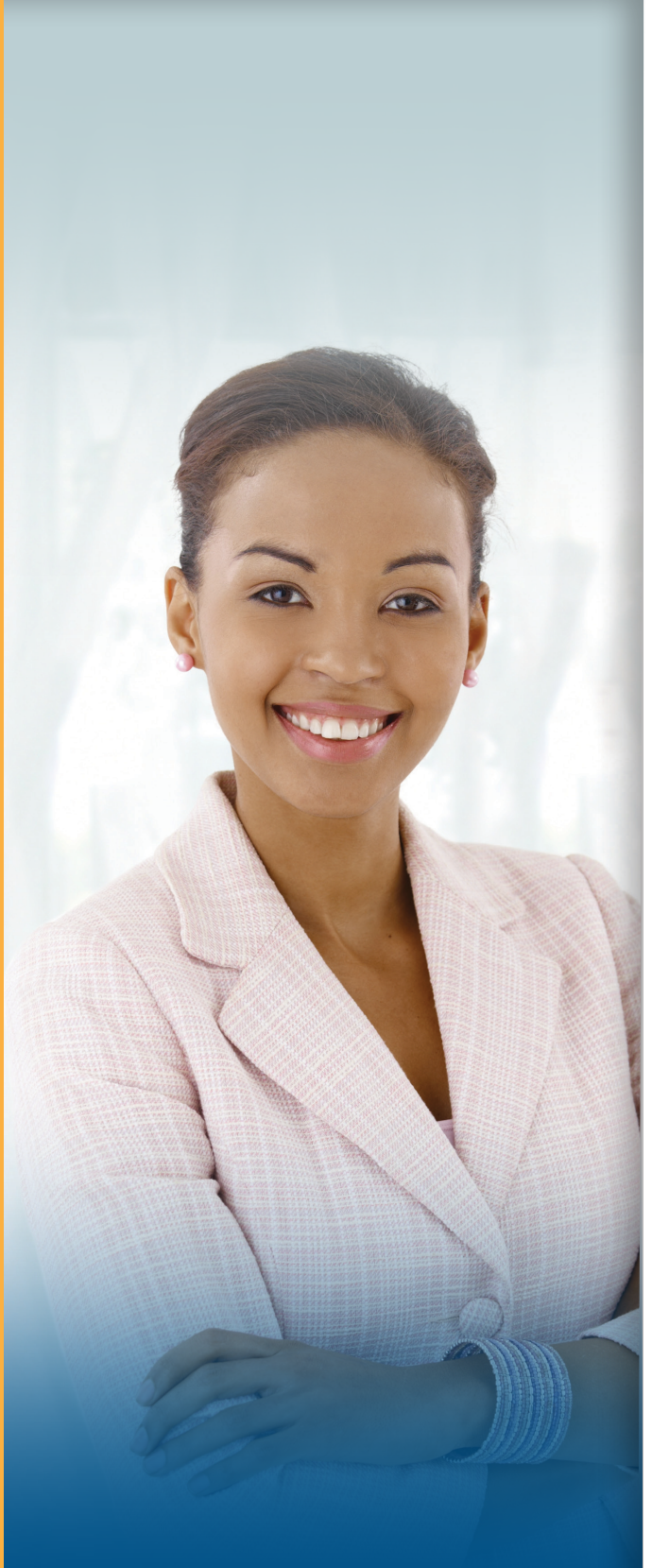

Understanding the HUD-1

To close the transaction on your home, the settlement agent will prepare a HUD-1 Settlement Statement. Generally, the HUD-1 details the costs associated with the transaction, and identifies which parties are responsible for each. However, some charges are aggregated together and only the total is shown.

Overview

Your real estate or settlement/escrow professional can help guide you through the HUD-1, but it is helpful to know what to expect before receiving it. The HUD-1 will include all the settlement/closing fees you must pay, and let you know exactly how much money you'll need to close the transaction.

Page One

You'll see that the front page of the HUD-1 is divided into two columns – sections J and K. The left column is a summary of the buyer's transaction, while the right is a summary of the seller's transaction. This page includes the gross amount due from the buyer to the seller, along with various settlement charges and adjustments. Line 303 at the bottom of the page, will show how much is due from or owed to the buyer, and line 603 will show how much is due from or owed to the seller.

Page Two

Many of the figures you'll see on page one are detailed on page two of the HUD-1, under section L – Settlement Costs. Settlement costs are broken into the following categories: real estate broker fees; items payable in connection with the loan; items required by the lender to be paid in advance; reserves deposited with the lender; title charges; government recording and transfer charges; and additional settlement charges. These costs will be divided as contracted for the buyer and the seller, and the totals in line 1400 at the bottom of the page will be referenced on page one in line 103 for the borrower and in line 502 for the seller.

(cont'd)

Fountain City Title, Ltd.
1210 West High Street, Bryan, Ohio
101 Clinton Street, Defiance, Ohio
419-636-5213
Email: ohiotitlehelp@fountaincitytitle.com

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Understanding the HUD-1 (cont'd)

Page Three

Page three of the HUD-1 statement provides a comparison of the charges from the Good Faith Estimate ("GFE") your lender issued and the HUD-1. Page three also details your loan terms. The section showing a side-by-side comparison of charges detailed on the GFE and the HUD-1 enables you (and your real estate or settlement professional) to spot any increases. These increases aren't uncommon, since some time may have passed since the lender initially provided your GFE. If any of the fees shown in the "Charges that Cannot Increase" section of the HUD-1 are more than the amount shown on the GFE, a tolerance violation has occurred and the lender must pay you the difference. If the aggregate amount of the fees shown in the "Charges that in Total Cannot Increase More Than 10%" section have increased by more than 10% over the aggregate amount shown on the GFE, then the amount of the increase that is over 10% must be paid to you as a tolerance cure. Charges in the "Charges That Can Change" category are not subject to any tolerance. The "Loan Terms" section of page three details your loan terms such as: amount, term, interest rate, and various other payment information.

Understanding the HUD-1 can prepare you for what to expect at closing.

Ask Questions

Understanding the HUD-1 can prepare you for what to expect at closing. Don't hesitate to ask questions or point out any discrepancies to your real estate or settlement professional; they are there to help the process run smoothly so that you can begin enjoying your new home.

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