

Preparing the CDF/Closing Documents and 1099 Reporting

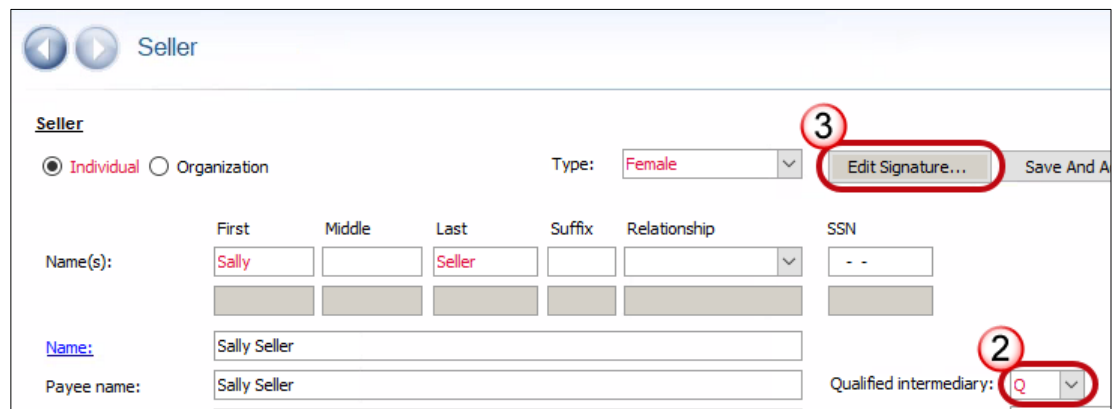
Follow these steps to prepare a 1031 Exchange whether on the Seller's (sale) or Buyer's (purchase) side. This includes adding the Exchange Company, updating signature details, the header (and footer) for the CDF/Closing Statement, setting the feature to divert proceeds and properly recording the 1099-S proceeds and adding the incoming funds entry.

Updating the Contact Benefitting from the Exchange

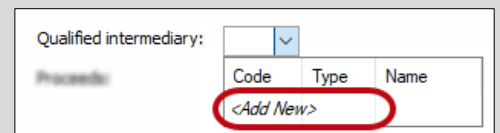
Update the signature and associate the Qualified Intermediary with the party benefitting from the exchange. In our example, we are updating the Seller (sale transaction), but you can follow the same steps for the Buyer (purchase transaction).

1. Navigate to the **Seller** Contact screen

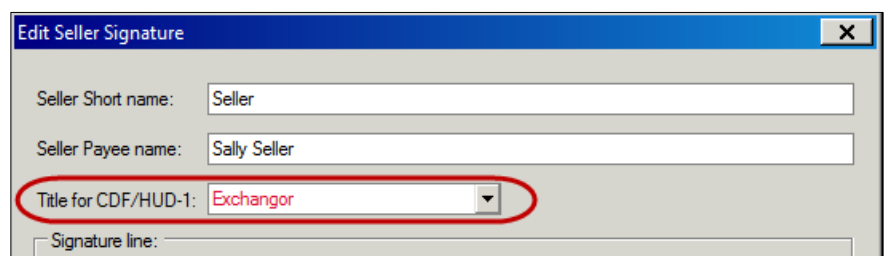
2. From the **Qualified intermediary** drop down, select the **Q-Contact**



NOTE: If the **Qualified Intermediary** Contact has not been entered or there is no **Q-Contact** placeholder, select **<Add New>** and enter the corresponding information.



3. Click the **Edit Signature** button
4. In the **Title for CDF/HUD-1** drop-down, select **Exchangor**; click the **OK** button



