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FEDERAL REGULATION OF HOME CLOSINGS—THE REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974†

*Edward S. Hirschler**

Many years ago, the licensing of lawyers in Virginia was the direct obligation of the Supreme Court of Appeals. As part of the procedure, the applicant presented himself to the Court for examination. One hopeful was unable to define a tort, could not give the basic requirements of a contract and had no idea of what was meant by fee simple.

“Young man,” queried the Chief Justice, “just what do you know?”

“Every statute of this great Commonwealth as now amended and now in force,” came the reply.

“It is my sad duty,” said the Chief Justice, “to advise you that the General Assembly is in session up on the hill as of this moment and very likely will repeal all the law you know before it adjourns.”

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† References throughout the article are made to the original section numbers in Pub. L. No. 93-533, 88 Stat. 1731. For the reader's aid, the corresponding sections in U.S.C. are as follows:

RESPA § 1	12 U.S.C. § 2601 (note)
RESPA § 2	12 U.S.C. § 2601
RESPA § 3	12 U.S.C. § 2602
RESPA § 4	12 U.S.C. § 2603
RESPA § 5	12 U.S.C. § 2604
RESPA § 6	12 U.S.C. § 2605
RESPA § 7	12 U.S.C. § 2606
RESPA § 8	12 U.S.C. § 2607
RESPA § 9	12 U.S.C. § 2608
RESPA § 10	12 U.S.C. § 2609
RESPA § 11	12 U.S.C. § 1831(b) and § 1730(f)
RESPA § 12	12 U.S.C. § 2610
RESPA § 13	12 U.S.C. § 2211
RESPA § 14	12 U.S.C. § 2612
RESPA § 15	12 U.S.C. § 2613
RESPA § 16	12 U.S.C. § 2614
RESPA § 17	12 U.S.C. § 2615
RESPA § 18	12 U.S.C. § 2616
RESPA § 19	12 U.S.C. § 2601 (note)

To the practitioner who is laboring under the delusion that the law of the *situs* controls real property transactions, a warning: the Department of Housing & Urban Development (HUD), acting under the Real Estate Settlement Procedures Act of 1974 (RESPA),¹ has repealed effective June 20, 1975, everything we practitioners know about residential real estate closings. The possibility of such action by the Federal Government was virtually Orwellian in concept less than forty years ago.² But within a scant six months after the bill was signed, all residential real estate settlements unless specifically excepted,³ are no longer exclusively subject to local law.

As stated in the preamble to RESPA, Congress found that "significant reforms" in the real estate settlement process were necessary because of high settlement charges caused by certain abusive practices in some areas of the country. The avowed purpose of RESPA, according to the preamble, is to effect changes in the settlement process which will (1) result in more effective disclosure, (2) eliminate kickbacks or referral fees, (3) reduce the amount of escrows required for taxes and insurance, and (4) result in significant reform and modernization of land title records. How effective either RESPA or the regulations thereunder will be in accomplishing these desirable purposes, particularly as regards the latter two items, remains to be seen. Taxes are taxes and insurance premiums are insurance premiums; the general practice of most lenders is to determine what these charges are and to divide the figure by twelve, thereby establishing the monthly escrow. It is difficult to see how this system can be improved. It is also difficult to see how any specific settlement procedures will improve title records in city and county court houses.⁴

1. 12 U.S.C. § 2601 *et seq.* (Supp. 1975). The Act was signed into law by President Gerald R. Ford on December 22, 1974.

2. *See, e.g.*, 23 VA. L. REV. 816 (1937).

3. The major exception is the provision in section 18(a) which allows an inconsistent state law to control to the extent that it gives greater protection to the consumer. 12 U.S.C. § 2616(a) (Supp. 1975). Other specific exceptions are clarified by the regulations. *See* notes 12-13 *infra* and accompanying text.

4. Section 14(b)(3) requires that in not less than three nor more than five years the Secretary of HUD shall recommend ways in which the federal government can assist and encourage local governments to modernize their land records. 12 U.S.C. § 2612(b)(3) (Supp. 1975). Section 13 directs the Secretary to "establish and place in operation on a demonstration basis, in representative political subdivisions . . . , a model system or systems for the recordation of land title information . . . , with a view to the possible development . . . of a nationally

On February 18, 1975, HUD published its proposed rules⁵ for the first time, subsequently receiving over 500 comments. The final rules⁶ were published on May 22, 1975, less than thirty days before the date on which RESPA became effective.

