FEDERAL RESERVE BANK OF NEW YORK

[Circular No. 7655
June 18, 1975]

INTERPRETATION OF REGULATION Z

Standardized Form for the Disclosure of Real Estate Settlement Costs

To All State Member Banks, and Others Concerned,
in the Second Federal Reserve District:

The following statement has been issued by the Board of Governors of the Federal Reserve System in connection with the adoption of a new Truth in Lending disclosure form designed to assist home buyers in understanding the credit terms of their mortgages:

> The Board of Governors of the Federal Reserve System today announced the adoption of a Truth in Lending disclosure form to assist consumers in understanding the credit terms of home purchase transactions.
>
> The new form will be part of a combined settlement and credit cost form developed by the Housing and Urban Development Department, to implement the requirements of the Real Estate Settlement Procedures Act of 1974.
>
> The Act requires that consumers be given a Uniform Disclosure/Settlement Statement at the time of lender commitment (but in no case less than 12 days before settlement) and again at the time of settlement in home purchase credit transactions.
>
> This statement will contain all information required to be disclosed under the Truth in Lending Act. The Federal Reserve Board prepared this part of the Statement since it is the rule-making agency under the Truth in Lending Act.
>
> The new form is accompanied by instructions for its use. The form will be the third page of the Uniform Disclosure/Settlement Statement.
>
> The Board also published an interpretation of its Regulation Z—Truth in Lending—in connection with the disclosure requirement.

Enclosed is a copy of the interpretation to Regulation Z. Any questions regarding this matter may be addressed to our Bank Regulations Department. Additional copies of the interpretation will be furnished upon request.

As indicated in the above statement, the Real Estate Settlement Procedures Act of 1974 requires that consumers be given a Uniform Disclosure/Settlement Statement at the time of lender commitment (but in no case less than 12 calendar days before settlement) and again at the time of settlement. This standard form developed by the Department of Housing and Urban Development (HUD) includes, as the third page, a Truth in Lending disclosure form, which was prepared by the Board of Governors of the Federal Reserve System in its capacity as the rulemaking agency under the Truth in Lending Act. This form contains all information that is required to be disclosed under the Truth in Lending Act. A sample of the three-page statement, together with instructions for its use and printing, is included in the May 22, 1975 *Federal Register*, "Real Estate Settlement Procedures and Costs," (Part III, Vol. 40, No. 100), issued by HUD, reprints of which are being sent with this circular to all State member banks in this District, for their main offices and branches.

In addition to the above disclosure statement, HUD has prepared a booklet entitled "Settlement Costs" that you are required to provide to each person applying for a home mortgage loan after June 20, 1975. The booklet is designed to help borrowers better understand the nature and costs of real estate settlement services. You may obtain copies from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

ALFRED HAYES,
President.

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Board of Governors of the Federal Reserve System

TRUTH IN LENDING

INTERPRETATION OF REGULATION Z

Disclosures Made in Connection With the Real Estate Settlement Procedures Act

This interpretation is written to clarify the application of Regulation Z to the standardized form, including Truth in Lending disclosures and instructions, prescribed by the Department of Housing and Urban Development to meet the disclosure requirements of the Real Estate Settlement Procedures Act. For example, the standardized form is designed for the disclosure of loans and credit sales, and it should be used regardless of any differing requirements in Regulation Z.

§ 226.102—Disclosures made in connection with the Real Estate Settlement Procedures Act of 1974.

The Real Estate Settlement Procedures Act of 1974 (P.L. 93-533) requires the Department of Housing and Urban Development to prescribe a standardized form for the disclosure of settlement costs, which must be given to home buyers in transactions which involve federally related mortgage loans. Section 4 of the statute specifically requires that such form include all information and data required to be disclosed by the Federal Truth in Lending Act. A Truth in Lending disclosure form (hereinafter referred to as "form") and instructions to be used in completing such form have been prescribed as a part of the standardized form. Because of the unavoidable complexity inherent in combining settlement and credit costs into one form, the requirements relating to the use of the standardized form differ to some degree from the requirements imposed under Regulation Z. It is the purpose of this interpretation to eliminate any confusion as to the steps creditors must take in complying with the Truth in Lending disclosure requirements in completing the form and to clarify the interrelationship between the Truth in Lending Act and the Real Estate Settlement Procedures Act.

Sections 226.6(b), 226.8(c), and 226.8(d) of Regulation Z characterize credit transactions as loans or credit sales and require differing disclosures for each. The form is designed for the disclosure of both credit sales and loans. The form should be used for consumer credit transactions subject to the Real Estate Settlement Procedures Act regardless of whether the transaction may be characterized as a loan or a credit sale and such use shall not constitute a violation of the Truth in Lending Act.

Notwithstanding the provisions of § 226.8(a)(1), the form precludes the inclusion of the promissory note or other instrument evidencing the obligation. Notwithstanding the provisions of § 226.6(c)(2), the form precludes the inclusion of any inconsistent State disclosure requirements. Notwithstanding the provisions of § 226.8(a), itemization and disclosure of charges excludable from the finance charge under § 226.4(b) may be made on the settlement costs portion of the combined form.

The form, when properly completed in accordance with Regulation Z and the instructions provided with the form, constitutes compliance with the provisions of § 226.6(a) relating to "clear, conspicuous, and meaningful sequence" disclosure requirements. (Under § 226.6(a) creditors must continue to disclose more conspicuously the terms "annual percentage rate" and "finance charge" as well as making numeric disclosures under the type size requirements specified.) The instructions accompanying the form permit creditors to delete inapplicable disclosures, to substitute more pertinent disclosures for those presently included, to provide for additional space or language where necessary to satisfy full disclosure, and to make additional disclosures not presently included where such are required. Such permissive changes to the form should be made in compliance with § 226.6(a).

The form provides for the optional disclosure of the simple annual rate of contract interest. The disclosure of such rate does not constitute a violation of § 226.6(c).

The definition of "federally related mortgage loan" provided in § 3 of the Real Estate Settlement Procedures Act (12 U.S.C. § 2602) could be interpreted as requiring settlement cost disclosures in transactions which are exempt under § 226.3. In such cases, the form need not be provided.

The effective date of this interpretation is June 20, 1975, which coincides with that of the Real Estate Settlement Procedures Act.

(Interprets and applies 12 C.F.R. 226.4, 226.6, and 226.8)

By order of the Board of Governors, May 5, 1975.

[Enc. Cir. No. 7655]

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Federal Register, May 22, 1975

C O R R E C T I O N

Please note that there is a technical error in the enclosed Federal Register reprint. The samples of HUD Form 1 on page 22455 and page 22462 should be reversed, since the sample on page 22455 has numbered settlement costs that correspond with the accompanying explanation of each item on page 22460.

Circulars Division
Federal Reserve Bank of New York

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federal register

THURSDAY, MAY 22, 1975
WASHINGTON, D.C.
Volume 40 ■ Number 100

PART III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Assistant Secretary for Housing Production and Mortgage Credit–Federal Housing Commissioner

■

Real Estate Settlement Procedures and Costs

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Title 24—Department of Housing and Urban Development

SUBTITLE A—OFFICE OF THE SECRETARY

[Docket No. R75-318]

PART 82—REAL ESTATE SETTLEMENT PROCEDURES

On February 18, 1975, 40 FR 7072, the Department published a notice of proposed rulemaking which would amend Subtitle A by adding a new Part 82. This part implements sections 4, 5 and 6 of the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. 2601, which provide for a settlement cost statement form, a special information booklet to be distributed at time of loan application, and an itemized disclosure of each charge arising in connection with each settlement that involves a federally related mortgage loan transaction. A general notice prescribing the text of the special information booklet is being published concurrently with the regulations. The final versions of the uniform disclosure settlement statement, and the Truth in Lending statement which is a part of it, are included as Appendices A and B of the regulations. The uniform disclosure settlement statement is required by section 4 of the Act to include the information and data required for relevant transactions under the Federal Truth in Lending Act and the regulations issued thereunder by the Federal Reserve Board. On March 24, 1975, (40 FR 13008) the Board published a proposed standard Truth in Lending Statement to satisfy the requirements of the Act. The Board's final revision of the form and instructions are included in these regulations as Appendix B. As a result of the invitation for public comment contained in the notice for rulemaking, more than 500 responses have been received. The Department has considered each comment carefully and as a result has adopted certain changes in both the regulations and the accompanying form, as they were proposed. The principal changes are as follows:

General Comments

A number of comments objected to the overall concept of the Act, arguing that the conduct of real estate transactions was essentially a local matter, that uniformity in forms was impractical, that advance disclosure would not be of assistance to consumers, and that the procedures required by the Act would add to paperwork and costs of lenders and providers of settlement services.

Coverage

Numerous comments requested that the scope of coverage be defined. The final regulations provide that they apply to cases involving a purchase or transfer of property. Refinancings, junior mortgages, consumer borrowings, and other cases in which there is no transfer of title to the real estate are not covered. Transfers in which an existing loan is assumed or taken subject to are covered only if the loan terms are modified or the lender imposes charges exceeding $50.

The geographical coverage of the proposed regulation was unclear, as several comments pointed out. The final regulations apply to all territories and possessions of the United States in addition to the continental United States and Puerto Rico.

Several comments requested that exclusions be made for agriculture property and for builders or developers. In response to these comments, the final regulations do not apply to real estate purchased for the purpose of resale to a customer in the ordinary course of business. The final regulations apply to mortgages covering agricultural properties. Although numerous comments requested that the regulations not apply to corporations, partnerships, and other business entities, such an exclusion was not made and does not appear to be permissible.

Several comments asked that sales of vacant land be exempted from the regulations. The final regulations exempt such land unless the proceeds of the loan involved in the transaction are to be used, in whole or in part, to finance the construction of a dwelling. Several comments requested clarification of the coverage of mobile homes. The final regulations cover mobile homes and mobile home lots only if both the mobile home and the lot on which it is to be located are being purchased with the proceeds of the loan in question.

It was suggested that the effective date of the regulations be extended beyond June 20, 1975, in order to permit more time for the persons who must implement the Act to study it, prepare forms, and train their personnel. Section 19 of the Act does not give the Department discretion in this regard.

In response to numerous requests, the final regulations provide that lenders may, without special approval, place their own covers on the special information booklets which must be given to loan applicants. Other limited changes are permitted, as set forth in the final regulations or as approved by the Secretary.

Lenders may translate the booklet into other languages for the benefit of their customers, with the approval of the Secretary.

Advance Disclosure

The advance disclosure required by the Act must be made at least 12 days prior to settlement unless the 12-day period is waived. Many comments requested that a period shorter than 12 days be made standard, but section 6(a) of the Act does not leave this matter to the Department's discretion.

In general, advance disclosure must be given not later than 7 days after the date of the loan commitment. In cases in which a loan commitment is made more than 60 days before the anticipated date of settlement, the disclosure may be given later than the loan commitment, but not less than 60 days prior to settlement.

Many comments asked for a clarification of the term "loan commitment". The final regulations clarify the term, so that general advertising would not be regarded as a loan commitment. On the other hand, suggestions that the term be confined to written commitments were not adopted, since under such a rule, lenders might in some cases forego giving written commitments.

Numerous commentators believed that the lender or its employees were required to prepare and transmit the advance disclosure. The final regulations have been clarified to permit the lender either to do such work itself or to cause it to be done by some other party, such as a title, settlement, or escrow company or a lawyer. However, under the Act (section 6(b)) the lender remains responsible.

Some comments raised questions concerning the degree of efforts which the lender or other person preparing the advance disclosure must exert to determine the charges to be made for various services. If no provider of a particular service has been selected for the transaction at the time of disclosure, the lender may make an estimate based on its knowledge of general practices in the area. If a provider has been selected, that provider should be contacted and asked what his fee will be, unless the lender already knows the provider's schedule of fees and reasonably expects that schedule to be followed in the present case.

Advance disclosure of prorations of taxes and assessments may be based on estimates if exact figures are not available. Such advance disclosure may be based on the assumption that no taxes or assessments are delinquent.

A number of comments asked if the advance disclosure must be reissued if more information about settlement charges become available to the lender after the initial disclosure but prior to settlement. Under the final regulations, reissuance of the advance disclosure is not required.

Some comments pointed out that the retention-of-records requirements in the proposed regulations were not clear and were not identical to the requirements for Truth in Lending statements. Under the final regulations, copies of the advance disclosure and the settlement statement must be retained by the lender for two years, except where the loan file is transferred, and copies must be submitted to the Department upon request. This requirement will enable the Department to fulfill its statutory duty under section 14 of the Act to study and investigate settlement costs and to report to Congress thereon.

The proposed regulations required the signatures of the borrower and the seller on the advance disclosure statement, and several comments objected to this procedure or requested clarification. In the final regulations all requirements for signature on either the advance disclosure or the settlement statement have been dropped.

Mailing of the advance disclosure is permitted by the final regulations, but in certain cases the applicable time limits are 3 days earlier where advance disclosure is mailed.

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WAIVER OF ADVANCE DISCLOSURE

Several comments requested clarification whether a seller or borrower can bind the other by a waiver. The final regulations specify that each party who has not received timely advance disclosure waives this right, so that one party cannot waive for the other.

Numerous comments objected to the shortness of the 18-day period processing rule. The final regulations extend this period to 21 days. The final regulations provide that advance disclosure may be made prior to commitment. This will enable lenders, by making advance disclosure before commitment as to loans requiring speedy settlements, to be able to hold settlement on such loans as soon as the commitment is issued.

Some comments objected to the 3-day advance disclosure requirement in the proposed regulations. The provisions in the final regulations as to waiver take into account the express directions in the Act that, in its prescribing of the waiver regulations and form, the Secretary should take into account the need to protect the borrower's and seller's right to timely disclosure.

In keeping with the Act, the final regulations require that the advance disclosure be received by the parties on or before the time of the loan commitment but not less than 3 days prior to settlement in any waiver situation.

A number of comments pointed out that the execution of the waiver by the lender served no purpose and this requirement was omitted in the final regulations. Similarly, the witness lines are omitted from the waiver form.

