

### **Department of Veterans Affairs HUD-1 Itemization Requirements**

1. Purpose. This Circular clarifies and announces the Department of Veterans Affairs' (VA) requirements regarding the Department of Housing and Urban Development (HUD)-1 documentation and itemization requirements, effective for all loans closed on or after May 1, 2015.
2. Background. VA received inquiries from lenders concerning HUD-1 documentation and itemization requirements. This Circular clarifies and establishes VA policy regarding:
  - a. Itemization of lender/seller credits in the 200 series of the HUD-1.
  - b. Itemization of line 801 on the HUD-1.
  - c. Clarification that credits reflected on line 803 of the HUD-1 cannot offset unallowable fees.
  - d. Itemization of line 802 on the HUD-1.
3. Implementation instructions. Lenders may either use the blank lines available in the 200 and 800 series of the HUD-1 for itemization or may provide any form of itemization that provides VA with a clear breakdown of the credits and charges shown in those series of the HUD-1. The examples provided in this Circular are for illustration and are not mandatory forms. Additionally, attachments that provide the breakdown/itemization of fees and charges must be signed by the Veteran.
4. Itemization of lender/seller credits in the 200 series. Lender credits should not be confused with the credit or charge for the chosen interest rate, which appears on line 802. All lender/seller credits should be placed in the 200 series of the HUD-1. If the credit is displayed as a lump sum, VA requires a mandatory, accurate itemization of the individual credits, including a clear indication of the source. Lenders should not display lender/seller credits in the 800 series of the HUD-1.
  - a. Example 1 (see Exhibit A). Line 205 of the HUD-1 indicates a lender credit to the borrower in the amount of \$3,000. This credit requires an itemized breakdown to be included in the audit file as illustrated in the Exhibit.
5. Itemization of lines 801 and 802. Previously, lenders were only required to provide a breakdown of line 801, "Our origination charge." Effective immediately, lenders are required to provide an itemized breakdown of lines 801 and 802. The breakdown of line 802 should only consist of amounts for broker compensation and discount points/premium pricing.

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a. Example 2 (see Exhibit B). In this example, the lender is using discount points and the Veteran's total loan amount is \$100,000. Therefore, the 1 percent loan origination fee cannot exceed \$1,000. The HUD-1 has the following information: Line 801 equals \$2,700, line 802 equals -\$500, and line 803 equals \$2,200. Without a breakdown of lines 801 and 802, the lender appears to have charged the Veteran an origination fee of \$2,700, which exceeds the maximum allowable fee. With the breakdown, however, it is clear that the lender charged an allowable origination fee of \$1,000.

b. Example 3 (see Exhibit C). In this example, the lender is using premium pricing and the Veteran's total loan amount is \$100,000. Therefore, a 1 percent loan origination fee cannot exceed \$1,000. The HUD-1 has the following information: Line 801 equals \$2,200, line 802 equals -\$3,200, and line 803 equals -\$1,000. As a result of the supplied breakdown, it is evident the lender did not charge over 1 percent for the origination fee.

6. Treatment of line 803 credits. Credits for the interest rate chosen cannot be used to pay unallowable fees.

a. Example 4 (see Exhibit D). In this example, the lender correctly itemized all fees and credits; however, the 1 percent threshold was exceeded. An origination fee plus unallowable fees cannot exceed \$1,000 on a \$100,000 loan. The HUD-1 has the following information: Line 801 equals \$2,000, line 802 equals -\$2,800, line 803 equals -\$800. As a result of the supplied breakdown, it is clear the origination fee is over the 1 percent allowable amount, as the origination fee is \$1,200. Although the adjusted origination charge in line 803 is an \$800 credit, this credit cannot be applied to charges over the 1 percent threshold. In this example, the Veteran was overcharged \$200 on the loan origination fee.

7. Discount point and premium pricing transactions. In the above examples, please note that Example 2 was a transaction involving discount points and Examples 3 and 4 were transactions involving premium pricing. It is important to note that there cannot be a credit for premium pricing and a charge for discount points in the same transaction.

8. Rescission: This Circular is rescinded July 1, 2018.

By Direction of the Under Secretary for Benefits

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