For the benefit of attorneys and their clients whose activities involve the settlement of loans to home buyers, this article will try to highlight RESPA and the regulations promulgated by HUD thereunder.

RESPA controls all "federally related mortgage loans." Such a loan is one where the security is a dwelling unit designed to house four families or less, and includes individual condominium units or apartments in cooperatives even though more than four families may reside within the condominium or cooperative project.⁷ If a lender is a bank or savings and loan association whose deposits are insured by the FDIC, the FSLIC or any other federal agency; or is regulated by a federal agency; or is a creditor as defined by the Federal Truth in Lending Act;⁸ or makes "residential real estate loans" in excess of \$1,000,000 annually;⁹ or if the lender is state chartered, not federally insured, not federally regulated and makes less than \$1,000,000 in loans a year and the FHA or VA insures the loan; or when any federal agency is in any way involved in the loan, coverage exists. The conclusion is inescapable that from June 20, 1975 forward, a nationwide procedure for closing all mortgage loans on covered residential units will become "the law of the land" irrespective of local or state statutes, ordinances or custom. Only if, in the opinion of the Secretary of HUD, the state or local law gives the consumer greater protection, will local law apply.

uniform system of land parcel recordation." *Id.* § 2611. See D. MOYER & K. FISHER, LAND PARCEL IDENTIFIERS FOR INFORMATION SYSTEMS (1973). This work is the culmination of an exhaustive study known as the "Clipp Project."

5. 40 Fed. Reg. 7072 (1975).

6. *Id.* at 22448.

7. 12 U.S.C. § 2602 (1)(A) (Supp. 1975).

8. 15 U.S.C. § 1602(f) (Supp. 1975):

The term "creditor" refers only to creditors who regularly extend, or arrange for the extension of, credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, whether in connection with loans, sales of property or services, or otherwise.

RESPA Regulations § 82.2 (f) vary from the above and to this extent some confusion exists.

9. 12 U.S.C. § 2602 (1)(B)(iv) (Supp. 1975).

The regulations contain, in addition to the rules by which RESPA is to be interpreted and enforced, a settlement cost statement form and a disclosure form, which must be used in all cases,¹⁰ and the contents of a special information booklet which must be distributed free to the borrower at the time of the loan application.¹¹

The regulations attempt to clarify certain ambiguities in RESPA. For example, as to coverage, unless there is a purchase or transfer of title, generally RESPA does not apply. This eliminates transactions involving refinancing, mortgages other than purchase money mortgages and similar items. Furthermore, even if there is a transfer of title, if the mortgage loan is assumed or title is taken subject to an existing mortgage, there is no coverage by RESPA (1) if the terms of the loan remain unchanged and (2) the lender limits his assumption fee to \$50.00 or less. All territories and possessions of the United States and Puerto Rico are covered by RESPA as well as the continental limits of the United States. If real estate is purchased by a builder or developer for the purpose of resale to customers in the ordinary course of his business, compliance with RESPA is not required. Sales of vacant land are excluded unless any part of the proceeds will be used, even in part, to finance construction of a dwelling which is covered by RESPA.¹² A mobile home is not covered unless both it and the lot on which it is to be located are purchased with the proceeds of the loan.¹³

Section 6 of RESPA provides that each covered lender making a covered loan must make an advance disclosure of settlement costs on a special HUD form which is reproduced in the regulations.¹⁴ The

10. 40 Fed. Reg. 22448, 22454-55 (1975).

11. *Id.* at 22459-64. The booklet, entitled "Settlement Costs and You," stock # 023-000-00298-1, may be obtained for forty-five cents a copy, with a 25% discount on orders of a hundred or more, from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C., 20402. It may be reprinted, and a lender may put his own cover on it, but in no case shall any change, addition, or deletion be made. As with any other official HUD form, it should be ordered in limited quantities in anticipation of forthcoming amendments.

The booklet must be delivered or mailed to at least one of the individuals applying for the home purchase loan no later than the third business day following the day on which the application is received.

12. *Id.* at 22448.