SETTLEMENT STATEMENT

Many of the comments indicated a lack of understanding of the relationship between the advance disclosure form and the settlement statement. Although the same basic format is used for both, it is permissible for lenders to print such forms separately and to place titles on them accordingly. The official version published in these final regulations can be used for both purposes by checking the appropriate square near the top of the form. Ordinarily some of the entries on the settlement statement will differ from those on the advance disclosure (because some charges are different than estimated, or because the date of actual settlement is different from the date estimated). The final regulations specify that copies of the settlement statement must be provided to the buyer and seller as soon after settlement as practicable, and in no case later than three days after settlement.

When charges are paid directly by the borrower or seller, rather than paid through the settlement agent, some comments asked whether it would be necessary to show them on the forms. The final regulations provide special rules for hazard insurance charges, attorney's fees and charges for certain other services independently procured by the borrower or seller.

FORM DESIGN

Many comments requested flexibility in the design of the form. The final regulations allow some degree of flexibility. Additional items describing common local charges may be inserted in blank spaces on the form. The spacing between lines may be increased for computer printing, and the lender or settlement agent may add a firm name or logotype to the title block. Signature lines may be added.

Numerous comments objected to the number of subtotals which the proposed form required. These have been largely eliminated in the final version. The "disbursements" column has also been eliminated, since nearly all comments which discussed it thought that it would confuse consumers.

A large number of comments requested that separate forms be provided for borrower and seller. The form was redesigned so that separate summaries of the borrower's and seller's transactions appear on page 1, but the information on page 2 must be provided to both borrower and seller, as required by the Act. The instructions permit the lender or settlement agent to send a copy of the form to the borrower with the seller's summary left blank, and similarly to send a copy to the seller with the borrower's summary left blank.

A large number of comments objected to inclusion in the advance disclosure of the liens and charges against the seller's land; these comments asserted that such information would not be available until a title search was completed and payoff letters from existing lenders were obtained, and that the amounts could not theretofore be estimated in any meaningful way. The Department believes that this view is correct, and the final instructions to the form permit the portions dealing with these matters to be left blank when the form is used for advance disclosure. This means that in most cases the advance disclosure will not indicate to the seller the amount of cash he can expect to realize from the transaction. However, the portions of the form summarizing the buyer's transaction must be completed when the form is used for advance disclosure, thus indicating to the buyer the amount of cash he will need to complete settlement.

The Department has determined this rule does not have significant impact on the environment and a finding of inapplicability has been prepared pursuant to HUD Handbook 1390.1. A copy of this finding is available during regular business hours for public inspection in the Office of the Rules Docket Clerk, Office of General Counsel, Room 10245, Department of Housing and Urban Development, 451 7th Street SW., Washington, D.C. 20410.

Accordingly, Subtitle A of Title 24 is amended by adopting a new Part 82—Real Estate Settlement Procedures to read as follows:

PART 82—REAL ESTATE SETTLEMENT PROCEDURES

Sec.

82.1 Authority, scope and purpose.
82.2 Definitions.
82.3 Reliance upon rule, regulations or interpretation by HUD of RESPA.
82.4 Applicability.
82.5 Information booklet for persons applying for loans to purchase residential real property.
82.6 Uniform Disclosure/Settlement Statement Form.
82.7 Advance disclosure of settlement costs by lender.
82.8 Uniform Settlement Statement.
82.9 Mailing.
82.10 No fee.
82.11 Relation to State laws.

AUTHORITY: Real Estate Settlement Procedures Act of 1974, Pub. L. 93-533 (12 U.S.C. 2601).

REGULATION X

§ 82.1 Authority, scope and purpose.

This part, which may be referred to as Regulation X, comprises the regulations issued by the Secretary of Housing and Urban Development pursuant to the Real Estate Settlement Procedures Act of 1974 (Pub. L. 93-533), 12 U.S.C. 2601, herein "RESPA". This part applies to certain 1 to 4 family mortgages, defined as "Home Mortgages" in this part. RESPA Section 4 (Uniform Settlement Statement) authorizes and directs the Secretary to prescribe a uniform settlement statement to be used in the settlement of Home Mortgages. RESPA Section 5 authorizes and directs the Secretary to prescribe special information booklets to be provided by the Lender to each person borrowing money to finance the purchase of certain residential real estate transactions so that he or she may better understand the nature and costs of real estate settlement services. RESPA Section 6 authorizes and directs the Secretary to prescribe the form and implementing regulations by which every Lender, with respect to a Home Mortgage subject to Section 6, shall disclose in advance of settlement every charge arising in connection with the settlement. RESPA Section 12 prohibits imposition by a lender of a fee for or on account of preparing and submitting the statements required by Sections 4 and 6 or by the Truth in Lending Act, 15 U.S.C. 1601 et seq. RESPA section 18(a) authorizes the Secretary to determine whether state laws with respect to settlement practices are inconsistent with any provision of RESPA. Section 18(b) provides that no provision of RESPA or of the laws of a state shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary.

§ 82.2 Definitions.

For purposes of this part, the following definitions apply, unless the context indicates otherwise.

(a) "Assumption Approval" means the approval by the Lender or his duly authorized agent or representative of an assumption of, or a sale subject to, a Home Mortgage where such approval is

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conditioned or based upon a change in the interest rate or other terms and conditions of the promissory note or document creating the mortgage lien, or is made in consideration of the payment of a fee in excess of fifty dollars ($50) paid to the Lender or his agent, representative or servicer.

(b) "Date of Settlement" means, in the case of a sale or transfer financed by a new mortgage, the date on which the documents creating the mortgage become effective as between the borrower and the Lender, and in the case of a purchase of a property subject to an existing mortgage, whether or not the buyer assumes personal liability, the date on which title is transferred as between seller and buyer not subject to revocation by seller or buyer.

(c) "Days" are computed as follows: All time periods in this part are expressed in days. Periods do not include the day from which they are measured. Where the last day on which an act or event is permitted to occur is a Saturday, Sunday or Federal or State holiday, such act or event may occur on the next succeeding day which is not a Saturday, Sunday or Federal or State holiday. Where a period is 7 days or more, it is measured in calendar days. Where a period is less than 7 days and not specified as calendar days, it is measured in business days, excluding Saturdays, Sundays and Federal or State holidays.

(d) "Federal Lender" means: (1) A lending institution, the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation (FSLIC), the Federal Deposit Insurance Corporation (FDIC) or any other agency of the Federal Government, or (2) a lending institution which is regulated by the Federal Home Loan Bank Board or any other agency of the Federal Government, or (3) a "creditor," as defined in section 103(f) of the Consumer Credit Protection Act (15 U.S.C. 1602 (f)), who makes or made new investments in residential real estate loans aggregating more than $1,000,000 in either the calendar year in which the Date of Settlement of the Home Mortgage in question occurs or the calendar year prior thereto. Section 103(f) defines "creditor" as follows:

> (f) The term "creditor" refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

(e) "Home Mortgage" means a loan which is not made to finance an exempt transaction under section 82.4(b) and which meets all of the following four requirements:

(1) The proceeds of the loan are used in whole or in part to finance the purchase by the borrower, or other transfer of title, of the mortgaged property or the loan was previously made and the lender makes an assumption approval in connection with the purchase of or transfer of title to the mortgaged property;

(2) The loan is secured by a lien on or other security interest in real estate, including a fee simple, life estate, remainder interest, or leasehold estate, upon which there is located a structure, including a mobile home owned or to be owned by the borrower and covered or to be covered by the mortgage, designed principally for the occupancy of from 1 to 4 families or upon which such a structure is to be constructed, or purchased in the case of a mobile home, using part or all of the proceeds of the loan, or the loan is secured by a lien or other security interest covering a 1 to 4 family residential condominium unit, or the loan is secured by a pledge of cooperative stock or interest corresponding to a 1 to 4 family residential cooperative unit;

(3) The Mortgaged Property is located in a State; and

(4) The loan is made by a Federal Lender, or is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary or any other officer or agency of the Federal Government, or is made in connection with a housing or urban development program administered by the Secretary or other agency of the Federal Government, or is eligible for purchase by the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), or the Federal Home Loan Mortgage Corporation (FHLMC). Note that GNMA's authority to purchase mortgages includes broad authority under 12 U.S.C. 1720(a) "to purchase such types, classes, or categories of home mortgages" as the President shall determine to carry out the purposes of 12 U.S.C. 301(b).

(f) "Lender" means, in the case of a new loan, the secured creditor or creditors named as such in the debt obligation and document creating the lien or other security interest, and in the case of an Assumption Approval with respect to a preexisting loan, the current owner or owners of the Home Mortgage at the time of the Assumption Approval.

(g) "Loan Application" means an oral or written application for a Home Mortgage or Assumption Approval received by the Lender or his agent or representative or independent contractor originating the Home Mortgage in the name of the Lender or servicing the Home Mortgage for the Lender. The date of Loan Application is the date of actual receipt.

(h) "Loan Commitment" means a promise by a Lender to a borrower, oral or written, to make a Home Mortgage or Assumption Approval, with respect to a specified property, whether or not such promise is subject to any conditions and whether or not the borrower is obligated to accept such Home Mortgage or Assumption Approval.

(i) "Mortgaged Property" means the real property covered by the Home Mortgage, or the cooperative unit with respect to which stock is pledged to secure the Home Mortgage loan.

(j) "Person" means any individual, corporation, partnership, trust, association or other entity.

(k) "RESPA". The Real Estate Settlement Procedures Act of 1974 (Pub. L. 93–533), 12 U.S.C. 2601, as amended.

(l) "Secretary." The Secretary of Housing and Urban Development or any official delegated the authority of the Secretary with respect to RESPA.

(m) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

§ 82.3 Reliance upon rule, regulation or interpretation by HUD of RESPA.

(a) Section 18(b) of RESPA provides:

> No provision of this Act or of the laws of any State imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

(b) For purposes of section 18(b), only the following constitute a "rule, regulation, or interpretation thereof by the Secretary":

(1) The Uniform Disclosure/Settlement Statement, HUD Form 1, and HUD instructions set forth in Appendix A, but not including page 3 of the form and the Federal Reserve Board instructions thereto, set forth in Appendix B;

(2) All other provisions and Appendices contained in this part, but not including any document referred to in this part except to the extent such document is set forth in this part; and

(3) Each formal legal opinion regarding RESPA, designated as a "RESPA Legal Opinion," numbered and dated, by the General Counsel of the Department.

(c) A "rule, regulation, or interpretation thereof by the Secretary" for purposes of RESPA section 18(b) shall not include the Special Information Booklet prescribed by the Secretary or any other statement or issuance, whether oral or written, by an officer or representative of HUD, letter or memorandum by the Secretary, General Counsel, any Assistant Secretary or other officer or employee of HUD, preamble to a regulation or other issuance of HUD, report to Congress, pleading, affidavit or other document in litigation, pamphlet, handbook, guide, telegraphic communication, explanation, instructions to forms, speech or other material of any nature which is not specifically included in paragraph (b) of this section.

§ 82.4 Applicability.

(a) *Transactions covered.* This part applies to loans which constitute Home Mortgages as defined in § 82.2(e). As defined therein, Home Mortgage does not include a home improvement loan or other loan secured by a lien on a 1 to 4 family residential property where the proceeds of the loan are not used to finance the purchase or transfer of the property. Nor does Home Mortgage in-

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clude refinancing of a mortgage loan secured by a lien on a 1 to 4 family residential property where there is no transfer of title.

(b) *Exempt transactions.* This part shall not apply to purchases of property for resale in the ordinary course of business.

(c) *Commencement of applicability*—(1) *Information booklet.* The Special Information Booklet must be distributed with respect to every Loan Application received on or after June 20, 1975.

(2) *Advance disclosure.* After June 20, 1975, advance disclosure, as required by § 82.7 of this Part, must be provided with respect to every Home Mortgage except a Home Mortgage (i) which is made pursuant to a Loan Commitment evidenced by a letter or written agreement signed by the Lender prior to June 20, 1975, and (ii) as to which the Date of Settlement occurs on or before October 20, 1975. Where advance disclosure is required, it may be made prior to June 20, 1975.

(3) *Settlement statement.* The Uniform Disclosure/Settlement Statement shall be used as the settlement statement with respect to every Home Mortgage subject to the advance disclosure requirements pursuant to paragraph (c) (2) of this section.

§ 82.5 Information booklet for persons applying for loans to purchase residential real property.

(a) *Lender to provide information booklet.* Every lender shall provide a copy of the Special Information Booklet currently prescribed by the Secretary to every person who makes a loan application. Where more than one individual makes a loan application, the lender is required to supply a copy of the Special Information Booklet to at least one of the individuals applying. The lender shall supply the Special Information Booklet by delivering it to or placing it in the mail to the applicant not later than the third business day of the lender following the day on which the application is received.

(b) *Printing and duplication.* The Special Information Booklet may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The Secretary may from time to time revise the Special Information Booklet. The Special Information Booklet may be printed or reproduced in any form, provided that no change is made, other than as permitted under paragraph (c) of this section. The Special Information Booklet may not be made a part of a larger document for purposes of distribution under RESPA and this section. Any color, size and quality of paper, type of print, and method of reproduction may be used so long as the booklet is clearly legible and easily readable.

(c) *Permissible changes.* No change to, deletion from or addition to the Foreword and text of the Special Information Booklet currently prescribed by the Secretary shall be made other than those specified below or any others approved in writing by the Secretary:

(1) The cover of the booklet may be in any form and may contain any drawings, pictures, or artwork, provided that the words "settlement costs" are used in the title. Names, addresses and telephone numbers of the lender or others and similar information may appear on the cover, but no discussion of the matters covered in the booklet shall appear.

(2) The Special Information Booklet may be translated into other languages.

(3) The wording may be deleted which precedes the foreword, authorizing the reprinting of the booklet and referring to sale by the Superintendent of Documents, but not the first paragraph, referring to preparation of the booklet by the Secretary.