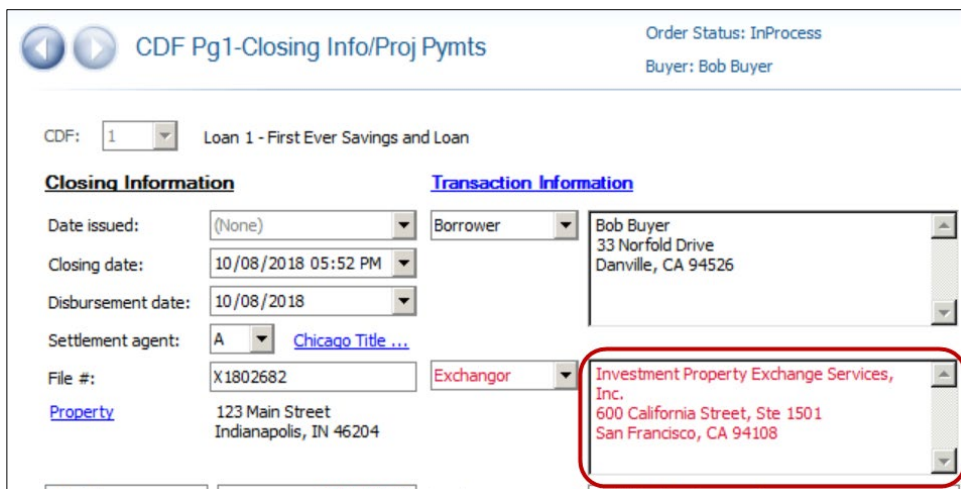
NOTE: Selecting the **Title for CDF/HUD-1** updates the heading on the signature lines and some documents and would be applied to **ALL** Sellers in the order.

Preparing the CDF/Closing Documents and 1099 Reporting

Updating the CDF Page 1/ Closing Statement Header (optional)

If you wish to have the Exchange Company information show on the CDF Page 1, complete **steps 5-6**. In our example, we are updating the Seller, but you can follow the same steps for the Buyer.

5. Navigate to the **CDF Page 1** screen
6. In the appropriate **Transaction Information** field, replace the default name and address with the Exchange Company's



The screenshot shows the 'CDF Pg1-Closing Info/Proj Pymts' screen. At the top right, it says 'Order Status: InProcess' and 'Buyer: Bob Buyer'. Below this, there are two main sections: 'Closing Information' and 'Transaction Information'. The 'Closing Information' section includes fields for 'Date issued:', 'Closing date:', 'Disbursement date:', 'Settlement agent:', and 'File #:'. The 'Transaction Information' section includes a 'Borrower' dropdown and a text area for the buyer's name and address. The 'Transaction Information' text area is highlighted with a red box, showing the name 'Investment Property Exchange Services, Inc.' and address '600 California Street, Ste 1501 San Francisco, CA 94108'.

NOTE: Edits to the Buyer or Seller Contact no longer flow to the **Transaction Information** field(s) once this is updated. This change would also affect **ALL** Buyers/Sellers entered in the order.

Refer to the proper section to setup your CDF/Closing Statement to divert the 1031 Exchange proceeds (sale transaction) or add the incoming 1031 Exchange proceeds entry (purchase transaction).

- › Sale Transactions: Set the CDF/Closing Statement to Automatically Divert Proceeds
- › Purchase Transactions: Add the 1031 Exchange Proceeds Entry on the CDF/Closing Statement

Sale Transactions: Automatically Diverting Proceeds for the Seller

As you prepare the CDF/Closing Statement, you must send the proceeds to the Exchange Company, so this amount automatically adjusts. You must also indicate that Property and/or Services have been received in this transaction.

1. Navigate to the **Seller Proceeds & 1099-S** screen
2. In the **Divert seller proceeds to** drop-down, select **Next Available Seller Debit (Section N)** line

IMPORTANT: Charges must **not** be assigned the same Line as the diverted Seller Proceeds. This could result in incorrect reporting.



3. Overwrite **1099-S Proceeds** with the actual gross proceeds

Preparing the CDF/Closing Documents and 1099 Reporting

1. Check the applicable 1099 check box(es)

- a. **Property Services Received**
- b. **1099-S Provided**
- c. **1099-Signed**

In this scenario these are the check boxes checked



Seller Proceeds & 1099-S

Order Status: InProcess
Buyer: Bob Buyer
Transaction Type: Purchase

☐ Exclude order from IRS submission
1099-S description: 123 Main Street/Indianapolis IN 46204
Total cash to sellers: \$509,907.50
Divert seller proceeds to line: **N.07** CDF: 1
Total buyer's part of real estate taxes:

Name	Continuation of Name	Percentage of Total	Cash to Seller	1099-S Proceeds	Buyer's Part of Real Estate Tax	Property Services Received	Foreign Person	1099-S Provided	1099-S Signed	Exempt from 1099 Reporting
Seller, Sally		100.00000	0.00	\$0.00	0.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

REMEMBER: How the actual gross proceeds are entered is **important** for accurately reporting 1099 data.

