Fin 3433: HUD-1 Example Notes

**Contract Date:** April 22, Sale price $150,000, $1,000 Earnest Money to Title Company

**Closing Date:** June 8  **First Mortgage Payment Due:** August 1

**New Loan (to purchase property):** Research on your own, or you may use the following assumptions. Thirty-year level payment loan for 80% of your house value with 4.125% note rate, one point origination fee, and one point discount. In the example here I use a new 75% LTV loan, 5.875% Note Rate, 1 Point Origination Fee, 1 Point Discount Fee.

A Summary HUD 1 Excel spreadsheet is available for download that shows the fields that are relevant to the homework assignment. This table is also embedded at the end of the HW so you may use the Word Table if you prefer. Or, you may use an actual HUD-1 form if you prefer. You may use the values shown on the Example HUD-1 for any fees that are not specific to your property or loan. The template has these values embedded, as well as the assumed 6% real estate commission to be paid by the seller. If you want to use the Excel spreadsheet, the shaded cells are those that require you to make an input with the information applicable to your property. You can then create appropriate Excel formulas to complete the spreadsheet. When your work is complete, you can copy the Excel Table into your Word document. If you prefer, ignore the Excel spreadsheet and just type the figures into the Table at the bottom of HW, and use a calculator to compute the results. Compute applicable figures for prepaid interest, points, tax prorates, etc.

**Tax proration:** Note: Use the most recent tax appraisal for your property. We will assume this is your homestead so be sure to take the homestead exemption when determining your projected property tax bill. For the example property, the most current tax from BCAD = $3,860.84/year. For a 365 day year, this is a daily rate of 10.5776. Because property taxes will be paid near the end of the year, the seller will credit the buyer the property taxes from January 1, to June 8, which is a period of 159 days, so the credit will be 159*$10.5776 = $1,681.85.

**Escrows:** Although you have a 20% down loan (so we don’t have to make adjustments for mortgage insurance), we will assume the loan servicer will escrow property taxes and insurance. The servicers will pay the **property taxes** after your December 1 payment. In this example, the servicer will receive 5 payments prior to when taxes are paid (August – December), which means the servicer needs to collect 7 months’ worth of property taxes at closing, plus the 2 month reserve so at closing the servicer will collect 9 months of property taxes (Jan – July, plus 2 month reserve). For this example, the servicer will want 9/12 * 3860.84 = $2,895.63 for property tax escrow funds at closing.

The first **hazard insurance** bill of $800 will be due at closing, and then every 12 months. There must be enough in the account each future June 8, for that insurance payment. As of June 1, you will have made 11 payments. The escrow agent can collect two months reserves at closing, so a total of 3 months of insurance escrow will need to be collects at closing at a cost of: 3/12*800 = 200.
**Title Insurance Policies**: You can find Texas title insurance policy rates online. When a mortgagee policy is issued at the same time as an owner’s policy, there is a $100 flat fee (built into the template).

**Prepaid Interest**: The monthly interest amount is the loan amount times the rate. For a loan of $112,500 at 5.875%, the monthly interest is: $112,500 * 5.875/1200 = $550.78. June has 30 days, so the daily rate is $550.87/30 = $18.36.

**Sellers Loan Payoff**: Your title search will show the most current lien on the property, and its term. From the last lien(s) on your subject property you can determine the starting date of the loan, and its term. If the note interest rate is not given, then use the interest rate you look up in the table of interest rates by month that is available for this HW. Assume the seller has made the required monthly payments and is current. From this you can compute the seller’s loan payoff. My deed search shows the seller took out a lien of $110,000 during December, four years and several months ago. As of June 1, the seller will have made 53 mortgage payments. (First payment February 1, four years ago, so has made payments for 4 years and 5 months). For this example I assume the seller had a 6% loan with a 30 year term.

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P/YR=12 \quad PMT(PV=\$110000, \text{I/YR} = 6, \text{N}=360) = 659.51
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1 Input, 53 Amort gives Bal = 103,373.05

Plus there will be 8 days of interest, on that balance that must be paid at closing

Next Months Interest charge 54 Input, 54 Amort gives Int = 516.87

Divide by 30 for a daily interest rate = 17.23

Multiply for the 8 days of interest 137.83

Total Payoff = 103,373.05 + 137.83 = $103,510.88