(4) In the last sentence of the foreword, "a lending institution" may be added after "local consumer affairs agency."

(5) In the "Advance disclosure" section, the third sentence of the second paragraph may be deleted.

(6) In the section, "2. Settlement attorneys, escrow and closing agents," the second paragraph and first sentence of the third paragraph may be deleted.

(7) In section B6, in the paragraph entitled "c. Settlement Agent," the words "and location" may be deleted from the last sentence.

§ 82.6 Uniform Disclosure/Settlement Statement Form.

(a) *Use of Form.* HUD Form 1, "Disclosure/Settlement Statement," pages 1 and 2 of which, with instructions, are set forth in Appendix A to this part, and the third page of which, with instructions, is set forth in Appendix B to this part, shall be used as the advance disclosure statement under RESPA section 6 and § 82.7 of this Part, and as the settlement statement under RESPA section 4 and § 82.8 of this Part.

(b) *Printing and duplication of Form.* The Uniform Disclosure/Settlement Statement Form may be reproduced by lenders or others. Lenders are required to use the form, with the first two pages as prescribed by the Secretary and the third page as prescribed by the Federal Reserve Board. Only the following permissible changes and insertions may be made:

(1) In Block A, the lender or other company reproducing the form may insert its business name and/or logotype and may rearrange, but not delete, the other information which appears in Block A.

(2) In Block F, the name, address and other information regarding the lender may be printed, and a space or spaces may be printed for lender's loan number or similar information.

(3) The form may be printed separately to be used only as an advance disclosure form or to be used only as a form for settlement, in which cases the paragraph entitled "STATEMENT OF ACTUAL COSTS" and items 500 through 603 may be deleted from the form used for advance disclosure, and the paragraph entitled "ADVANCE DISCLOSURE OF COSTS" may be deleted from the form used for settlement.

(4) A statement may be printed at the end of the paragraph "ADVANCE DISCLOSURE OF COSTS", in any style or type of print, that advance disclosure of prorations of taxes and assessments is based upon the assumption that taxes and assessments are not delinquent. Such statement if printed on the form will then be stricken where advance disclosure is not based upon such assumption. See § 82.7(k).

(5) No changes in the size or type style of print or the layout of the first two pages of the form shall be made, except as follows: (A) The layout of the form may only be reset in type if such type style is approximately the same size and appearance, is easily readable, and the entire form layout is identical to the form as prescribed by HUD; and (B) where necessary to accommodate computer equipment, the first two pages of the form may be printed in a larger size of print and different type style and the distance between lines may be increased, but not decreased, but there shall be no other change in the layout and placement of information on the form. As to the third page, see Regulation Z, 12 CFR Part 226, and the Federal Reserve Board instructions in Appendix B.

(6) In the first two pages, items listed in the form not used locally or not used in connection with mortgages by the lender may be lined out in a manner so that they may still be read.

(7) In the first two pages, charges not listed which are made locally may be inserted in blank spaces in any style or type of print of similar size, but which is different from the style and type of print used in the balance of the form (to indicate items not listed nationwide).

(8) Signature lines and customary local recitals prior to signature lines may be added at the end of the second page or at the end of the third page.

(9) Additional blank space may be added above and/or below each page and the form may be printed on rolls, which may have sprocket holes e.g. for computer purposes. The pages may be printed on separate sheets or placed on the front and back of a single sheet, or one above the other on a single, continuous sheet.

(10) The form may be printed on light shades of tinted paper and may be printed in one or more colors of clearly legible inks.

(11) The form may be printed in multi-copy tear-out sets. Such sets or any other method for making copies may delete Block J, lines 100 through 303, from the seller's copy and Block K, lines 400 through 603, from the Borrower's copy.

(12) The form may be translated into any other language with the approval of the Secretary, but items of the Truth in Lending Statement required by law to be stated in English must be so stated.

(13) Any other deviation in pages 1 and 2 of the form is only permissible upon receipt of written approval of the Secretary. Any other deviation in the

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page 3 Truth in Lending disclosure must be in accordance with requirements of the Board of Governors of the Federal Reserve System. See Regulation Z, 12 CFR 226.102 and form instructions in Appendix B to this Part. A request to the Secretary for approval must be submitted in writing to the Assistant Secretary for Housing Production and Mortgage Credit—Federal Housing Commissioner, Room 6100, 451 7th Street, SW., Washington, D.C. 20410, stating the reasons why the applicant believes such deviation is needed. Prior to receiving such approval, the prescribed form must be used.

(c) *HUD-prescribed additions of items to form.* HUD reserves the right to direct the order and the manner in which additional items are added to the first two pages of the form or in which any other changes are made in the first two pages of the form for any locality, jurisdiction or area.

(d) *Additional sheet.* Where there is an unusually large number of insertions for which blank spaces in the first two pages of the form are not sufficient, an additional sheet for such items may be added to the form and referenced at the appropriate place or places in the form. Such additional sheets may be printed. The reverse side of the form may be used instead of an additional sheet.

§ 82.7 Advance disclosure of settlement costs by lender.

(a) *Lender to provide.* As required by RESPA section 6, each lender making a home mortgage or assumption approval of a home mortgage shall make or cause to be made advance disclosure of settlement costs on HUD Form 1 in accordance with this section.

(b) *Timing of advance disclosure.* Except as provided in paragraphs (c) and (d) of this section, the lender shall place in the mail to or deliver to the borrower and the seller the advance disclosure statement (on HUD Form 1) at any time not later than 7 calendar days after the date of loan commitment. Advance disclosure may be made prior to loan commitment. Settlement shall not occur less than 15 calendar days after such mailing or 12 calendar days after such delivery. Where advance disclosure statements to different parties are mailed or delivered on different dates, the minimum period to settlement provided above shall be the latest date required with respect to any one disclosure statement. See paragraph (p) of this section regarding Truth in Lending disclosure.

Example 1. Loan Commitment is made July 2. Settlement is anticipated to occur within 60 days. Advance disclosure statement is delivered to one seller on July 5, mailed to a second seller on July 7 and mailed to borrower on July 9. Settlement may not be held prior to July 24 (15 days from, and not including, July 9). Advance disclosure is timely because it is made not later than July 9 (7 days from, and not including, July 2).

(c) *Timing where settlement is anticipated more than 60 days after loan commitment.* Where as of the date of loan commitment, the date of settlement is anticipated by the lender, based upon information given to the lender, to occur more than 60 calendar days after the date of loan commitment, the lender may in its discretion mail or deliver the advance disclosure statement subsequent to the time prescribed in paragraph (b), but not later than 60 days prior to the anticipated date of settlement. Thereafter, if the lender is advised that the date of settlement is expected to occur still later, the lender may in its discretion mail or deliver the advance disclosure statement at any time not later than 60 calendar days prior to such revised anticipated date of settlement. If at any time subsequent to the date of loan commitment the lender is advised that the date of settlement is anticipated earlier than previously anticipated, lender shall mail or deliver the advance disclosure statement on or before 60 days prior to such revised anticipated date of settlement or, if such revised date is within 67 days of the date lender is advised of the revised anticipated date of settlement, lender shall mail or deliver the advance disclosure statement not later than 7 calendar days after being advised of such revised date of settlement. Nothing in this subsection (c) shall alter or affect the minimum periods between disclosure and settlement set forth in the third sentence of paragraph (b) of this section. See paragraph (p) of this section regarding Truth in Lending disclosure.

Example 2. Loan Commitment is made July 1 and settlement is anticipated to occur October 15. Lender may mail or deliver advance disclosure at any time on or before August 14 (60 days before, and not including, October 15). As of August 1, Lender has not yet made advance disclosure and is advised that settlement is anticipated November 15. Lender may mail or deliver advance disclosure statement any time on or before September 14. On September 1, Lender is advised that settlement is anticipated to occur November 1. Lender must mail or deliver advance disclosure statement on or before September 8.

(d) *Waiver of minimum period between advance disclosure and settlement.* The minimum period between advance disclosure and settlement provided in paragraph (b) may be reduced to 3 days from actual receipt of the advance disclosure statement by the borrower and the seller where settlement is held not later than 21 days after the date the loan application was made. Such reduction shall only be made where a copy of the following waiver form is voluntarily executed by each borrower and seller who has not been mailed or delivered the advance disclosure statement on or before the time limit specified in paragraph (b) of this section and is attached to the settlement statement. Such waiver does not waive any applicable right of rescission under the Truth in Lending Act; see Regulation Z, 12 CFR Part 226, for requirements applicable to waiver of right of rescission.

WAIVER TO REDUCE PERIOD BETWEEN ADVANCE DISCLOSURE AND SETTLEMENT

Identification of Transaction:

Borrower(s): _____
Seller(s): _____
Property: _____
Loan amount: _____
Lender: _____
Date of settlement: _____

I hereby acknowledge and affirm that I know that the Real Estate Settlement Procedures Act of 1974 requires the Lender to mail to me an advance itemized disclosure in writing of each charge arising in connection with this settlement not later than 15 calendar days prior to the date of settlement, or deliver such disclosure to me not later than 12 days prior to the date of settlement. I further understand that if the lender fails to provide the required disclosure I may recover from it $500 or actual damages, whichever is greater, plus court costs and a reasonable attorney's fee as determined by the court.

Notwithstanding the above, I hereby waive the right to receive such disclosure 12 days or have it mailed 15 days prior to settlement and I further certify that:

(1) Application for this loan was made not more than 21 calendar days prior to settlement date and I have consented to settlement on that date; and

(2) I received the advance disclosure of settlement costs at least 3 days (excluding Saturdays, Sundays and holidays) prior to the date of settlement.

(3) I understand that I am not required to execute this waiver and may, instead, determine not to waive and to require the advance disclosure of settlement costs to be delivered to me 12 days before settlement or mailed to me 15 days before settlement; and

(4) I understand that if I sign this waiver in advance of the date of settlement, I may revoke this waiver at any time prior to the date of settlement.

_____ _____
Signature(s) Date

(e) *More than one lender.* Where two or more home mortgages are made with respect to the same sale or transfer of the mortgaged property, each lender may independently satisfy the advance disclosure requirements, or they may jointly satisfy the advance disclosure requirements. In either case, each lender shall be fully responsible to the borrower and seller to make the required disclosure.

(f) *Good faith estimates.* Where the exact amount of a charge required to be stated in the advance disclosure statement is not known, the lender may state a good faith estimate made by the lender, or an estimate obtained by the lender from a provider of settlement services which the lender reasonably believes is a good faith estimate. Each estimate must be stated as a specific figure, and not as a range of possible figures. The advance disclosure statement shall state an "(e)" after each figure which is an estimate.

(g) *Charges to be disclosed.* The advance disclosure statement shall state the amount or estimated amount of the charges to be imposed upon the borrower and the seller shall set forth in the Uniform Disclosure/Settlement Statement (HUD Form 1) lines 700 through 1400 and all similar charges to be paid by borrower and seller which are not listed in

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said lines 700 through 1400, except as provided in paragraph (h) of this section regarding hazard insurance, paragraph (i) of this section regarding attorney's fees, and paragraph (j) of this section regarding inspection charges and other charges. Blocks J and K shall be completed; adjustments may be made in accordance with paragraph (k) of this section. At the lender's option, lender may delete Block J from the disclosure to the seller. At the lender's option, lender may omit Block K from the disclosure statement to the borrower.

(h) *Exception to advance disclosure of hazard insurance charges.* The charges for hazard insurance binder or policy covering the mortgaged property are not required to be stated in the advance disclosure statement where the borrower independently obtains his own hazard insurance binder or policy, whether or not the lender requires such binder or policy to be obtained for settlement, provided that the binder or policy has not been obtained by, and the carrier or insurance broker or agent has not been selected for the borrower by, any of the following persons: The lender; an agent or representative of the lender or independent contractor originating the home mortgage in the name of the lender; the real estate agent or broker; or the person selected to conduct the settlement.

(i) *Exception to advance disclosure of attorney's fees.* Fees or estimated fees to be paid by borrower to borrower's attorney or by seller to seller's attorney are not required to be stated in the advance disclosure statement where such attorney is not retained to perform the title search or other services required by the lender and the borrower or seller, as the case may be, independently elects to be represented by an attorney and independently selects the particular attorney. Attorney's fees or estimates thereof are, however, required to be stated in the following cases:

(1) Fees to be paid by the borrower for an attorney representing the lender, the seller or any other person;

(2) Fees to be paid by the seller for an attorney representing the lender, the borrower or any other person;

(3) Fees to be paid by the borrower or the seller for an attorney representing the borrower or seller, respectively, if the borrower or seller is required by the lender or his agent or representative or independent contractor originating the home mortgage in the name of the lender to be represented by counsel;

(4) Fees to be paid by the borrower or the seller for an attorney representing the borrower or seller, respectively, if the lender or his agent or representative or independent contractor originating the home mortgage in the name of the lender selects the attorney. For purposes of this paragraph (i)(4), the lender or such other person is not considered to select the attorney if he merely recommends a list of at least three attorneys and does not require the borrower to select an attorney from such list.

(j) *Exception to advance disclosure for charges for certain other services independently procured by borrower or seller.* Charges or estimates thereof for services not required by the lender or his agent or representative or independent contractor originating the home mortgage for the lender are not required to be stated in the advance disclosure statement where the borrower or seller independently elects to obtain such services and independently selects the provider of such services.

(k) *Disclosure of adjustments for taxes and assessments.* Lender may make the disclosure of adjustments for taxes and assessments based upon the assumption that no taxes and assessments are delinquent, in lieu of determining from the appropriate records whether delinquencies exist. Where lender makes disclosure based upon such assumption, lender shall place in Block C a statement that advance disclosure of prorations of taxes and assessments is based upon the assumption that taxes and assessments are not delinquent. See § 82.6(b)(4) regarding the printing of such a statement.

(l) *Single disclosure.* Where subsequent to mailing or delivering the advance disclosure statement, changes in anticipated charges come to the attention of the lender no additional or revised advance disclosure statement is required to be provided. The lender may in its discretion, but is not required to, provide updated or corrected amounts to a party the lender understands will pay the charges in question or all parties by letter or otherwise.

