

## **Section L: The Second Page of the HUD-1**

Section L appears on and is comprised of the second page of the HUD-1. The two columns reflect the settlement charges to both the Borrower(s) and Seller(s). The following is a summary of what should appear in this Section:

### **The 700s: Total Sales/Broker's Commission**

Line 700: This line should reflect a calculation of the commission to be paid.

Line 701-702: This line must show the appropriate division of the total commission paid in the transaction and the corresponding payees. Please note that the payment of the commission should always be made to the actual Broker in the transaction and not the real estate agent.

Line 703: Commission Paid At Settlement; this line must reflect the commission charged to the Seller(s).

Line 704: This line should reflect any other commission earned by and paid to the Broker. This line may include a processing fee or an administration fee. It is permissible to add additional lines to the 700 series if it is needed for settlement.

### **The 800s: Items Payable in Connection with the Loan**

Line 801-811: These lines should reflect the lender charges associated with each loan. Those lines that already display the purpose of the charge (i.e. Loan Origination Fee or Loan Discount Fee) should reflect fees collected for each specific purpose. Since the inception of the Final rule on January 1, 2010, most of the HUD-1 lines indicate a GFE Box # to make it easier for the borrower to compare the HUD-1 to the Good Faith Estimate at settlement. Line 801 includes the Origination Charge from GFE Box #1 and includes all of the lender's fees except for what is listed in the remainder of the 800 series, which are third-party fees. Line 802 includes the discount points (if any) that have been paid. Both Lines 801 and 802 are listed OUTSIDE of the borrower/seller columns. They are added together and the total will appear on Line 803 in the borrower column, under "Your adjusted origination charges" from GFA A.

Lines 804-808: These lines should reflect third party fees being charged by the lender. Each line item is named, i.e. Appraisal fee, Credit Report and so on. Each line item will reference the Good Faith Estimate Box # to aid the borrower and comparing the two forms. If the Appraisal Fee, for example was paid outside of closing, then showing that amount with (POC) next to it will still suffice.

Line 804: Appraisal Fee. If the appraisal was paid for prior to closing, note by placing the amount and designation of POC on this line.

Line 805: Credit Report

Line 806: Tax Service Fee

Line 807: Flood Certification

### **The 900s: Items Required by Lender to be Paid in Advance**

Line 901: Interest; this line must reflect the amount of interim interest collected at the time of settlement, or in some refinance instances, the amount of the interest credit. Usually, interest is charged from the day of closing until the end of the month.

Line 902: Mortgage Insurance Premium; any mortgage insurance premium, other than the monthly escrows charged at the time of settlement, must appear on this line. This not only applies to FHA and VA loans, it also applies to any conventional loan which carries mortgage insurance.

Line 903: First year of Hazard/Homeowner's Insurance that is paid in order for closing to take place is placed here. This item is usually a POC item because most insurance companies will not issue insurance without having the payment.

Lines 904: Other pre-paid items Example: Flood Insurance Premium, Earthquake Insurance Premium

### **The 1000s: Reserves Deposited with Lender**

Lines 1001-1005: These lines should be utilized for those fees collected at the time of settlement which will be used to establish the lender's escrow account.

Lines 1006-1008: These lines should be utilized for those charges which the lender requires to be collected for the establishment of an escrow account that do not appear in lines 1001-1008 (i.e. ground rent)

These payments are not yet due at closing, the annual amount is divided by 12 and the 1/12th of the payment is collected each and every month. When the bill becomes available, there are ample funds in the escrow account to make these payments

Line 1001: Initial deposit for your escrow account

Line 1002: Homeowner's insurance

Line 1003: Mortgage Insurance

Line 1004: Property Taxes

Line 1005: Additional Assessments not specifically addressed in this section. (Example: Ground Rent)

Line 1007: Aggregate Adjustment. Because lenders are allowed to only provide a 1 month cushion in their escrow accounts, this line is a credit to the buyer of any excess escrow funds collected in the calculations above. It is an immediate escrow analysis to the buyer's escrow account. This line should always be the last line in the 1000 series.

## **The 1100s: Title Charges**

Line 1101: Title services and lender's title insurance: this line reference GFE Box #4 and includes all title charges related to the settlement, as well as the lender's portion of title insurance. Owner's title insurance is included on a separate line. Please reference the handout, "Title Charges Line 1101/Box #4" with this text for a full list of Title Charges.

Line 1102: Settlement or closing fee: Line 1102 would only be used IF a third party provider (an outside attorney) conducts the closing. DO NOT use this line to show the fee for a notary or witness closing which is part of the Title Services Fee on Line 1101.

