

Page Two of Settlement Statement

L. Settlement Charges			
		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700.	Total sales/broker commission		
	Division of commission (line 700) as follows:		
701.	\$		
702.	\$		
703.	Commission paid at settlement		
704.			
800.	Items payable in connection with loan		
801.	Loan origination fee		
802.	Loan discount		
803.	Appraisal fee		
804.	Credit report		
805.	Lender's inspection fee		
806.	Mortgage insurance application fee		
807.	Assumption fee		
808.	Tax Service Fee		
810.	Flood Certification		
811.	Underwriting Fee		
812.	VA Funding Fee		
900.	Items required by lender to be paid in advance		
901.	Interest from		
902.	Mortgage insurance premium for		
903.	Hazard insurance premium for		
904.			
905.			
1000.	Reserves deposited with lender		
1001.	Hazard insurance		
1002.	Mortgage insurance		
1003.	City property taxes		
1004.	County property taxes		
1005.	Annual assessments (maint.)		
1006.	Ground Rent		
1007.			
1008.			
1009.			
1100.	Title charges		
1101.	Settlement or closing fee		
1102.	Abstract or title search		
1103.	Title examination		
1104.	Title insurance binder		
1105.	Document preparation		
1106.	Notary fees		
1107.	Attorney's fees to		
	<i>includes above items no.:</i>		
1108.	Title insurance		
	<i>includes above items no.:</i>		
1109.	Lender's coverage		
1110.	Owner's coverage		
1111.	Lien Certificate		
1112.	Judgment Reports		
1113.	Court Copies		
1114.	Copy Charge		
1115.	Court Copies		
1116.	Recording fees:		
1200.	Government recording and transfer charges		
1201.	Recording fees:		
1202.	City/county tax/stamps:		
1203.	State tax/stamps:		
1204.	Recordation Doc Stamp Tax		
1205.	Owner Occupied Tax Credit		
1206.			
1300.	Additional settlement charges		
1301.	Survey		
1302.	Pest inspection		
1303.	Payoff & Release Mortgage		
1304.			
1305.			
1306.			
1400.	Total settlement charges (entered on lines 103, section J and 502, section K)		

EXPLANATION OF PAGE ONE OF SETTLEMENT STATEMENT

The Settlement Statement, or HUD-1, reflects all of the costs associated with a purchase or refinance. Below are explanations of certain key lines. For further clarification, feel free to call us.

SUMMARY OF BORROWER'S TRANSACTION

Gross Amount Due from Borrower (costs to buyer)

101. Contract Sales Price- The full purchase price as stated in the contract.

103. Settlement Charges to Borrower- Buyer's total charges; carried from page 2, line 1400

106-112. Adjustments for items Paid by seller in advance- The buyer reimburses the seller for taxes, condo fees, special assessments, homeowner dues or other charges that the seller has paid through a certain date.

Amounts Paid By or In Behalf of Borrower (Credits to buyer)

201. Deposit or Earnest Money - All monies deposited by the buyer in good faith, to be applied against the purchase price of the property.

202. Principal Amount of the New Loan(s) - The amount of the buyer's new loan(s).

203. Existing Loan(s) Taken subject to - On assumptions or wrap loans, the outstanding principal balance of the seller's loan which is being assumed by the buyer.

210-219. Adjustments for Items Unpaid by Seller - Typically, the buyer is responsible for paying all bills received after closing. It is here that seller reimburses the buyer for those charges he incurred but did not pay, such as water usage and ground rent. The buyer is credited for the period from the last payment due date through the date of settlement.

SUMMARY OF SELLER'S TRANSACTION

Gross Amount Due to Seller (Credits to Seller)

401. Contract Sales Price- The full purchase price as stated in the contract. (see line 101)

406-412. Adjustments for Items Paid by Seller in Advance- (See lines 106-112)

Reductions in Amount Due to Seller (Cost to Seller)

501. Deposit or Earnest Money- All monies deposited by the buyer in good faith, to be applied against the purchase price of the property. The deposit may be held by the seller, the realtor or the builder.

502. Settlement Charges to Seller- Seller's total charges; carried from page 2, line 1400.

503. Existing Loan(s) Taken Subject to- On assumptions or wrap loans, the outstanding principal balance of the seller's loan which is being assumed by the buyer.

504-505. Payoff of First and Second Mortgages- The costs include: 1) Outstanding principal balance of the loan; 2) Interest from the date of the last payment due date through the date the lender receives the payoff check; and, 3) Attorney's release fee, if applicable, Some lenders require that a separate fee be paid directly to their attorney for preparation of the release. Note: 1) FHA payoffs may include as much as 60 additional day's interest if the lender did not receive written notification of the seller's intent to pay off the loan prior to its maturity date, as required by the Deed of Trust; and 2) Many lenders release the balance in the escrow account after the loan has been paid and satisfied. The lender will forward the escrow funds directly to the seller, usually within 30 to 45 days.

510-519. Adjustments for Items Unpaid by Seller- (See lines 210-219)

EXPLANATION OF PAGE TWO OF SETTLEMENT STATEMENT

The second page of the settlement statement itemizes all settlement fees assessed to the buyer and seller. Note: any items labeled "P.O.C." (Paid Outside Closing) have been prepaid.

SETTLEMENT CHARGES

Total Sales/Broker's Commission

703. Commission Paid at Settlement- Commission due the broker, minus any deposit the broker is holding.

Items Payable in Connection with Loan

801. Loan Origination Fee- This fee, a percentage of the amount of the new loan, compensates the lender for the expense of processing the loan. VA loans require that the veteran buyer pay no more than 1% of the loan amount. On other loans the buyer may pay more than 1% provided the lender approves such payment.