(m) *Record-keeping.* Lender shall retain a copy of the advance disclosure statement required to be prepared pursuant to RESPA section 6 for 2 years, except that in the event lender disposes of its interest in the Home Mortgage and does not service the home mortgage, lender may permit its copy of the advance disclosure statement to be delivered to the owner or servicer of the home mortgage as part of the transfer of the loan file. A copy of the advance disclosure statement may be required to be submitted to the Secretary and/or to other Federal agencies. Nothing in this Part alters, amends or in any way reduces the separate record keeping requirements of Regulation Z of the Federal Reserve Board. See 12 CFR 226.6(i).

(n) *Damages.* As provided in RESPA section 6(b), a lender which fails to provide the prospective borrower(s) or seller(s) with the required advance disclosure shall be liable to such borrower(s) or to such seller(s), as the case may be, in an amount equal to actual damages or $500 to all borrowers and $500 to all sellers, whichever is greater, and in the event a court action is filed and judgment is obtained against the lender, court costs and a reasonable attorney's fee as determined by the court, provided that: (1) A lender shall not be liable under RESPA for mailing or delivering the disclosure statement later than the time limits established in this section, if within the time limits established by the third sentence of paragraph (b).

(2) A lender shall not be liable under RESPA for a violation which was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures adopted to avoid such an error.

(3) In order to show actual damages under RESPA, the borrower(s) or the seller(s) seeking damages above $500 must establish on the particular facts of the case that had the required disclosure been made, the borrower(s) or the seller(s) would have obtained settlement services costing at least $500 less than those he or she actually paid.

(4) Loss based upon seller's claimed loss of a sale, borrower's claim that he was unable to purchase due to lender's failure to make proper disclosure, borrower's claim that he would have purchased a different property, or damages other than described in paragraph (M)(3) of this section may not be the basis for a claim under RESPA for actual damages in excess of $500.

(o) *No Fee for Preparation of Advance Disclosure Statement.* See § 82.10.

(p) *Truth in Lending disclosure.* The third page of the Uniform Disclosure/Settlement Statement, Appendix B to this part, setting forth the Truth in Lending disclosure, shall be completed and provided in accordance with the Truth in Lending Act, Regulation Z of the Federal Reserve Board, 12 CFR Part 226, and any other Federal Reserve Board requirements. Where Regulation Z establishes a time limit for the making of such Truth in Lending disclosure which is earlier than the applicable time limit under paragraphs (b), (c) and (d) of this section for the making of advance disclosure, the Truth in Lending disclosure must be made at the time required by Regulation Z. In such cases, the first two pages of the Uniform Disclosure/Settlement Statement, HUD Form 1, may be mailed or delivered subsequently, but within the applicable time limits established in this part, and the third page Truth in Lending disclosure is not required to be given a second time when pages 1 and 2 are mailed or delivered.

§ 82.8 Uniform Settlement Statement.

(a) *Use of HUD Form 1.* As required by RESPA section 4, the Uniform Settlement/Disclosure Statement, HUD Form 1, shall be used as the settlement statement for every Home Mortgage settlement transaction involving a purchase or transfer of a mortgaged property for every home mortgage settlement pursuant to an assumption approval.

(b) *Charges to be stated.* The Uniform Disclosure/Settlement Statement, HUD Form 1, shall be completed to itemize all charges imposed upon the borrower and the seller in connection with the settlement, other than charges exempted from advance disclosure under § 82.7 (h), (i) and (j) and which borrower or seller contract to pay for separately outside of the settlement. The person pre-

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paring the settlement statement is not required to supply the information in Block J in the copy supplied to the seller, nor to supply the information in Block K to the borrower.

(c) *Delivery.* The settlement statement shall be delivered or mailed to the borrower and the seller on the date of settlement or as soon thereafter as practicable, and in any case not later than 3 days after the date of settlement.

(d) *Recordkeeping.* Lender shall retain a copy of each settlement statement required to be prepared pursuant to RESPA section 4 for 2 years, except that in the event lender disposes of its interest in the home mortgage and does not service the home mortgage, lender may permit its copy of the settlement statement to be delivered to the owner or servicer of the home mortgage as part of the transfer of the loan file. Nothing in this part alters, amends or in any way reduces the separate recordkeeping requirements of Regulation Z of the Federal Reserve Board. See 12 CFR 226.6(i). A copy of the settlement statement may be required to be submitted to the Secretary and/or other Federal agencies.

§ 82.9 Mailing.

The provisions of this part requiring or permitting mailing of advance disclosure statements, Special Information Booklets or settlement statements shall be deemed to be satisfied by placing the document in the mail (whether or not received by the addressee) addressed to the address stated in the loan application or in other information submitted to or obtained by lender at the time of loan application, or submitted to or obtained by the person conducting the settlement, except that a revised address shall be used where the lender or such other person has been expressly informed in writing of a change of address.

§ 82.10 No fee.

As provided in RESPA section 12, no fee shall be imposed or charge made upon any other person, as a part of settlement costs or otherwise, by a lender in connection with or on account of the preparation and distribution required by RESPA of the statement or statements required by RESPA section 4 (Settlement Statement), RESPA section 6 (Advance Disclosure) or by the Truth in Lending Act.

§ 82.11 Relation to State laws.

RESPA section 18(a) provides:

This Act does not annul, alter, or affect, or exempt any person subject to the provisions of this Act from complying with, the laws of any State with respect to settlement practices, except to the extent that those laws are inconsistent with any provision of this Act, and then only to the extent of the inconsistency. The Secretary is authorized to determine whether such inconsistencies exist. The Secretary may not determine that any State law is inconsistent with any provision of this Act if the Secretary determines that such law gives greater protection to the consumer. In making these determinations the Secretary shall consult with the appropriate Federal agencies.

A determination by the Secretary that such an inconsistency exists shall be made, after consultation with appropriate Federal agencies, by publication of a notice in the FEDERAL REGISTER.

Effective date. These regulations are effective as of June 20, 1975.

CARLA H. HILLS,
Secretary of Housing and Urban Development.

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DISCLOSURE/SETTLEMENT STATEMENT

B. TYPE OF LOAN: 1. ☐ FHA 2. ☐ FMHA 3. ☐ CONV. UNINS. 4. ☐ VA 5. ☐ CONV. INS.

6. FILE NUMBER | 7. LOAN NUMBER

If the Truth-in-Lending Act applies to this transaction, a Truth-in-Lending statement is attached as page 3 of this form. | 8. MORTG. INS. CASE NO.

C. NOTE: This form is furnished to you prior to settlement to give you information about your settlement costs, and again after settlement to show the actual costs you have paid. The present copy of the form is:

1. ☐ ADVANCE DISCLOSURE OF COSTS. Some items are estimated, and are marked "(e)". Some amounts may change if the settlement is held on a date other than the date estimated below. The preparer of this form is not responsible for errors or changes in amounts furnished by others.

2. ☐ STATEMENT OF ACTUAL 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 totals.

D. NAME OF BORROWER	E. SELLER	F. LENDER

G. PROPERTY LOCATION	H. SETTLEMENT AGENT	I. DATES: LOAN COMMITMENT	ADVANCE DISCLOSURE
	PLACE OF SETTLEMENT	SETTLEMENT	DATE OF PRORATIONS IF DIFFERENT FROM SETTLEMENT

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 (from line 1400, Section L)		403.	
104.		404.	
105.			
Adjustments for items paid by seller in advance:		Adjustments for items paid by seller in advance:	
106. City/town taxes to		405. City/town taxes to	
107. County taxes to		406. County taxes to	
108. Assessments to		407. Assessments to	
109. to		408. to	
110. to		409. to	
111. to		410. to	
112. to		411. to	
120. GROSS AMOUNT DUE FROM BORROWER:		420. GROSS AMOUNT DUE TO SELLER	
		NOTE: The following 500 and 600 series sections are not required to be completed when this form is used for advance disclosure of settlement costs prior to settlement.	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money		501. Payoff of first mortgage loan	
202. Principal amount of new loan(s)		502. Payoff of second mortgage loan	
203. Existing loan(s) taken subject to		503. Settlement charges to seller (from line 1400, Section L)	
204.		504. Existing loan(s) taken subject to	
205.		505.	
Credits to borrower for items unpaid by seller:		506.	
206. City/town taxes to		507.	
207. County taxes to		508.	
208. Assessments to		509.	
209. to		Credits to borrower for items unpaid by seller:	
210. to		510. City/town taxes to	
211. to		511. County taxes to	
212. to		512. Assessments to	
220. TOTAL AMOUNTS PAID BY OR IN BEHALF OF BORROWER		513. to	
300. CASH AT SETTLEMENT REQUIRED FROM OR PAYABLE TO BORROWER:		514. to	
301. Gross amount due from borrower (from line 120)		515. to	
302. Less amounts paid by or in behalf of borrower (from line 220)	( )	520. TOTAL REDUCTIONS IN AMOUNT DUE TO SELLER	
303. CASH ☐ REQUIRED FROM/ ☐ PAYABLE TO/ BORROWER:		600. CASH TO SELLER FROM SETTLEMENT:	
		601. Gross amount due to seller (from line 420)	
		602. Less total reductions in amount due to seller (from line 520)	( )
		603. CASH TO SELLER FROM SETTLEMENT	

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L. SETTLEMENT CHARGES	PAID FROM BORROWER'S FUNDS	PAID FROM SELLER'S FUNDS
700. SALE/BROKER'S COMMISSION based on price $ @ %		
701. Total commission paid by seller (12)		
Division of commission as follows		
702. $ to		
703. $ to		
704.		
800. ITEMS PAYABLE IN CONNECTION WITH LOAN		
801. Loan Origination fee % (13)		
802. Loan Discount % (14)		
803. Appraisal Fee to (15)		
804. Credit Report to (16)		
805. Lender's inspection fee (17)		
806. Mortgage Insurance application fee to (18)		
807. Assumption/refinancing fee (19)		
808.		
809.		
810.		
811.		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901. Interest from to @$ /day (20)		
902. Mortgage insurance premium for mo. to (21)		
903. Hazard insurance premium for yrs. to (22)		
904. yrs. to		
905.		
1000. RESERVES DEPOSITED WITH LENDER FOR: (23)		
1001. Hazard insurance mo. @$ /mo.		
1002. Mortgage insurance mo. @$ /mo.		
1003. City property taxes mo. @$ /mo.		
1004. County property taxes mo. @$ /mo.		
1005. Annual assessments mo. @$ /mo.		
1006. mo. @$ /mo.		
1007. mo. @$ /mo.		
1008. mo. @$ /mo.		
1100. TITLE CHARGES:		
1101. Settlement or closing fee to (24)		
1102. Abstract or title search to (25)		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to (26)		
1107. Attorney's Fees to (27)		
(includes above items No.:)		
1108. Title insurance to (28)		
(includes above items No.:)		
1109. Lender's coverage $		
1110. Owner's coverage $		
1111.		
1112.		
1113.		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES (29)		
1201. Recording fees: Deed $ Mortgage $ Releases $		
1202. City/county tax/stamps: Deed $ Mortgage $		
1203. State tax/stamps: Deed $ Mortgage $		
1204.		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to (30)		
1302. Pest inspection to (31)		
1303.		
1304.		
1305.		
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103 and 503, Sections J and K)		

NOTE: Under certain circumstances the borrower and seller may be permitted to waive the 12-day period which must normally occur between advance disclosure and settlement. In the event such a waiver is made, copies of the statements of waiver, executed as provided in the regulations of the Department of Housing and Urban Development, shall be attached to and made a part of this form when the form is used as a settlement statement.

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Instructions for Completing Uniform Disclosure/Settlement Statement (HUD Form 1)

The following are instructions for completing the first 2 pages of the Uniform Disclosure/Settlement Statement, HUD Form 1, required under Sections 4 and 6 of the Real Estate Settlement Procedures Act of 1974 (Public Law 93-533) and the Regulations thereto issued by the U.S. Department of Housing and Urban Development called Regulation X (24 CFR Part 82). This form is to be used to provide an advance disclosure of costs prior to settlement, and as a uniform statement of actual costs and adjustments to be given to the parties in connection with the settlement. The Instructions for completion are primarily for the benefit of the persons who prepare the statements and need not be transmitted to the parties as an integral part of the form. To determine if the Uniform Disclosure/Settlement Statement is legally required to be used in a particular mortgage loan transaction, refer to Regulation X of the Department of Housing and Urban Development (24 CFR Part 82). There is no objection to the use of the form in transactions in which its use is not legally required.

The Truth-in-Lending Statement prepared by the Federal Reserve Board for real estate transactions is a part of the Uniform Disclosure/Settlement Statement. It is the third page of the Uniform Disclosure/Settlement Form and must be completed in all cases in which the Truth in Lending Act applies to the transaction. For specific instructions on Truth-in-Lending disclosure requirements under the Real Estate Settlement Procedures Act, refer to the Instructions of the Federal Reserve Board, which appear in Appendix B to HUD's Regulation X (24 CFR Part 82).

The disclosure in advance of settlement is the responsibility of the lender. The Act recognizes that the precise amount of every individual charge to be assessed at settlement will not always be known at the time of advance disclosure. The Act provides: "In the event the exact amount of any such charge is not available, a good faith estimate of such charge may be provided." As provided in Regulation X, the advance disclosure statement shall state an "(e)" after each figure which is an estimate. Each estimate must be stated as a specific figure, and not as a range of possible figures.

General Instructions

Information and amounts may be filled in by typewriter, hand printing, computer printing, or any other method producing clear and legible results. Copies of the form sent to the borrower and the seller may be carbon copies, electrostatic copier copies, or other clearly legible copies. Refer to Regulation X regarding rules applicable to printing of the form.

Where there is an unusually large number of insertions for which blank spaces in the first two pages of the form are not sufficient, an additional sheet for such items may be added to the form and referenced at the appropriate place or places in the form. Such additional sheets may be printed. The reverse side of the form may be used instead of an additional sheet.

