Additional Settlement Charges				
1301. Survey	to			
1302. Pest inspection to				
1303.				
1304.				
1305.				
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)				