13. *Id.*

14. *Id.* at 22454-55, 22461-62. HUD-1 is a five-part form consisting of three pages. As of preparation of this article, copies of such were not generally available to the Richmond Bar. Lenders, mortgage bankers and some mortgage brokers were given a limited supply. The form

form is very detailed and complex and comes complete with line by line instructions. No covered lender should make a covered loan without completing this form as directed by HUD. If its accuracy is to be insured, such completion calls for close cooperation and consultation among the borrower's and seller's attorneys, surveyors, termite inspectors, insurance agents, real estate agents, title companies, escrow companies and all others making charges as part of the residential real estate transaction. The regulations provide that costs may be estimated but it is submitted that the careful lender will, for his own protection, make and document the fact that he has made every effort to insure the accuracy of the disclosure statement. The regulations require that this disclosure must be made at least twelve days prior to settlement unless this time limit is waived (which can only be done under certain conditions) and generally not later than seven days after commitment has been issued either orally or in writing.¹⁵ There is an exception for loan commitments made more than 60 days before settlement, and the minimum period between advanced disclosure and settlement may be reduced to three days under certain conditions.¹⁶ It should be noted that the lender is responsible for preparing and transmitting the Disclosure/Settlement Statement and all other forms even though it may delegate these tasks to someone other than itself such as a lawyer or title company. If it does delegate, however, the responsibility remains on the lender for compliance.¹⁷

In addition to the advance disclosure statement, the official settlement statement form must be completed and used.¹⁸ HUD-1 or a reproduction thereof, must be used for both the disclosure and the settlement, but obviously in many cases some of the figures will vary. Lenders may make limited use of separate forms and title them accordingly or use the official form and check a box at the top to show the purpose and fill in the applicable parts.¹⁹ In any event, buyer and seller must each be furnished a copy of the settlement

is reproduced in full in the appendix of this article.

15. *Id.* at 22448.

16. *Id.* at 22452. One such exception requires that settlement occur within twenty-one days of loan application and that a waiver be signed by the borrower and seller. The regulations prescribe the exact language to be used which is set out in the appendix of this article.

17. 12 U.S.C. § 2605(b) (Supp. 1975).

18. *Id.* § 2603.

19. 40 Fed. Reg. 22448, 22451 (1975).

statement as soon after the closing as practical, but in no case later than three days after the settlement. The borrower need not receive certain information as to the seller's charges and *vice versa*.²⁰ Copies of the advance Disclosure Settlement Statement must be retained by the lender for a period of not less than two years and must be made available to HUD and certain others on demand.²¹ For the preparation of all of the foregoing, section 12 of RESPA provides that no charge can be made or fee imposed as a part of the settlement costs or otherwise. To the extent that it is highly probable that attorneys will be called on to perform these services by lenders or suffer the consequences of not being on their "approved" list, RESPA creates an injustice which only adds to the irritation marking the closing costs controversy.²²

The instructions on the use of HUD-1 are quite lengthy and complex.²³ Any deviations not specifically approved in writing by the Secretary of HUD or the regulations are forbidden but HUD may change the form for any locality, jurisdiction or area.²⁴ "Good faith" estimates of closing costs are permitted in the Disclosure Statement, but the figure must be specific and not in a range. The Settlement Statement should, of course, be exact. The amount of the hazard insurance premium need not be disclosed if no one connected with the transaction other than the borrower has selected the carrier, broker or insurance agent. Only in certain instances need legal fees be disclosed, *i.e.*, fees paid by the borrower for an attorney representing the lender, seller or any other person, fees paid the seller for an attorney representing the lender, borrower or any other person and fees paid by the borrower or seller if the lender, his agent, representative or independent contractor originating the loan requires that such person be represented by counsel or selects the counsel.²⁵ If the lender or such other person recommends at least three attorneys, but the borrower is free to select another attorney,

20. *Id.* at 22453-54.

21. *Id.* at 22448.

22. See ABA SPECIAL COMMITTEE ON RESIDENTIAL REAL ESTATE TRANSACTIONS, POSITION PAPER: THE PROPER ROLE OF THE LAWYER IN RESIDENTIAL REAL ESTATE TRANSACTIONS, HIS SERVICES AND HIS COMPENSATION 8 (1975) [hereinafter cited as POSITION PAPER].

23. 40 Fed. Reg. 22448, 22455-58 (1975).

24. *Id.* at 22451-52.