Line Item Instructions

Instructions for completing the individual items on the form follow. Where no instructions are given, the item is thought to be self-explanatory.

Section A. The lender, title company, or other firm preparing the form may insert its name and/or logotype in Section A.

Section B. Check appropriate loan type and complete the remaining items as applicable.

Section C. Check the appropriate box indicating whether the particular copy of the form being completed is for advance disclosure purposes or is a statement of actual costs and disbursements at or after settlement. As provided in Regulation X, in preparing the advance disclosure statement, the Lender may make the disclosure of adjustments for taxes and assessments based upon the assumption that no taxes and assessments are delinquent, in lieu of determining from the appropriate records whether delinquencies exist. Where Lender makes disclosure based upon such assumption, Lender shall place in Block C a statement that advance disclosure of prorations of taxes and assessments is based upon the assumption that taxes and assessments are not delinquent. Under Regulation X, Lender is permitted to print such a statement in Block C; where the statement is printed in the form, it is to be stricken where not applicable.

Sections D and E. Fill in the names and current mailing addresses of the borrower and the seller. Where there is more than one buyer or seller, the name and address of one is sufficient.

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Section F and H. Fill in the name and address of the lender and the settlement agent. If, at the time of advance disclosure, the settlement agent has not yet been selected, the advance disclosure form should have "not known" entered in Section H.

Section G. The street address of the security property, if any should be given. If there is no street address, a brief legal description or other location of the property should be inserted. In all cases give the zip code of the property.

Section I. Fill in these dates to the extent they are known. If advance disclosure is made before commitment, an estimated commitment date should be inserted and marked "(e)". If the settlement date is not firm at the time of advance disclosure, an estimated settlement date should be inserted and marked "(e)". If the prorations of taxes, insurance, etc., are to be made as of a date different than the settlement date, indicate the date of prorations on the last line in this section.

Section J. Summary of Borrower's Transaction. The Borrower may be given a copy of the form (in case of both advance disclosure and settlement) which does *not* contain the information filled in under "Summary of Seller's Transaction" (Block K, Series 400, 500, and 600 items).

Lines 104 and 105 are for additional amounts owed by the buyer. For example, the balance in the seller's reserve account held by the lender, if assigned to the buyer in a loan assumption case, would be entered here.

Lines 106 through 112 are for items which the seller had paid in advance, and for which the buyer must therefore reimburse the seller. On the advance disclosure statement the exact date for prorations will not usually be known, and these amounts will therefore be estimates. Examples of items for which adjustments are made may include taxes and assessments paid in advance for an entire year or other period, when settlement occurs prior to the expiration of the year or other period for which they were paid. See Instruction for Block C above regarding advance disclosure of taxes and assessments on the assumption that no taxes and assessments are delinquent. Additional examples include flood and hazard insurance premiums if the buyer is being substituted as an insured under the same policy; mortgage insurance in loan assumption cases; PUD or condominium association assessments paid in advance; fuel or other supplies on hand, purchased by the seller, which the buyer will use when buyer takes possession of the property; and ground rent paid in advance.

Line 203 is used for cases in which the buyer is assuming or taking title subject to an existing loan or other lien.

Lines 204 and 205 may be used in cases in which the seller has taken a trade-in or other property from the buyer in part payment for the property being sold, or when a tenant in the property has not yet paid his rent for a period of time prior to the settlement, and which the buyer will collect. They may also be used in cases in which a seller (typically a builder) is making an "allowance" to the buyer for carpets or drapes which the buyer is to purchase on his own. Such an allowance should also be entered on lines 505–509.

Lines 206 through 212 are for items which have not yet been paid, and which the buyer is expected to pay, but which are attributable in part to a period of time prior to the settlement. In jurisdictions in which taxes are paid late in the tax year, most cases will show the proration of taxes in these lines. See Instruction to Block C above regarding advance disclosure of taxes and assessments on the assumption that no taxes and assessments are delinquent. Other examples include utilities used but not paid for by the seller, rent collected in advance by the seller from a tenant for a period extending beyond the settlement date, and interest on loan assumptions. As with lines 106 to 112, these amounts will normally be only estimates on the advance disclosure statement.

Line 303 may indicate either the cash required from the borrower at settlement (the usual case in a purchase transaction) or cash payable to the borrower at settlement (if, for example, the buyer's earnest money deposit exceeded his cash obligations in the transaction). The appropriate box should be checked.

Section K. Summary of Seller's Transaction. The Seller may be given a copy of the form (in case of both advance disclosure and settlement) which does *not* contain the information filled in under "Summary of Borrower's Transaction" (Block J, Series 100, 200, and 300 items).

Instructions for the use of lines 106–112, above, apply also to lines 405 to 411.

As the note on the form indicates, it is not necessary to complete lines 500 through 603 when the form is used for advance disclosure. The reason is that information about payoff figures on existing liens must normally come from a title search and payoff letters from other lenders, and is therefore often not available at the time of advance disclosure. There is, however, no objection to the completion of these sections at the time of advance disclosure if the lender so desires.

Line 504 is used if the purchaser is assuming or taking title subject to existing liens which are to be deducted from sales price.

Lines 505 through 509 may be used to list additional liens which must be paid off through settlement to clear title to the property. They may also be used to indicate funds to be held by the settlement agent for the payment of repairs the seller is obligated to make or payment of water, fuel, or other utility bills which cannot be prorated between the parties at settlement because the amounts used by the seller prior to settlement are not yet known.

If the seller's real estate broker has received and held an earnest money deposit which exceeds the commission owed to him, and if he will tender the excess deposit directly to the seller rather than through the settlement agent, the amount of excess deposit should be entered on one of lines 505–509, thus reducing the amount to be paid to the seller by the settlement agent by that amount.

Instructions for the use of lines 510 through 515 are the same as those for lines 206 to 212, above.

Section L. Settlement Charges. General: For all items except those paid to and retained by the lender, the name of the person or firm receiving the payment should be shown.

Line 700. If the sales commission paid by the seller is based on a percentage of the purchase price, enter the purchase price and the percentage here.

Line 701. The dollar amount of the *total* commission paid by the seller is entered here. A single entry is made, regardless of whether compensation will be paid to one agent or split among several agents.

Lines 702–703 are to be used to state the split of the commission where the person conducting the settlement disburses portions of the commission to two or more agents. Only the total commission is to be shown in the borrower's or seller's columns.

Line 704 may be used for additional charges made by the sales agent, or for a sales commission charged to the buyer, which will be disbursed by the settlement agent.

Line 801. Enter the fee charged by the lender for processing or originating the loan. If this fee is computed as a percentage of the loan amount, enter the percentage in the blank indicated.

Line 802. Enter the loan discount charged by the lender, and if it is computed as a percentage of the loan amount, enter the percentage in the blank indicated.

Line 803. Enter appraisal fees, if there is a charge separate from the origination fee.

Line 805 is used only for inspections by the Lender or his personnel. Charges for other pest or structural inspections required by Regulation X to be stated should be entered in lines 1302–1305.

Line 806 should be used for a VA appraisal fee, FHA application fee (which covers the cost of appraisal by the agency as well), or a fee required by a private mortgage insurance company.

Line 807 is provided for convenience in using the form for loan assumption transactions if a fee is charged by the Lender for agreeing to an assumption or transfer subject to an existing indebtedness.

Line 901. If interest is collected at settlement for a part of a month or other period between settlement and the date from which interest will be collected with the first regular monthly payment, enter that amount here. If such interest is not collected until the first regular monthly payment, no entry should be made on line 901.

Line 1000. This section is used for amounts collected by the Lender and held in an account for the future payment of the obligations listed as they fall due. In many jurisdictions this is referred to as an "escrow", "impound" or "trust" account. In addition to the items listed, some Lenders may require reserves for flood insurance, condominium owners association assessments, etc.

Line 1100. In many jurisdictions the same person (e.g., an attorney or a title insurance company) performs several of the services listed in this section, and makes a single undifferentiated charge for so doing. In such cases, enter the overall fee on line 1107, (for attorneys) or line 1108 (for title companies), and enter on the line provided the item numbers of the services listed which are covered in the overall fee. In such cases no amounts should be entered for the individual items which are covered by overall fees.

Line 1101. Enter here the fee of the person or firm conducting the settlement. In some jurisdictions this is termed a closing or escrow fee. If two or more persons or firms make charges in connection with the same transaction, enter total charges in the appropriate columns, and indicate the breakdown of charges on the line after the word "to".

Lines 1102 and 1103. In some jurisdictions the same person (e.g., an attorney) both searches the title (that is, performs the necessary research in the records) and examines title (that is, makes a determination as to what matters affect title, and provides a title report or opinion.) If such a person charges only one fee for both services, it should be entered on line 1103. If separate persons perform these tasks, or if separate charges are made for searching and examination, they should be listed separately.

Line 1105. Enter charges for preparation of deeds, mortgages, notes, etc. If more than one person receives a fee for such work in the same transaction, show the total paid in the appropriate column and the individual charges on the line following the word "to".

Lines 1108–1110. Enter the total charge for title insurance (except the cost of the title binder) on line 1108. Enter on lines 1109 and 1110 the individual charges for the Lender's and owner's policies. Note that these charges are not carried over into the borrower's and

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seller's columns, since to do so would result in a duplication of the amount in line 1108.

Lines 1111–1113. These lines are for entry of other title charges not already itemized. Examples in some jurisdictions would include a fee to a private tax service, a fee to a county tax collector for a tax certificate, and a fee to a public title registrar for a certificate of title under a Torrens Act. Show the lender's attorney's fee, if any, on line 1107 and other attorneys' fees, if required to be stated under Regulation X, on lines 1111–1113.

Lines 1303–1305. Enter on these lines any other settlement charges not referrable to the categories listed above on the form which are required by Regulation X to be stated. Examples may include structural inspections or pre-sale inspection of heating, plumbing, or electrical equipment. These inspection charges may include a fee for insurance or warranty coverage.

Line 1400. Enter the total settlement charges paid from borrower's funds and seller's funds. These totals are also entered on lines 103 and 503, respectively, in Sections J and K.

ATTACHMENT OF WAIVER FORM

The waiver or waivers reducing the period between disclosure and settlement (if any are executed by the parties) are a part of the form when it is used as a settlement statement, and should be attached to the form.

EXHIBIT B

Federal Truth-in-Lending Statement
(As part of Disclosure/Settlement Statement)

I. A. Cash price (contract sales price) $_____

1. Less any cash downpayment $_____
2. Less any trade-in $_____
3. Total downpayment $_____

B. Equals unpaid balance of cash price $_____

C. Plus any other amounts financed:

1. Property insurance premiums $_____
2. _____ $_____
3. Total other amounts financed $_____

D. Equals unpaid balance $_____

E. Less any prepaid finance charges:

1. Origination fee or points paid by borrower $_____
2. Loan discount or points paid by seller $_____
3. Interest from (specify date) to (specify date) $_____
4. Mortgage guaranty insurance $_____
5. _____ $_____
6. Total prepaid finance charge $_____

F. Equals amount financed $_____

II. The FINANCE CHARGE consists of

A. Interest (simple annual rate of _____%) $_____

B. Total prepaid finance charge (I. E. 6.) $_____

C. _____ $_____

D. Total FINANCE CHARGE $_____

III. A. The ANNUAL PERCENTAGE RATE on the amount financed is _____%*

B. If the contract includes a provision for variation in the interest rate, describe _____

IV. The repayment terms are: _____

V. The finance charge begins to accrue on _____ (specify date)

VI. In the event of late payments, charges may be assessed as follows: _____

VII. (Use either A or B as appropriate)

A. Conditions and penalties for prepaying this obligation are _____

B. Identification of method of rebate of unearned finance charge is _____

VIII. Insurance taken in connection with this obligation: _____

IX. The security for this obligation is _____

* Indicates a date, rate or amount that is estimated and may be subject to change.

INSTRUCTIONS FOR FEDERAL TRUTH IN LENDING STATEMENT[1]

This form is the Federal Truth in Lending disclosure portion of the Disclosure/Settlement Statement to be provided by the Department of Housing and Urban Development in connection with the Real Estate Settlement Procedures Act (Pub. L. 93–533).

This form is intended to provide a flexible, minimum disclosure standard in satisfaction of the Truth in Lending (Regulation Z) requirements of the Real Estate Settlement Procedures Act. This form is designed to accommodate those Truth in Lending disclosures which are most common to real estate purchase transactions. However, the form is not comprehensive of all credit charges or terms that may be incident to any particular federally related mortgage loan. When a given transaction includes less common terms, such as balloon payments, for which no specific provision is made on the form, these terms will also need to be disclosed and identified on the form.

To maintain the form as a standardized disclosure mechanism while still providing creditors with flexibility, certain changes to the form may be necessary. As long as the applicable Truth in Lending disclosure requirements are met:

(a) Disclosures provided on the form which are not applicable to a given transaction may be deleted. For example, the finance charge disclosures (Item II) need not be made in the case of a purchase money first mortgage on a dwelling.

(b) Disclosures and language more pertinent to a specific charge or term may be substituted for those presently included. For example, in Item VII.A., if no charge will be assessed in the event of prepayment of a loan on which interest is computed on the unpaid principal balance, a statement to that effect may be substituted.

(c) Additional space and/or disclosures may be provided where necessary to satisfy the requirements of Regulation Z. For example, additional space may be provided for disclosures in Item IV; other charges, such as continuing premiums for mortgage guaranty insurance, may be added under Item II.

This form is designed as a disclosure for both loan and credit sale transactions and should be used regardless of whether a given transaction may be characterized as a loan or credit sale (§§ 226.6(d), 226.8(c) and 226.8(d)). The form contains certain disclosure provisions which are required in credit sales disclosures under Truth in Lending but not required in loan disclosures. Lenders who choose to make only those disclosures required in connection with loans under Regulation Z may delete the additional disclosures related to the credit sales. Also a certain amount of deviation may be necessary in more complicated transactions, such as in the case of permanent financing following the maturity of a home construction loan.

