**Fin 3433: HUD-1 Example Notes**

**Contract Date:** 4/22/09, Sale price $150,000, $1,000 Earnest Money to Title Company  
**Closing Date:** 6/8/09  
**First Mortgage Payment Due:** August 1, 2009.

**New Loan:** Research on your own, or you may use this rate that was quoted to me on June 28, 2010. 
75% LTV, 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 term project. You may use this abbreviated version rather than an actual HUD-1 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. The shaded cells are those that require you to make an input with the information appropriate to your property. Assume that the seller has a 30 year loan at 6%, (unless your Deed of Trust shows otherwise, then use the figures from the Deed of Trust) and is current with his payments. Compute appropriate figures for prepaid interest, points, tax prorates, etc.

**Tax proration:** Note: 2009 tax appraisal may now be available. If 2009 is not available, use 2008 values. Because this is a rental property, you will receive no exemptions. 2009 tax from BCAD = 3860.84 (for subject property) For 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:** Assume the loan servicer will pay the property taxes after the December 1 payment date. The servicer will receive 5 payments prior to this paying the taxes (August – December), which means the servicer needs to collect 7 months worth of 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 of funds at closing. However, the seller will have contributed 1681.85 which is credited above, so the net effect is that the buyer will need to provide $2895.63 – 1681.85 = 1213.78 to fund the property taxes. The first hazard insurance bill of $800 will be due at closing, and then every 12 months. There must be enough in the account by June 8, 2010 for that insurance payment. As of June 1, you will have made 11 payments. The escrow 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 rate 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:** Assume the seller has a 30 year mortgage at 6% unless your Deed of Trust Shows otherwise. My deed search shows the seller took out a lien of $110,000 on December 1, 2004. As of June 1, 2008, the seller will have made 53 mortgage payments. (First payment January 1, 2005, so has made payments for 4 years and 5 months)  

\[
P/YR=12 \quad PMT(PV=-110000, I/YR = 6, N=360) = 659.51 \\
1 \text{ Input, 53 Amort gives Bal} = 103,373.05 \\
\text{Plus there will be 8 days of interest, on that balance that must be paid at closing} \\
\text{Next Months Interest charge} \quad 54 \text{ Input, 54 Amort gives Int} = 516.87 \\
\text{Divide by 30 for a daily interest rate} = 17.23 \\
\text{Multiply for the 8 days of interest 137.83} \\
\text{Total Payoff} = 103,373.05 + 137.83 = $103,510.88\]