25. *Id.* at 22453.

then the lender has not "selected" the attorney.²⁶ One excellent provision of the law controls speculators by requiring disclosure of purchase price and cost of improvements by a seller if he has owned a residence less than two years and never lived in it, providing construction on the residence has been completed more than twelve months prior to the date of the loan commitment.²⁷

Section 15 of RESPA provides for inclusion in the special information booklet of statements concerning the "range of costs for specific settlement services" in selected market areas on a "demonstration basis." By June 30, 1976, the Secretary must report to Congress on this "demonstration" and give his assessment of the feasibility of including such statements in the booklets distributed in all housing areas. One wonders if the Secretary in carrying out his or her duties may be doing by direction of Congress what the Supreme Court has said bar associations cannot do.²⁸

A seller or borrower who does not receive timely disclosures as required by RESPA may sue the lender for actual damages suffered or \$500.00 statutory damages plus court costs and reasonable attorney's fees.²⁹ If there is a breach of Truth in Lending and RESPA, the aggrieved party cannot recover damages for both.³⁰

Section 16 of RESPA grants jurisdiction for violations to the district courts and provides for a one year statute of limitations. Section 17 provides that no part of a residential real estate transaction shall become invalid or unenforceable because of any provision of RESPA.

In conclusion, it is submitted that what we have here is a typical case of legislative disposal of the baby with the bath water coupled with bureaucratic overkill. No one denies the occasional abuses in the field of residential real property transactions. Some lenders, builders, title companies and attorneys have been less than candid with their customers and clients. "Kickbacks" in the form of referral fees that some real estate brokers, real estate lawyers and title com-

26. *Id.*

27. 12 U.S.C. § 2606 (a)(3) (Supp. 1975). A suggested form to be executed by *all* sellers regarding this disclosure is included in the appendix of this article.

28. *See Goldfarb v. Virginia State Bar*, 95 S. Ct. 2004 (1975).

29. 12 U.S.C. § 2605(b) (Supp. 1975).

30. *Id.* § 2605(d).

panies in some parts of the country have been enjoying when they refer buyers to one another for services are now barred by RESPA.³¹ Sellers can no longer require a buyer to use a particular title insurance company.³² Whether a seller can make arrangements with one title company for a bulk rate and thereby reduce closing costs to his customers without violating the law is not clear.

RESPA and its corresponding regulations are not, however, the magic cure-all. As the position paper³³ prepared by a special committee of the American Bar Association, chaired by William Dickson of Norfolk, and presented to the Association's annual meeting in August, 1975, pointed out:

Other areas of the conveyancing process are ripe for reform efforts to increase efficiency and to reduce costs. Some inefficiencies are the result of outside forces; others arise from the practice of lawyers themselves. An example of the former is the large and increasing amount of unnecessary paper work demanded by governmental organizations. This is not a phenomenon confined to title practice. A recent press release quotes Senator McIntyre of New Hampshire as putting the cost of processing federal red tape at \$18 billion a year for the government and a like amount for the businessman. The effect of the adoption of the Real Estate Settlement Procedures Act of 1974 . . . has already been alluded to. The Committee does not desire to instruct the government as to how it should run its own shop. It does insist that increasing federal demands for paper work are incompatible with calls upon the bar to reduce closing costs and that it is unrealistic to insist that services demanded by the government be rendered free.³⁴

The concept of RESPA is good.³⁵ Full disclosure of all closing costs and deferred charges should be required. Reputable lenders, real estate agents and brokers, title companies and attorneys have done

31. *Id.* § 2607.

32. *Id.* § 2608(a).

33. POSITION PAPER, *supra* note 22.

34. *Id.* at 17.

35. For all consumerists who may be concerned about such items, the author would be remiss if he failed to point out the fact that HUD has determined that its own rules interpreting RESPA do "not have a significant impact on the environment and a finding of inapplicability has been prepared pursuant to HUD Handbook 1390.1." 40 Fed. Reg. 22448, 22449 "Form Design."

this for years. Kickbacks should be barred. The law tries to prohibit other practices which could lead to abuses. The problem with RESPA and its regulations is that both were hastily drafted and dumped on the industry without adequate time for input from, or education of, those vitally concerned.³⁶

36. Developments in RESPA continue apace. See C. PADRICK, *RESPA AND X* (1975). On July 11, 1975, RESPA Legal Opinion No. 1, 40 Fed. Reg. 30480 (1975), was issued treating the problem of disclosure in cases where property is acquired by foreclosure, deed in lieu of foreclosure or pursuant to mortgage insurance or guaranty. As might be expected, the price at foreclosure, or the amount of debt cancelled plus any "boot" or the amount paid pursuant to insurance or guaranty must be disclosed. A statement must also be given the purchaser as to how "the last arm's length transfer of the property" was arrived at and the cost of all improvements made to the property subsequent to transfer.