This form is intended to be used solely for the disclosures required under the Federal Truth in Lending Act. Except with respect to rescindable transactions, as noted below, all Truth in Lending disclosures made in compliance with the Real Estate Settlement Procedures Act shall be made on one

[1] NOTE: These instructions are intended to assist in the completion of the Truth in Lending Statement, and except to the extent to which Regulation Z is interpreted to accommodate the Real Estate Settlement Procedures Act, the instructions are in no way intended to supersede or supplement the provisions of Regulation Z. All sectional references in the instructions are to Regulation Z (12 CFR 226).

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side of a single sheet regardless of any differing Regulation Z requirements. For example, in spite of the provisions of § 226.8 (a)(1), for the purposes of satisfying the requirements of the Real Estate Settlement Procedures Act, promissory notes or other contractual obligations shall not be included on the Truth in Lending disclosure form. Similarly, in spite of § 226.6(c)(2), the Truth in Lending form to be used in connection with the Real Estate Settlement Procedures Act may not include inconsistent State disclosure requirements.

Charges under § 226.4(b) need not be itemized on this form, provided they are itemized and disclosed on the settlement cost portion of the combined form.

In the event that a given transaction subject to the Real Estate Settlement Procedures Act is rescindable under provisions of § 226.9 of Regulation Z, two copies of a notice of the right of rescission (§ 226.9(b)) shall be given separately from the prescribed form to each borrower who has the right to rescind.

Bona fide estimates may be made in connection with dates or charges for which exact dollar amounts or rates are unknown at the time of advance disclosure (§ 226.6(f)). When estimates are used, they should be suitably designated as such, for example, by asterisks placed next to the estimated information.

The Real Estate Settlement Procedures Act requires that Truth in Lending disclosures be made at least 12 days before settlement and again on the day of settlement. While two separate disclosures are required, in those instances where no material change occurs in the information required to be disclosed, a copy of the initial disclosure form may be used in satisfaction of the disclosure requirement on the day of settlement.

Creditors in using the prescribed form may delete the numbering system provided; the numbers used on the form are included solely to aid in relating pertinent instructions. However, in deleting the numbers or in making any other adjustments to the form, creditors should be guided by the requirements of § 226.6(a) to the effect that Truth in Lending disclosures be made clearly, conspicuously, and in meaningful sequence. Creditors may also add signatures, dates, and acknowledgements to the form.

Item I

Item I.A. is provided to show the cash price (contract sales price) which should equate to the amount shown on line 101 of the settlement cost disclosure portion of the combined form (§ 226.8(c)(1)).

Items I.A.1. and I.A.2. are provided to show any cash downpayment or trade-in. Item I.A.3. is provided to show the total amount of any downpayments (§ 226.8(c)(2)).

Item I.B. is provided to show the unpaid balance of the cash price which should equal I.A. minus I.A.3. (§ 226.8(c)(3)).

Item I.C. is provided to show other items which are financed as part of the credit transaction. For example, property damage insurance premiums under I.C.1. are included in the amount financed, if they are financed as part of the credit transaction and the other conditions of § 226.4(a)(6) are met. The blank line I.C.2. is intended to include similar items, which are financed, such as those listed in § 226.4 (b) or (e). Item I.C.3. is provided to show a total of other amounts financed (§ 226.8(c)(4)).

Item I.D. is provided to show the unpaid balance (the sum of Item I.B. and I.C.) (§ 226.8(c)(5)).

Item I.E. is intended to show prepaid finance charges and the total prepaid finance charges (§§ 226.4(a)/226.8(d)(2)/226.8(e)(1)).

Item I.E.1. is provided to show the origination fee or points paid directly by the borrower, such as the one point permitted in VA transactions.

Item I.E.2. is provided to show those loan discounts or points paid by the seller when they are part of the finance charge (§ 226.406).

Item I.E.3. is provided to show the prepayment of any accruing interest charge on the contract until the first payment is due. The blank spaces are provided to show the dates for which such interest accrues. (The dates and amounts disclosed may frequently need to be estimated.)

Item I.E.4. is provided to show the payment of mortgage guaranty insurance premiums, such as for FHA or private mortgage guaranty insurers, accruing prior to the first regular payment.

Item I.F. is provided to show the amount financed: the difference between item I.D. and I.E. (§§ 226.8(c)(7)/226.8(d)(1)).

Item II

This item is provided to show the components of the finance charge, such as prepaid finance charges, and continuing premiums for mortgage guaranty insurance, as well as to show the total amount of the finance charge (§§ 226.4(a)/226.8(d)(3)). Item II.A. provides the optional disclosure of the contract rate of interest as an additional item where such interest is computed by the application of a simple annual rate.

Item III

Item III.A. is provided to show the annual percentage rate as determined in accordance with § 226.5(b). Item III.B. is provided to show any variable interest rate provisions (§ 226.810).

Item IV

This item is provided to show the repayment terms (§ 226.8(b)(3)).

Item V

This item is provided to show the date on which the finance charge begins to accrue only if that date differs from the date of the transaction (§ 226.8(b)(1)).

Item VI

This item is provided for the disclosure of any amount or method of computing the amount of any default, delinquency, or similar charges payable in the event of late payments (§§ 226.4(c)/226.8(b)(4)).

Item VII

This item is provided for the disclosure of the consequences of prepayment of the mortgage obligation; either (A) or (B) should be used, as applicable.

Item VII.A. is provided for the disclosure of conditions or penalties charged in the event of prepayment of a loan on which interest is computed on the unpaid principal balance (§ 226.8(b)(6)). Should there be no penalty for prepayment, a statement to that effect may be substituted.

Item VII.B. is provided to identify the method of rebate of unearned finance charges in the event of prepayment in full of instalment obligations which include precomputed finance charges. If no rebate will be made, a statement to that effect must be included (§ 226.8(b)(7)).

Item VIII

This item is provided for the disclosure of insurance written in connection with the obligation, such as property damage insurance (to be disclosed in accordance with § 226.4(a)(6)), credit life, accident, or disability insurance (to be disclosed in accordance with § 226.4(a)(5)), and vendor's single interest insurance (to be disclosed in accordance with § 226.404).

Item IX

This item is provided to show any security interests taken in connection with the transaction (§ 226.2(z) and § 226.8(b)(5)).

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Assistant Secretary for Housing Production and Mortgage Credit—Federal Housing Commissioner

[Docket No. N–75–311]

REAL ESTATE SETTLEMENT COSTS

Special Information Booklet

Notice is hereby given that HUD has prepared the booklet, "Settlement Costs" pursuant to Section 5(a) of the Real Estate Settlement Procedures Act of 1974. Section 5(a) requires HUD to prepare and distribute to lenders who make federally related mortgage loans a special information booklet to better inform persons borrowing money to finance the purchase of residential real estate concerning the settlement process. The booklet explains the purpose of each cost involved in a settlement, reproduces and explains the standard disclosure/settlement form required by sections 4 and 6 of the Act, discusses such abuses as unfair practices and unreasonable charges, and explains choices available to homebuyers in shopping for settlement services.

Section 5(c) of the Act requires each lender which makes federally related mortgage loans to provide the booklet to each person submitting an application to borrow money to finance the purchase of residential real estate. The lender is required to provide the booklet at the time it receives the application.

To insure that each federally related mortgage lender has a sufficient supply of booklets on hand on the effective date of the Act, June 20, 1975, the Department will provide an initial supply of booklets for lender use at each HUD Area and Insuring Office and expects that the booklets will be available in early June. Lenders may pick up a limited supply from these offices but no mail or telephone orders can be accommodated. After this initial distribution, additional supplies of the booklet will be on sale through the Government Printing Office and must be paid for by the lender.

This booklet (1) may be reproduced and distributed by lenders, using a cover of their own design (which may bear the name of the lender), without further approval by HUD; or (2) lenders may print and distribute booklets approved by the Secretary as to form and content. In the former case, it is not permissible to make any change, deletion, or addition in the content of the booklet as prepared by HUD. Lenders desiring to take advantage of the latter option should so request in writing and submit proposed booklets for review to the Office of General Counsel, Department of Housing and Urban Development, Room 2253, 451 7th Street, SW., Washington, D.C. 20410.

A copy of the contents of the booklet which may be reproduced by lenders is set forth as an appendix to this notice.

DAVID M. DE WILDE,
Acting Assistant Secretary for Housing Production and Mortgage Credit, FHA Commissioner.

SETTLEMENT COSTS

A HUD GUIDE

The content of this booklet has been prepared, prescribed and approved by the U.S. Department of Housing and Urban Development, as required by section 5 of the Real Estate Settlement Procedures Act of 1974 (Pub. L. 93–533), effective on June 20, 1975.

This publication may be reprinted. However, in no case may any change, deletion, or addition be made in its content.

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FOREWORD

You are planning to buy a home. When you do, you will probably make a downpayment and finance the balance of the purchase price with a loan secured by a mortgage on your home.

Before you take possession of your home, a closing or settlement will occur at which ownership of the property will be transferred to you, and your obligation to repay the mortgage loan will become effective. The terms and conditions of the loan—interest rate, monthly payment, and the repayment period—are specified in the documents signed by you. These include a note evidencing the loan for the unpaid purchase price, a mortgage placing a lien on your home, and other documents.

In some States, it is the custom for the buyer and seller to attend the settlement in person; in others it is handled automatically by an escrow agent when all papers and funds have been deposited with him.

At the closing or settlement, both you and the seller will have to pay certain charges incident to transferring title to real estate and obtaining the mortgage loan. These charges are called "settlement costs" or "closing costs".

This booklet has been prepared to inform you, the buyer, about the nature and costs of the settlement process. As required by law, this booklet is given to you by a lending institution at the time you apply for a mortgage loan to finance the purchase of a one- to four-family residential dwelling. At this stage, you have selected the home you want to buy. You may have already reached informal agreement with a seller or even signed a sales contract and made a deposit ("earnest money deposit") indicating your serious intention to buy—a deposit which could be forfeited should you fail to complete your purchase.

This booklet is intended to acquaint you with the appropriate procedures and charges for settlement services which you will encounter in closing your home purchase transaction.

For answers to specific questions or for information on mortgage lending and settlement practices in your locality, you may want to consult a State or local consumer affairs agency, an attorney, a legal aid society, or the local real estate board.

HOME LOAN FINANCING

The home purchase loan is evidenced by your signature on a note or bond, and the loan (your debt) is secured by a mortgage (or deed of trust) which you must sign, which pledges the home as security for repayment of the loan. If you fail to repay the loan or comply with the terms and conditions of the mortgage, the lender can initiate foreclosure of the loan which would lead to sale of your home at a public auction to satisfy the debt.

In a home mortgage transaction, you promise to repay the loan and interest in monthly installments at the interest rate and over the period of time specified in the mortgage contract. In the early years when your debt is largest, most of the monthly payment goes for interest. The amount applied to the outstanding debt gradually increases so that in the final years of the mortgage most of the payment goes to principal and less to interest. This is known as an amortized mortgage, and most mortgages are written this way.

In some States, the security instrument instead of being a mortgage is a deed of trust under which the borrower deeds the property to a trustee. Normally, the terms of a deed of trust are substantially the same as those of a mortgage.

Husband and wife often taken title to their home as joint tenants with right of survivorship. You may wish to seek legal advice on this and other matters. The manner in which you take title to the home you buy can have important income tax, estate planning, and other consequences.

DISCLOSURE/SETTLEMENT STATEMENT

The Real Estate Settlement Procedures Act of 1974 (Pub. L. 93–533) requires use of a standard form for advance disclosure of settlement costs and to record actual charges incurred at settlement in all mortgage transactions involving federally related loans.

The same form is used for both advance disclosure and settlement and is reproduced on the following pages to acquaint you with it. Settlement cost items are numbered to correspond with the accompanying explanation of each item. The listing of these items on the form does not imply that any particular charge listed is or should be made in a given geographic area. Even in a given geographic area, you may find that different lenders and providers of settlement services vary as to whether they make certain charges and as to the amount of the charge. You may wish to "shop around".

Some settlement costs typically are charged to the buyer. Others usually are the responsibility of the seller. Although local custom and practices often dictate which are the buyer's and which the seller's costs, there are no hard and fast rules that apply, and in most cases the buyer and seller can negotiate as to who will pay specific settlement charges. You can also negotiate with providers of settlement services as to whether each charge will be made and the amount. You should be charged only for services actually performed, as required by settlement practices in a particular locality.

1. *Contract Sales Price.* This is the price of the home agreed to in the sales contract between buyer and seller.

2. *Personal Property.* Those items, such as carpets, drapes, or appliances, which the seller transfers with the home, may be paid for by the buyer at settlement. When the sales contract is made, you should make sure that items to be transferred are described. The sales contract should state whether such items are included in the sales price.

3. *Settlement Charges.* This is the total amount of the settlement charges to be paid by the buyer. These charges are itemized on page 2 of the form.

4,9. *Adjustments or Pro-rations.* These amounts represent pro-rated adjustments of certain costs, such as real estate taxes, utilities, and fuel. Such adjustments are often

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made in order to pr[illegible]h costs in order to charge the seller for [illegible] period he owned the property (up to settlement) and to charge the buyer for the period after settlement. Item 4 states amounts for which the buyer compensates the seller. Item 9 states amounts for which the seller compensates the buyer. As an example, where settlement occurs October 1, 1975, and the seller has paid the real estate taxes in advance for the entire year, a typical adjustment would be for the buyer to compensate the seller for one-fourth of the real estate taxes for 1975, that is, the period from October 1 through December 31. That amount would be shown at Item 4.

5. *Gross Amount Due from Borrower.* This is the total amount of all charges to the buyer included in items 1, 2, 3, and 4.

6. *Deposit or Earnest Money.* This is the amount of money deposited by the buyer under the contract of sale, usually at the time it was signed.

7. *Principal Amount of Loan(s).* This is the amount of mortgage money loaned to the buyer to purchase his home.