- > Seller receives no proceeds
 - a) **1099-S Proceeds = \$0.00**
 - b) **Property Services Received** checked
- > Seller receives part of the proceeds (or "boot")
 - a) **1099-S Proceeds = funds Seller received**
 - b) **Property Services Received** checked

1099-S Proceeds	Buyer's Part of Real Estate Tax	Property Services Received
\$0.00	0.00	<input checked="" type="checkbox"/>

1099-S Proceeds	Buyer's Part of Real Estate Tax	Property Services Received
\$150,000.00	0.00	<input checked="" type="checkbox"/>

The transaction will appear as an exception on the 1099 Exception Report. This is acceptable and nothing further needs to be done. The correct 1099 data will be transmitted for 1099 reporting.

Questions regarding proceeds refer to the *Escrow Technical Memorandum: 1099-S Proceeds From Real Estate Transactions*.

4. Navigate to the **CDF Page 3** screen (or click the **CDF** link next to the **Divert Seller proceeds to line** drop-down)

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5. On the line you selected to divert proceeds to enter a **Description** indicating proceeds to the Exchange Company
6. If necessary, in the **Re** field, enter any additional verbiage required by the Exchange Company
7. In the **To** code drop-down, select the **Q**-Qualified Intermediary Contact

Order Status: InProcess
Buyer: Bob Buyer Transaction Type: Purchase

N. Due from Seller at Closing \$550,000.00			
Description	Re	To	Seller
01 Excess Deposit			
02 Closing Costs Paid at Closing (J)			\$39,878.75
03 Existing Loan(s) Assumed or Tak...			
04 Payoff of First Mortgage Loan		P	
05 Payoff of Second Mortgage Loan		P2	
06 Title Insurance Premium Adjust...			\$213.75
07 Proceeds to QI for Exchange		Q	\$509,907.50

Purchase Transactions: Adding Funds from the 1031 Exchange for the Buyer

1. Navigate to the **CDF Pg3-Sections K-N & Calc Cash to Close** screen
2. On the next available line in **Section L**, enter the,
 - a) **Description** (i.e., 1031 Proceeds)
 - b) **Re** (as needed)
 - c) **Borrower** = amount to be received from the 1031 Exchange Company
3. Click the **Line** number link
4. Click the **Payors** tab
5. From the **Code** drop-down, select the **Q**-Contact

CDF Pg3-Sections K-N & Calc Cash to Close

L. Paid Already by or on Behalf of Borrower at Closi \$733,466.61			
Description	Re	Borrower	Credit/Debit
01 Deposit or earnest money			
02 Loan Amount		\$695,500.00	
03 Existing Loan(s) Assumed or T...			N.03
04			
05 Seller Credit			N.08
06			
07			
08 1031 Proceeds		\$36,422.61	
09			

L. Paid Already by or on Behalf of Borrower at Closing
Charges for Line 08

Description	Re
1 1031 Proceeds	

Detail: Payors | Payees

Code	Name	Amount
Q	Investment Property Exchange Services, Inc.	\$36,422.61

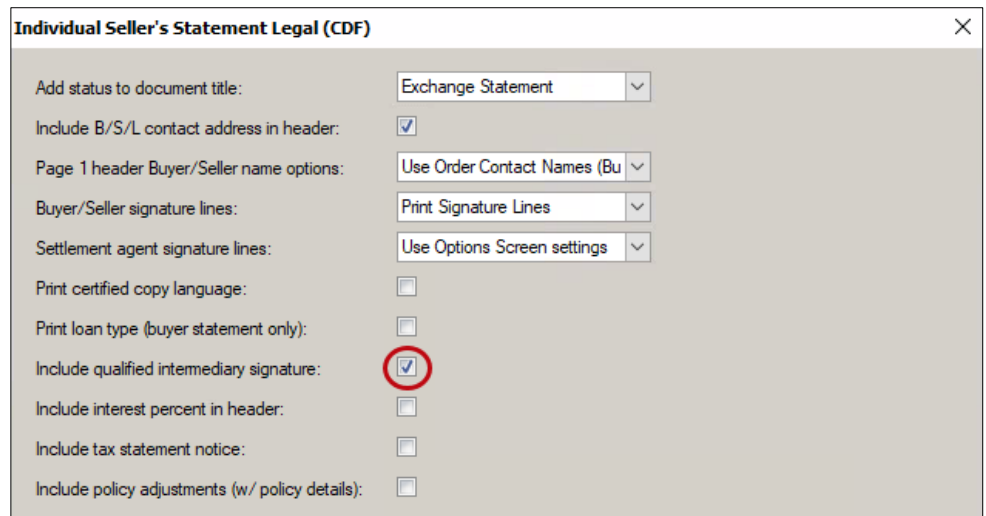
Preparing the CDF/Closing Documents and 1099 Reporting