RESPA Legal Opinion No. 2, 40 Fed. Reg. 44129 (1975), was issued on September 12, 1975, clarifying section 7. Extensive disclosure under section 7(a)(3), see text accompanying note 27 *supra*, is required only if the seller has not owned the property for at least two years and has not used it as his place of residence. Such disclosure is not required for new housing, even though completed twelve months prior to a loan commitment where there has been no arm's length transfer. With two or more sellers, only one needs to have resided there and only one needs to disclose; disclosure may be made by the duly authorized agent of the seller if the agency is also disclosed. With more than one purchaser, disclosure to one is sufficient. If properly disclosed, good faith estimates of cost of improvements as required by section 7(a), may be used. When disclosure cannot be obtained, an alternative affidavit procedure is established to allow the purchaser to go forward with the transaction.

The opinion further states that section 7 does not apply to co-owner transfers but does cover the conversion of condominiums and cooperatives, setting out specific disclosure rules for cases where there have been no prior arm's length transactions.

Congress is not unaware of the impact of RESPA on the housing industry and the present weakness of the Act. On September 15, 1975, the Senate Banking Committee opened hearings on the Act and began taking testimony. Amendments to RESPA will surely be forthcoming in the not too distant future.

APPENDIX

1. HUD-1: Disclosure/Settlement Statement.

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT DISCLOSURE/SETTLEMENT STATEMENT		B. TYPE OF LOAN			
If the Truth-in-Lending Act applies to this transaction, a Truth-in-Lending statement is attached as page 3 of this form.		1 <input type="checkbox"/> FHA	2 <input type="checkbox"/> FVHA	3 <input type="checkbox"/> CONV. UNINS.	4 <input type="checkbox"/> VA
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		5 <input type="checkbox"/> CONV. INS.	6 FILE NUMBER		
<input type="checkbox"/> 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.		7 LOAN NUMBER			
<input type="checkbox"/> 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.		8 MORTG. INS. CASE NO.			
D. NAME OF BORROWER	E. SELLER	F. LENDER			
G. PROPERTY LOCATION	H. SETTLEMENT AGENT	I. DATES			
		PLACE OF SETTLEMENT	LOAN COMMITMENT	ADVANCE DISCLOSURE	
		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			405 City/Town taxes to		
106 City/Town taxes to			406 County taxes to		
107 County taxes to			407 Assessments to		
108 Assessments to			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			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 <input type="checkbox"/> REQUIRED FROM OR <input type="checkbox"/> 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. 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. \$5 /mo.		
1002. Mortgage insurance mo. \$5 /mo.		
1003. City property taxes mo. \$5 /mo.		
1004. County property taxes mo. \$5 /mo.		
1005. Annual assessments mo. \$5 /mo.		
1006. mo. \$5 /mo.		
1007. mo. \$5 /mo.		
1008. mo. \$5 /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		
<i>Includes above items No.)</i>		
1108. Title insurance to		
<i>Includes above items No.)</i>		
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/co./nty. tax/stamp. 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 502, 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.

2. HUD-1: Federal Truth-in-Lending 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 _____ <i>(specify date)</i>	
		to _____ <i>(specify date)</i>	\$ _____
	4.	Mortgage guaranty insurance	\$ _____
	5.	_____	\$ _____
	5.	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 _____ <i>(specify date)</i>		
VI.	In the event of late payments, charges may be assessed as follows: _____		
VII.	<i>(Use either A or B as appropriate)</i>		
	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.

3. Suggested Seller's Disclosure Required by Section 7 of Real Estate Settlement Procedures Act of 1974

To: _____
(Name of Purchaser)

Re: _____
(Legal Description or Address of Property Being Sold)

(1) (a) Was construction of the improvements on the above property completed more than twelve months prior to the date of this notice?

Yes No

(b) If answer is "No", give date construction was completed but do not complete remainder of form. _____

(2) State the following:

(a) Name and address of present owner of above property:

(b) Date above property was acquired by present owner:

(If property was acquired more than two years prior to the date of this disclosure, the year only is sufficient).

(3) If property not owned for at least two years prior to date of this disclosure and Seller has not used property as a place of residence, state the following:

(a) Date and purchase price of last arm's length transfer of property:

(b) List any subsequent improvements made to property (excluding maintenance repairs) and cost of such improvements.

Dated this ___ day of _____, 19 __.

Seller

Receipt of above Seller's Disclosure acknowledged this ___ day of _____, 19 __.

Purchaser

Purchaser

4. *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