8. *Existing Loan(s) Taken Subject To.* This space is used for cases in which the buyer is assuming or taking title subject to an existing loan or other lien on which he is expected to make the payments.

10. *Total Amounts Paid By or In Behalf of Borrower.* This amount is the sum of items 6, 7, 8, and 9 above which will be applied to reduce the amount of charges to the buyer in item 5 above.

11. *Cash Required From (Payable To) Borrower.* This is the total amount of cash which the buyer will need at settlement (subtract item 10 from item 5). At time of advance disclosure this is the estimated amount.

12. *Real Estate Broker's Sales Compensation.* This charge compensates the real estate broker or brokers for services involved in listing and selling the property, and is normally the seller's obligation to pay. This commission or fee may be split among more than one broker if each performed services in connection with the transaction, but no person may accept any portion, split or percentage of such commission or fee other than for services actually performed.

13. *Loan Origination Fee.* This compensates the lender for expenses incurred in originating the loan, preparing documents, and related work. When such a fee is charged, it is usually a percentage of the face amount of the mortgage. In FHA-insured or VA-guaranteed mortgage transactions involving existing structures, the fee charged the borrower can be no more than one percent of the mortgage amount. For example, if you are approved for a VA-guaranteed loan of $30,000, the origination fee charged to you may not exceed $300. However, when the lender makes inspections and partial disbursements during construction of a new home, both FHA and VA permit a higher origination fee, but not more than 2½% for FHA-insured loans or 2% for VA-guaranteed loans. The Farmers Home Administration does not permit a loan origination fee.

14. *Loan Discount Points.* Discounts or "points" are a one-time charge made by the lender to increase its yield (the effective interest return or income) on the mortgage loan. Each "point" is one percent of the mortgage amount.

In FHA and VA transactions, the buyer may not be charged a discount by the lender, but the seller may volunteer to pay points in order to help the buyer obtain financing. For example, if a lender charges 4 points on an FHA-insured loan of $30,000, this amounts to a discount of $1,200. You, the buyer, may pay only the loan origination fee described in note 13 if it is a VA or FHA transaction. Discounts are not permitted on Farmers Home Administration loans.

15. *Appraisal Fee.* This charge compensates the lender for a property appraisal made by an independent appraiser or by a member of the lender's staff.

16. *Credit Report.* The buyer's credit history is often obtained by the lender and a charge paid to a credit bureau for ascertaining the status of the buyer's credit may be collected, usually from the buyer.

17. *Lender's Inspection Fee.* This charge covers only inspections made by personnel of the lending institution at its discretion. Pest or other inspections made by companies other than the lender are described in note 31.

18. *Mortgage Insurance Application Fee.* This covers the cost of an FHA or VA appraisal, which in an FHA loan is included in a mortgage insurance application fee. For conventional loans it may cover application fees when charged by private mortgage insurers. In the case of an FHA-insured mortgage, the amount of this charge is set by HUD Regulations and may be charged to the buyer. The buyer in a VA-guaranteed loan may not be charged an appraisal fee unless identified by name in the request for VA's appraisal.

19. *Assumption Fee.* In a case where the buyer assumes the seller's existing mortgage on the property, the lender's charges for processing the assumption are entered here.

20. *Prepaid Interest.* This charge covers interest which will accrue from the date of settlement to the beginning of the period covered by your first monthly payment. For example, if your mortgage payment is due on the 1st of each month, but settlement occurs on April 20, the prepaid interest at settlement will cover the period from April 20 to April 30 if your first monthly mortgage payment is due on June 1st. Thus your June 1 payment will not have to include an extra amount of interest for the period before May 1.

21. *Prepaid Mortgage Insurance Premium.* This is the portion of the premium prepaid by the buyer at settlement for mortgage insurance. This type of insurance is required when FHA or a private mortgage insurance company covers the lender against loss if the buyer fails to meet the mortgage obligation. Mortgage insurance premiums are required for all FHA-insured loans (but not for VA loan guarantees), and may be required on a conventional loan.

This type of insurance should not be confused with mortgage life, credit life, or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower. Such insurance is available but usually not required by lenders.

22. *Prepaid Hazard Insurance Premium.* This is the portion of the premium prepaid by the buyer at settlement for purchase from a private company of insurance against loss due to fire, windstorm, and natural hazards. This coverage may be included in a Homeowners Policy which insures against possible additional risks, such as personal liability and theft.

A hazard insurance or homeowner's policy does not protect you against loss caused by flooding. In special flood-prone areas identified by HUD, you must carry flood insurance on your home. Such insurance may be purchased at low federally subsidized rates in communities eligible under the National Flood Insurance Act. Contact a local hazard insurance agent concerning eligibility in your case.

23. *Reserves Deposited with Lender.* These funds are placed by the buyer in an "escrow" or "impound" account maintained by the lender to assure an adequate accumulation of funds to meet charges for real estate taxes and hazard insurance when they become due; and also, if applicable, for mortgage insurance, annual assessments, homeowners' association fees, or flood insurance. (These reserves are explained in more detail later.)

These reserves may be held in non-interest bearing accounts. However, certain States now require lenders to pay interest on this money, and lenders in other States may be willing to do this voluntarily.

24. *Settlement, Closing, or Escrow Fee.* This charge may be made for handling and supervising the settlement transaction. The settlement may be conducted by the lender, a real estate broker, a title company in some States, an escrow agent in some States, or an attorney. The seller and buyer may negotiate regarding who pays or whether the charge is shared between them. The amount of the charge may be negotiated with the provider of the service. In a VA-guaranteed loan, this fee cannot be charged to the buyer when the buyer is assessed the 1% origination fee.

25. *Title Charges.* These charges cover the costs of title search and examination of public records of previous ownership and sales to establish the right of the seller to convey the property to the buyer. A search and examination are performed to determine whether the seller has good title to the property that he can transfer to the buyer, and to disclose any matters on record that could adversely affect the buyer, the lender, or others with an interest in the property. Examples of these problems are unpaid mortgages, judgment of tax liens, a power line easement or a road right-of-way that could limit use and enjoyment of the real estate by the buyer.

In some parts of the nation, a title search customarily takes the form of an "abstract", which is a compilation including copies of pertinent documents that provides a condensed history of property ownership and related matters. In other places, title searches are performed by extracting related information from the public record without assembling abstracts. Either way, it then is necessary for an expert examination to be made of the evidence accumulated in the search in order to determine status of title as shown by the public record.

Depending on local custom, title examinations normally are made by attorneys or title company employees. Through a title search and examination, land title problems of record are disclosed in advance so they can be cleared up, when possible, before a transaction is completed.

26. *Notary Fees.* This charge may be made for the services of a notary in authenticating signatures to the various documents in the transaction. In a VA-guaranteed loan, this fee cannot be charged to a buyer in the event the buyer is charged a 1% origination fee.

27. *Attorney's Fees.* These include charges which the lender may require the buyer to pay for legal services to the lender in connection with the transaction. The buyer should not assume that he is represented by an attorney hired by the lender who prepares the documents and handles the settlement. In a VA-guaranteed loan, this lender's attorney fee cannot be charged if the buyer is charged the 1% origination fee.

The buyer and seller may each retain attorneys to represent them and may pay the fees at the settlement, in which case these fees also appear on this part of the form.

In some States, attorneys provide bar-related title insurance as part of their services to the buyer for transfer of title. The attorney's fee in this case may include the title insurance premium.

28. *Title Insurance.* A one-time premium may be charged at settlement for a policy which protects the lender's interest in the property against land title problems including those that might not be disclosed by a title search and examination. Whether the buyer or seller pays for this varies with local custom.

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The buyer must request and pay for an additional owner's policy if he wants this protection for his interest in the property. There are many areas where an owner's policy can be obtained at a modest additional charge if issued simultaneously with a lender's policy. In some areas, the seller pays for the owner's title insurance policy.

29. *Government Transfer Taxes and Charges.* The fees and taxes in this section are generally levied by State and/or local governments when property changes hands or when a mortgage loan is made. Depending on local custom, these charges may be paid by the buyer, seller, or otherwise split between them.

30. *Survey.* The lender or a party to the transaction may require a survey showing the precise location of the house and lot lines.

31. *Inspections.* This part of the form records charges for various inspections required by the lender or a party to the transaction, such as those for termite and other pest infestation. In a VA-guaranteed loan, the buyer may not be charged for the pest inspection.

There may also be pre-sale inspections for the buyer's benefit to evaluate heating, plumbing, and electrical equipment and overall structural soundness. The charge for such an inspection may include a fee for insurance or warranty services to back-up the inspection.

Form Approved
OMB No. 43-R1501

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT DISCLOSURE/SETTLEMENT STATEMENT	B. TYPE OF LOAN: 1. ☐ FHA 2. ☐ FMHA 3. ☐ CONV. UNINS. 4. ☐ VA 5. ☐ CONV. INS.
	6. FILE NUMBER / 7. LOAN NUMBER
If the Truth-in-Lending Act applies to this transaction, a Truth-in-Lending statement is attached as page 3 of this form.	8. MORTG. INS. CASE NO.

C. NOTE: This form is furnished to you prior to settlement to give you information about your settlement costs, and again after settlement to show the actual costs you have paid. The present copy of the form is:

☐ ADVANCE DISCLOSURE OF COSTS. Some items are estimated, and are marked "(e)". Some amounts may change if the settlement is held on a date other than the date estimated below. The preparer of this form is not responsible for errors or changes in amounts furnished by others.

☐ STATEMENT OF ACTUAL 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 totals.

D. NAME OF BORROWER	E. SELLER	F. LENDER

G. PROPERTY LOCATION	H. SETTLEMENT AGENT	I. DATES	
		LOAN COMMITMENT	ADVANCE DISCLOSURE
	PLACE OF SETTLEMENT	SETTLEMENT	DATE OF PRORATIONS IF DIFFERENT FROM SETTLEMENT

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		(1)	401. Contract sales price		
102. Personal property		(2)	402. Personal property		
103. Settlement charges to borrower *(from line 1400, Section L)*		(3)	403.		
104.			404.		
105.			Adjustments for items paid by seller in advance:		
Adjustments for items paid by seller in advance:			405. City/town taxes	to	
106. City/town taxes	to		406. County taxes	to	
107. County taxes	to		407. Assessments	to	
108. Assessments	to	(4)	408.	to	
109.	to		409.	to	
110.	to		410.	to	
111.	to		411.	to	
112.	to		420. GROSS AMOUNT DUE TO SELLER		
120. GROSS AMOUNT DUE FROM BORROWER:		(5)	*NOTE: The following 500 and 600 series sections are not required to be completed when this form is used for advance disclosure of settlement costs prior to settlement.*		
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:			500. REDUCTIONS IN AMOUNT DUE TO SELLER:		
201. Deposit or earnest money		(6)	501. Payoff of first mortgage loan		
202. Principal amount of new loan(s)		(7)	502. Payoff of second mortgage loan		
203. Existing loan(s) taken subject to			503. Settlement charges to seller *(from line 1400, Section L)*		
204.		(8)	504. Existing loan(s) taken subject to		
205.			505.		
Credits to borrower for items unpaid by seller:			506.		
206. City/town taxes	to		507.		
207. County taxes	to		508.		
208. Assessments	to	(9)	509.		
209.	to		Credits to borrower for items unpaid by seller:		
210.	to		510. City/town taxes	to	
211.	to		511. County taxes	to	
212.	to		512. Assessments	to	
220. TOTAL AMOUNTS PAID BY OR IN BEHALF OF BORROWER		(10)	513.	to	
300. CASH AT SETTLEMENT REQUIRED FROM OR PAYABLE TO BORROWER:			514.	to	
301. Gross amount due from borrower *(from line 120)*			515.	to	
302. Less amounts paid by or in behalf of borrower *(from line 220)*		( )	520. TOTAL REDUCTIONS IN AMOUNT DUE TO SELLER:		
303. CASH ☐ REQUIRED FROM/ OR ☐ PAYABLE TO/ BORROWER:		(11)	600. CASH TO SELLER FROM SETTLEMENT:		
			601. Gross amount due to seller *(from line 420)*		
			602. Less total reductions in amount due to seller *(from line 520)*		( )
			603. CASH TO SELLER FROM SETTLEMENT		

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L. SETTLEMENT CHARGES	PAID FROM BORROWER'S FUNDS	PAID FROM SELLER'S FUNDS
700. SALES/BROKER'S COMMISSION based on price $ @ %		
701 Total commission paid by seller		
Division of commission as follows:		
702. $ to		
703. $ to		
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/refinancing 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 mo. to		
903. Hazard insurance premium for yrs. to		
904. yrs. to		
905.		
1000. RESERVES DEPOSITED WITH LENDER FOR:		
1001. Hazard insurance mo. @ $ /mo.		
1002 Mortgage insurance mo. @ $ /mo.		
1003. City property taxes mo. @ $ /mo.		
1004. County property taxes mo. @ $ /mo.		
1005. Annual assessments mo. @ $ /mo.		
1006. mo. @ $ /mo.		
1007. mo. @ $ /mo.		
1008. mo. @ $ /mo.		
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 No.:)		
1108. Title insurance to		
(includes above items No.:)		
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.		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103 and 303, Sections J and K)		

NOTE: Under certain circumstances the borrower and seller may be permitted to waive the 12-day period which must normally occur between advance disclosure and settlement. In the event such a waiver is made, copies of the statements of waiver, executed as provided in the regulations of the Department of Housing and Urban Development, shall be attached to and made a part of this form when the form is used as a settlement statement.

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ADVANCE DISCLOSURE

The Settlement/Disclosure Statement itemizes each settlement cost charged to the buyer and each charged to the seller. Advance disclosure serves a two-fold purpose: (1) To provide notice of the cash you will need at settlement and (2) to make possible "comparison shopping" of settlement charges so that you can arrange terms most favorable to you. If you don't "shop around" you will not save money if the same services are offered elsewhere for less.

