Seller has agreed to sell a duplex to Buyer for $170,000. Broker, who had listed Seller's property under an exclusive right of sale agreement, is to receive a commission of 7% of the sales price. Broker agreed to act as escrow agent for the parties and deposit Buyer's $3,000 binder deposit in her escrow account. Closing is to occur on July 3 and the closing day belongs to the buyer. Buyer will be getting a new 80% LTV mortgage.

A hazard insurance policy was issued to Buyer with an annual premium of $800. Buyer is to pay the policy premium at closing. The taxes on the property for this year will be $3,400.

Broker examined the duplex unit leases and found that Unit A rents for $800 per month, payable in advance on the first of each month. Unit B rents for $850 per month, payable in advance on the 16th of each month. Seller had not collected any type of deposit from the tenants.

Buyer had asked for a pest inspection and for a new survey, both conducted at Seller's expense. Broker located a pest inspector who charged $150 and a surveyor who charged $500. Seller agreed to purchase a title insurance policy for the buyer at a cost of $1,500. Buyer decided to have his attorney participate in the closing at a cost to him of $750. Broker was advised that an $18.50 fee would be charged to record the deed. Seller is to pay this expense.

All prorations will be based upon a 365-day year.

SAMPLE QUESTIONS

1. How much are the government transfer taxes for Buyer and Seller and where is this information placed on the HUD-1?

A. Seller $952; Buyer $204; Page Two
B. Seller $952; Buyer $748; Page One
C. Seller $1,190; Buyer $748; Page Two
D. Seller $1,190; Buyer $748; Page One

ANSWER: C
2. How much is the Buyer's new mortgage and where is this information placed on the settlement statement?

A. $136,000 Credit to Buyer; Page One
B. $136,000 Debit to Buyer; Page Two
C. $158,100 Credit to Buyer; Page Two
D. $158,100 Credit to Seller; Page One

ANSWER: A

3. The binder deposit on the HUD-1 is

A. $11,900 Debit to Seller; Page One.
B. $11,900 Credit to Buyer; Page Two.
C. $3,000 Debit to Buyer; Page Two.
D. $3,000 Credit to Buyer; Page One.

ANSWER: D

4. Where is the sales price placed on the settlement statement?

A. Page One, Debit to Seller only
B. Page One, Credit to Seller, Debit to Buyer
C. Page One, Debit to Seller, Credit to Buyer
D. Page Two, Credit to Seller only

ANSWER: B