Drawing Documents

When printing the CDF/Statement,

NOTE: This does not require the modification of the signature of the party benefitting from the 1031 Exchange (i.e., Seller or Buyer).

1. Verify the,
 - a) Qualified Intermediary Contact has been entered
 - b) Qualified Intermediary is associated with the Contact benefitting from the 1031 Exchange
2. **Preview** the document
3. Set your parameters (i.e., adding document title, etc.)
4. Check the **Include qualified intermediary signature** check box
5. Click the **OK** button to generate



Individual Seller's Statement Legal (CDF)

Add status to document title: Exchange Statement

Include B/S/L contact address in header: ☒

Page 1 header Buyer/Seller name options: Use Order Contact Names (Bu)

Buyer/Seller signature lines: Print Signature Lines

Settlement agent signature lines: Use Options Screen settings

Print certified copy language: ☐

Print loan type (buyer statement only): ☐

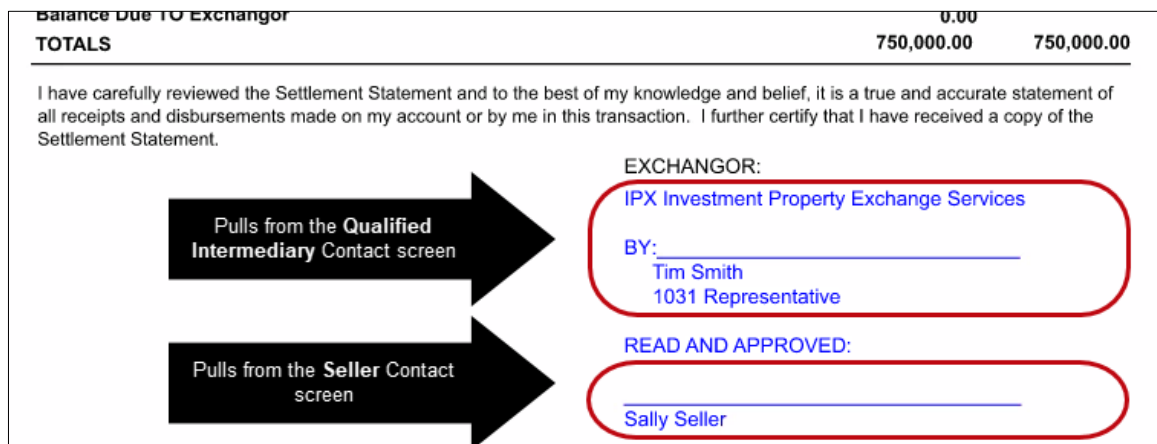
Include qualified intermediary signature: ☒

Include interest percent in header: ☐

Include tax statement notice: ☐

Include policy adjustments (w/ policy details): ☐

The document shows the Qualified Intermediary and the corresponding Exchangor signature lines.



Balance Due TO Exchangor	0.00
TOTALS	750,000.00 750,000.00

I have carefully reviewed the Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the Settlement Statement.

EXCHANGOR:
 IPX Investment Property Exchange Services
 BY: Tim Smith
 1031 Representative

READ AND APPROVED:
 Sally Seller

Pulls from the **Qualified Intermediary** Contact screen

Pulls from the **Seller** Contact screen

NOTE: Please review the training module under [Escrow Administration-Training Modules](#) on the Intranet. You can always contact Settlement@fnf.com with any questions about correctly completing a 1031 Tax Deferred Exchange.