Line 1103: Owner's title insurance: Line 1103 is solely for charges relative to the owner's title insurance policy, including any endorsements and is carried through to the outside column.

Line 1104: Lender's title insurance: Line 1104 is for charges relative to the lender's title insurance policy and is listed outside of the borrower's column.

Line 1105: Lender's title policy limit: Lines 1105 and 1106 are for the breakdown policy amount applicable to the lender and the owner.

Line 1106: Owner's title policy limit: See info for Line 1105.

Line 1107: Agent's portion of the total title insurance premium: Please see below.

Line 1108: Underwriter's portion of the total title insurance premium: Line 1107 and 1108 are for the portion of the overall premium attributed to the title agent and the underwriter. The purpose of showing the split stems from state regulators who want to use the info as part of future industry "data calls" to assess underwriter solvency and determine agency profitability. According to HUD, the consumer effect is negligible as the split is not disclosed until closing and does not alter the overall charge.

NOTE: If a seller will be paying charges that are listed on the Good Faith Estimate as a borrower charge, that amount will still have to be listed in the borrower's column of that line item and shown as a credit on page one of the HUD-1 settlement statement. Below is part of the Final Rule that addresses this:

*"If a seller pays for a charge that was included on the GFE, the charge should be listed in the borrower's column on page 2 of the HUD-1. That charge should also be offset by listing a credit in that amount to the borrower on lines 204-209 on page 1 of the HUD-1, and by a charge to the seller in lines 506-509 on page 1 of the HUD-1.*

**TITLE CHARGES: LINE 1101/GFE Box #4**

**EVERY charge that you, as the Title Agent, currently itemize and identify on the HUD will now be lumped into Line 1101 including the lender's Title Insurance premium and Endorsement Fees.** Using the definition of "Title Services", Line 1101 will include:

- Fees directly related to the transfer of title, fees for title insurance and fees for conducting the closing, including legal charges include the fees for attorneys representing the Lender, seller or borrower, and any attorney preparing title work
  - Title Exam and evaluation
  - Preparation and issuance of the title commitment
  - Clearance of Underwriting objections
  - Preparation & issuance of title policy or policies
  - Conducting the settlement (closing)
  - Title Search [included but not specifically referenced]
  
- Fees for any **settlement, notary, delivery and processing/administrative fees** related to your services\*.
  - Copy Charges                      Wire Transfer Fees                      Endorsement Fees
  - Escrow fees                      Warehousing (post closing)                      Mileage/Travel  
(outside closing)
  - Payoff transmittal                      Loan package transmittal                      Storage/Retrieval fees
  - Document preparation\***Courier/FedEx/UPS fees**                      \***Notary**  
**Fees/Witness Signing**
  - E-mail charges                      Downloading charges                      Policy transmittal

These fees CANNOT be averaged & must also be lumped into Line 1101\*

- Disbursements to third parties must be broken out in the appropriate lines or in blank lines in the series and amounts paid to the third party providers must be shown.
  - If the Third Party charge is included on Line 1101, show that charge **outside** the columns.
  - **Charges not included in Line 1101 must be listed in the columns. If the Third Party Charge is not included in Line 1101, charge inside the column as a Borrower or Seller charge**
  
- Look to Blocks 4 & 5 of the GFE for direction as to Third Party Charges and whether to place inside or outside the columns.

### **The 1200s: Government Recording and Transfer Charges**

Line 1201: Government recording charges; this line must reflect the actual cost of recording the instruments necessary to complete the settlement transaction. Any overcharges must be reimbursed to the party originally charged.

Lines 1202: The breakdown of the recording charges for deeds, mortgages, releases.

Line 1203: Transfer Taxes

Line 1204: City/County tax/stamps

Line 1205: State tax/stamps

Line 1206: Additional Recording Costs; this line is reserved for additional costs such as the cost of recording a Power of Attorney, Subordination Agreement, Assignment, etc.

### **The 1300s: Additional Settlement Charges**

Line 1301: Required services that you can shop for: Line item reference GFE Box #6 and includes items such as the location survey, pest inspections, radon inspections, etc.

Line 1302-1305: Additional charges, such as Home Inspection, Home Warranty, etc. If necessary, the Agent may attach an addendum reflecting numerous charges and then reflect the total of these on the HUD-1.

### **The 1400s**

Line 1400: Total Settlement Charges

This line is a total of all settlement charges that are incurred with the transaction; this line is used to transfer to Line 103 for the Borrower(s) and Line 502 for the Seller(s).