It is important to realize that advance disclosure provides for earlier and more systematic information about the costs of the settlement transactions but does not affect any contractual agreement which may already have been made between buyer and seller. Try to obtain as much of this information as possible prior to signing a sales contract for the house you intend to buy. Or, if the seller is agreeable, you may want to make the sales contract contingent upon your approval of the advance disclosure statement. Once you have signed, you may not be able to rescind the contract in the event that you are dissatisfied with some aspect of the transaction revealed by disclosure. It is in your interest to condition your purchase contract on your ability to obtain a mortgage loan on specified terms.

The law requires the lender to give you a copy of the completed advance disclosure statement at the time of loan commitment. In most circumstances this should be not later than 12 calendar days before the settlement date. Normally, the loan commitment and advance disclosure occur several weeks prior to settlement. In the case of a long-term commitment, such as that obtained by a buyer of a new home under construction, disclosure should be made shortly after signing the contract to buy the house. Typically, this might be in the range of 60 to 90 days before settlement.

If the exact cost of any settlement service is not known in time to meet the deadline, the lender must provide a good faith estimate of the charge.

Lenders are prohibited from charging a specific fee for the preparation and submission of disclosure and settlement costs statements or for the information they must provide under the Truth in Lending Act.

If your circumstances are such that you want to settle and take title to your new home before the lender can meet his 12-day advance disclosure deadline, you may sign a waiver of that requirement. Advance disclosure is intended to protect your interests, not hamper or delay your plans, so you should carefully consider before signing a waiver. Even if you agree to waive, HUD Regulations require the lender to provide the disclosure statement to you at least three days prior to the date of settlement.

Except in the case of a waiver, the lender must meet the advance disclosure requirement or be liable to you for actual damages or $500, whichever is greater. If court action is necessary to enforce this liability, the lender may be ordered to pay court costs and your attorney's fees as set by the court if the lender loses the case. You would pay attorney's fees in the event that you lose the case. A lender will not be held liable for a violation if he can show that it was not intentional and resulted from a bona fide error in spite of maintenance by the lender of procedures adopted to avoid such error.

UNFAIR PRACTICES AND UNREASONABLE OR UNNECESSARY CHARGES TO AVOID

A principal finding of Congress in the Real Estate Settlement Procedures Act of 1974 is that consumers need protection from "* * * unnecessarily high settlement charges caused by certain abusive practices that have developed in some areas of the country." The potential problems discussed below may not be applicable to most loan settlements, and the discussion is not intended to deter you from buying a home. Most professionals in the settlement service businesses will give you good service. Nevertheless, you may save yourself money or worry by keeping the following considerations in mind.

A. *Illegal Practices.* Practices specifically prohibited by this Act fall into two categories:

1. *Kickbacks.* Kickbacks and referral of business for gain most often are tied together, so the law prohibits anyone from giving or taking a fee, kickback, or anything of value under an agreement that business related to real estate settlements will be referred to a specific person or organization.

This requirement does not, of course, prevent agents for lenders and title companies, attorneys, or others actually performing a service in connection with the mortgage loan or settlement transactions, from receiving compensation for their work.

The prohibition is aimed primarily at eliminating the kind of arrangement in which one party agrees to return part of his fee in order to obtain a volume of business from the referring party. The danger is that some settlement fees can be inflated to cover this additional party, resulting in a higher

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total cost to you. For example, a title company might pay a fee to another party for bringing it title insurance business even though the other party performs no work and provides no service in connection with issuance of the title insurance policy. As another example, a lawyer might give a part of his fee to another party to the transaction in exchange for the referral of business.

It is also illegal to charge or accept a fee or portion thereof other than for services actually performed.

There are criminal penalties of both fine and imprisonment for any violation of these provisions of law. There are also provisions for you to recover three times the amount of the fee involved or a portion thereof. In any successful action to enforce your right, the court may award you court costs together with a fee for your attorney.

2. *Title Companies.* Another abuse prohibited by law is any requirement by the home seller that title insurance be purchased from a particular company. Under the law, sellers may not require, as a condition of sale, that title insurance be purchased by the buyer from any particular title company. A violation would make the seller liable to you in an amount equal to three times all charges made for the title insurance.

B. *Choices Open to the Buyer and Other Points to Remember.* Because the various parties to the settlement transaction have different interests, there will be many steps in the process of buying a home which call for caution on your part. As a home buyer, you have a number of choices open to you concerning settlement costs and services. Some points to keep in mind are:

1. *Understand The Role of the Real Estate Broker.* Although the real estate agent or broker usually provides helpful advice to you on many aspects of home buying and may in some areas supervise the settlement, he normally serves as agent of the seller. While the real estate licensing laws of most States require that the broker treat both buyer and seller fairly, you should not expect the broker to represent your interests to the exclusion of those of the seller.

The broker's basic objectives are to obtain a signed contract of sale which properly expresses the agreement of the parties and to complete the sale and earn a commission or fee. Before you sign, make sure that the sales contract correctly expresses your agreement with the seller on such important details as method of paying the sales price of the home, the time set for your move-in, and the status of fixtures and other personal property in the home.

A broker may recommend that you deal with a particular lender, title company, attorney, or provider of settlement services. Although this recommendation may be based on the broker's up-to-date knowledge of rates and quality of service, you should feel completely free to consider alternatives, compare rates and fees, and make your own decision on these matters.

It is up to you to review the documents carefully. Although the broker may offer helpful advice, keep in mind that you are the one who is spending the money to buy a home and are entitled to a full understanding of the costs. The broker's principal interest at settlement is to get the transaction closed and his fee or commission disbursed.

2. *Settlement attorneys, escrow and closing agents.* In some parts of the country, settlements are often conducted by attorneys who specialize in real estate transactions. In other parts of the country, the settlement may be conducted by an escrow or closing agent or by the lender or broker. Their primary concern is orderly completion of all the details called for in the sales contract and in the mortgage commitment.

Because mortgage lenders, unlike borrowers, go through settlement often, they often will not be present at the settlement, preferring to spell out in detail in a letter of instruction to the person conducting the closing that which they expect to be done before loan funds can be released.

You, the buyer, will not have a letter of instructions. You will be asked at settlement to make a number of decisions in areas with which you may have had little previous experience.

Before settlement, you should ask the broker, the settlement attorney, or an attorney retained by you what questions will probably come up. Write them down so that you may have time to think about decisions that are important to you.

Settlement attorneys do not mind answering your questions—that is a part of their job—but at the same time they may not invite questions. If you have doubts, ask questions. Don't let anyone rush you. There are likely to be lengthy documents to sign at settlement. If you or your attorney asks, you can usually get copies of the forms in advance.

3. *Legal representation.* If you feel unfamiliar or unsure with real estate settlements, and many people do, consider hiring your own attorney to represent you. If you hire an attorney, be certain that there is a clear understanding in advance about what services he is to perform and what his fee will be for those services. Some will quote a flat fee, others an hourly rate or one based on a percentage of the sales price. The important point is that you should know in advance how much you should expect to pay for his services. If you do not know an attorney who is well versed in real estate transactions, many local bar associations may be able to refer you to one who is.

4. *Discuss with lenders their requirements for settlement services.* The lender's legitimate business interest is in making a loan on terms which will provide a good yield with little risk. In selecting a lending institution, ask about requirements for property surveys, appraisals, escrows for taxes and insurance, and other settlement services. You may compare these requirements with those of other lenders.

Some lenders will give you the discretion to shop among different providers of settlement services. But, most lenders deal regularly with certain title companies, attorneys, appraisers, surveyors or others in whom they have confidence, and usually want to arrange for provision of all settlement services through these parties as a convenience to the buyer and lender. If you wish to bargain directly to reduce rates for settlement services, discuss this with various lenders.

Remember to compare also the mortgage interest rates and other mortgage terms quoted by different lenders. A lender may gain through higher mortgage interest over the repayment term what it gives up at the "front end" in reducing requirements for loan orgination fees, discount points and other one-time charges which must be paid in cash at settlement. Other features of available loans should also be compared as you shop.

Feel free to select a lender other than the one recommended by the broker or seller. It is entirely possible that you may find financing which is more advantageous to you.

5. *Title insurance required by the lender protects the lenders. You may buy a separate owner's title insurance policy for your own protection.* Title insurance is often required to protect the lender against loss if a flaw in title is not found by the title search made when a home is purchased. The lender's title insurance policy will be paid for by you or by the seller according to local custom or the sales contract.

You and the lender have different interests in the property you are buying, and there are many kinds of title defects that can trouble you without creating problems for the lender. You may buy a separate owner's title insurance policy for your own protection in areas where this policy is not furnished by the seller as a matter of custom.

6. *Try to minimize the performance and cost of repetitive or excessive settlement requirements.* Some settlement costs are beyond your control, such as government transfer charges. Other items may be negotiable, however, such as certain services which the lender requires but which you pay for.

a. *Title search.* There may be no need for a full historical title search "back to the year one" each time title to a home is transferred. If you are buying a home which had recently changed hands, inquire at title companies about a "reissue rate." If the policy of the previous owner is available, take it to a title insurer before settlement. It may help you obtain a "reissue rate." Generally this rate, when permitted by State law or regulations, allows a reduction of the usual charge for a new policy if the previous policy was issued by the same title insurer or by another reputable company within a recent period.

Title search requirements are sometimes set by agencies which insure or guarantee the loan, or by investors who purchase mortgages originated by other lending institutions. The lender you deal with may not have discretion on eliminating or reducing these requirements.

b. *Survey.* The survey of the property may be simplified and the cost reduced if a full professional survey was performed recently. A new survey may not be needed to show that no recent changes have occurred which affect the validity of the last survey. A surveyor may be able to avoid the cost of a repetitive complete survey of the property if he has access to a recent survey which he can "update." Here again, the requirements of investors who buy loans originated by your lender may limit the lender's discretion to negotiate this point.

c. *Settlement agent.* Settlement practices vary from locality to locality, and even within the same county or city. In various areas settlements are conducted by the lending institutions, title insurance companies, escrow companies, real estate brokers, and attorneys for the buyer or seller. By investigating and comparing practices and rates, you may find that the first suggested settlement agent may not be the least expensive. You might save money by taking the initiative in arranging for settlement and selecting the firm and location which best meets your needs.

d. *Escrows.* The Real Estate Settlement Procedures Act of 1974 has placed limits on the amount of money which the lender can require you to place in escrow at settlement for later payment of property taxes and insurance.

Know your rights under this new Section 10 provision of the Act, as explained in the next Chapter.

ESCROW ACCOUNTS

Item 23 on the enclosed sample settlement statement form covers payments your lender may require you to make to an "escrow," "reserve," or "impound" account for insurance premiums, real estate taxes, and unpaid assessments.

Many lenders require that each monthly payment on the mortgage include amounts for taxes, and hazard insurance. When applicable, lenders will also collect mortgage insurance premiums and assessments payable to homeowner and other associations as well as to special assessment districts. These

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funds are set aside each month in escrow accounts and are accumulated to pay the taxes and other bills when they are due.

By law, the amount you pay into an escrow at settlement may not exceed your share of taxes and insurance accrued prior to settlement, plus 1/12th of the estimated amount which will come due for taxes and insurance in the 12-month period beginning at settlement. If taxes or insurance costs go up periodically over the life of your mortgage, the lender will need to collect more money for the escrow accounts to cover these increased costs, resulting in a larger monthly housing payment for you. Should these costs decline periodically, the lender should reduce the monthly escrow collection accordingly.

The escrow service provided by your lender is designed to meet ongoing expenses of homeownership. By spreading payments over the year it eliminates the prospect of being faced with large annual bills, perhaps at an inopportune time. On the other hand, you may want to manage your own payment of taxes and/or insurance, instead of paying into an escrow held by the lender. Discuss this point when shopping among lenders. Be aware, however, that certain escrow accounts are required by Federal regulation, and in some States by laws affecting State-chartered savings and loan associations.

PREVIOUS SELLING PRICE DISCLOSURE

The lender is required by law before making a commitment to finance a mortgage on a house, which was completed more than 12 months prior to settlement, to confirm that the seller or his agent has disclosed in writing to the buyer the following information:

(1) The name and address of the present owner;

(2) The date the property was acquired by the present owner (the year only of acquisition need be given if the property was acquired more than two years previously); and

(3) If the seller has not owned the property for at least two years prior to the date of your loan application and has not used the property as a place of residence, the date and purchase price of the last "arm's length transfer" of the property, a list of subsequent improvements other than maintenance, and the cost of the improvements.

The purpose of this requirement is to inform you whether the house is being sold by an owner-occupant or by someone who has acquired the house and prepared it for resale. Many investors make a livelihood by investing in existing housing, making repairs and improvements, and reselling at a fair profit. However, abuses have occurred in which only superficial repairs have been made and homes have been sold at prices greatly in excess of their values. As a buyer, your knowledge of the previous selling price may help you determine the present value of the property.

The lender's obligation is considered met if he receives a copy of the written statement from the seller to you giving the information described above. At that time, the lender may make the mortgage loan commitment.

To back up your right to full disclosure concerning existing property, any person (or persons) who knowingly and willingly provides false information or fails to comply with disclosure requirements may be subject to criminal penalties of fine and imprisonment, and civil damages.

JURISDICTION OF COURTS

If you have suffered damages through violations of the Real Estate Settlement Procedures Act of 1974 as described in the preceding pages, action may be brought in the United States District Court for the district in which the property involved is located, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. You may also have rights under other Federal or State laws.

TRUTH IN LENDING DISCLOSURE

At the time of advance disclosure, you will receive a Truth in Lending statement as part of the standard settlement cost disclosure form. This Truth in Lending information will also appear on the standard settlement statement given to you upon completion of the settlement. The Truth in Lending statement discloses the Annual Percentage Rate ("APR") which you will pay on your mortgage loan. This rate may be higher than the contract interest rate quoted on your mortgage. This is because the contract rate includes only interest, but the APR expresses the total finance charge including certain credit costs besides interest on the loan.

The Truth in Lending statement will also disclose any additional charges for "prepayment" should you pay off the balance of the mortgage in full before it is due.

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