802. Loan Discount- These are the "points" charged by the lender to increase it's yield on a loan with a below market interest rate. One point is equal to one percent of the loan amount. The number of points will vary according to market conditions. The

responsibilities of buyer and seller for paying the points should be stipulated in the sales contract.

803-804. Appraisal Fee and Credit Report- These are costs incurred by the buyer for appraising the property and conducting a credit check of the buyer.

805. Lender's Inspection Fee- This charge applies when a lender must re-inspect the property after repairs have been made, or when it is a new home. Some government loans require the seller to pay.

806. Mortgage Insurance Application Fee – This fee is applied when you are obtaining Mortgage Insurance, which is insurance for the lender in the event that the borrower defaults on the loan.

807. Assumption Fee – The lender's charge for paperwork involved in processing records for a new buyer assuming an existing mortgage.

808. Tax Service Fee – The fee is applied to the entity the lender hires to pay the buyer's property tax and homeowners insurance from your escrow account.

809. Document Preparation/Review Fee – A fee the lender charges to reimburse them for preparing and reviewing the loan documents.

810. Flood Certification-the fee the lender charges to verify whether a property is located in a federally designated flood zone

811. Underwriting Fee - the fee charged by the lender to determine the risk analysis of a Borrower's loan package.

812. VA Funding Fee - A premium of up to 1-7/8 percent (depending on the size of the down payment) paid on a fixed rate loan.

Items required by Lender to Be Paid in Advance

901 Interest- "Per Diem" (per day) interest on the new loan from the date of settlement to the end of the month in which the loan closes.

902 Mortgage Insurance Premium- Most lenders require mortgage insurance on conventional loans which exceed 80% of the purchase price or the appraised value, whichever is less. This insurance, paid by the buyer, protects the lender against loss if the buyer defaults on the loan. Lender's requirements vary. The lender should inform the buyer at the time of the loan application whether mortgage insurance will be necessary.

903. Hazard Insurance Premium- The hazard (homeowner's) insurance premium, if not already paid, is collected at settlement. The buyer should contact the lender for specific requirements concerning policy coverage prior to settlement.

Reserves Deposited with Lender

1000-1008. Insurance, Taxes, Assessment- Funds to cover these items are collected in advance from the buyer and held by the lender in an account to pay future obligations as they become due. This is referred to as an escrow. The amounts collected at settlement depend on the number of monthly payments to be made between settlement and the date each charge is due. With recent changes made by the Maryland legislature, taxes will be paid biannually starting in the year 2000. This should reduce the number of months taxes will be escrowed.

Title Charges

1101. Settlement or Closing Fee- A charge for conducting the settlement.

1102-1103. Abstract or Title Search and Title Examination- This includes the fee for performing the necessary research of the land records in the jurisdiction where the property is located, in order to establish the seller's right to convey the property to the buyer. Maryland law requires the abstractor to go back 60 years to verify ownership as well as easements, rights of ways and other matters which could affect the title.

1104. Title Insurance Binder- A fee for issuing title insurance commitments protecting both the lender and the buyer. The final policies are issued after the transfer documents have been recorded.

1105. Document Preparation- The title company's fee for preparation of the Deed, Deed of Trust or Mortgage, and other related documents.

1106. Notary Fees- Fee for notarization of documents, usually paid by the buyer.

1107. Attorney Fees- A fee charged for services provided over and above the customary services included in the title examination fee. These might include fees for preparation of additional document required at closing, such as a power of attorney, subordination agreement etc.

1108. Title Insurance- This is a one-time premium, paid at settlement, protecting the buyer and the lender against other claims of ownership as a result of forgeries, recording errors, or other title problems. A policy insuring the lender is required; a second policy protecting the buyer's equity is optional but highly recommended. If a competing claim to title is found valid the title company guarantees against loss to the extent of the purchase price of the property, plus inflation factors, if an owner's policy is purchased.

1111. Lien Certificate- A statement issued by the local taxing authority disclosing the status of the taxes. In Baltimore City, the lien certificate also discloses housing code violations, if any.

1112. Judgment Report- A judgment report is prepared to determine if any owners of the property within the last 12 years had judgments entered against them.

1113-1114. Copies- A charge to the buyer for the cost of copies for the loan package and abstract obtained from the land records.

1115. Courier Charges- Covers the cost to overnight the signed loan package and other pertinent settlement documents back to the lender.

1116. Recording Services-The title company hires a subcontractor to walk through each document that needs to be recorded at the courthouse, including Power of Attorney, Deed, Deed of Trust, etc.

Government Recording and Transfer Charges

1201. Recording Fees- Charges levied to the buyer or seller, where appropriate, for recording documents in the land records. Each document is charged for separately.

1202. City/County Transfer Stamps- County or city tax assessed on the transfer.

1203. State Transfer Stamps-State tax assessed on the transfer.

1204. Recordation Doc Stamp Tax- Recordation Taxes are assessed by the state on the purchase price or loan amount whichever is greater.

1205. Owner Occupancy Tax Credit- Some counties give the buyer a credit if they are purchasing the property as their primary residence.

Additional Settlement Charges

1301. Survey- A house location survey which locates the improvements on the lot. Among other things, this survey will disclose encroachments or violations of setback lines.

1302. Pest Inspection- A certificate issued by a licensed pest inspection company indicating that the property is free from infestation or damage by wood-boring insects. The contract will specify whether buyer or seller pays the charge.

1303. Payoff and Release of Mortgage- A charge to the seller for obtaining mortgage payoff figures and the release of mortgage from the lender.