

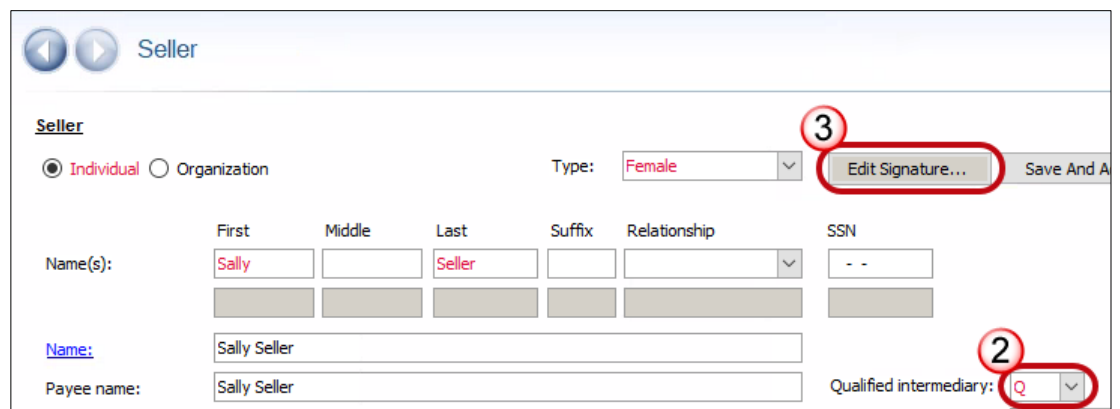
## Preparing HUD-1/Closing Documents and 1099 Reporting

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 CDHUD-1F/Closing Statement, setting the feature to divert proceeds and properly recording the 1099-S proceeds and adding the incoming funds entry.

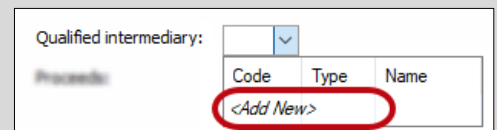
### Updating the Contact Benefitting from the Exchange

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)

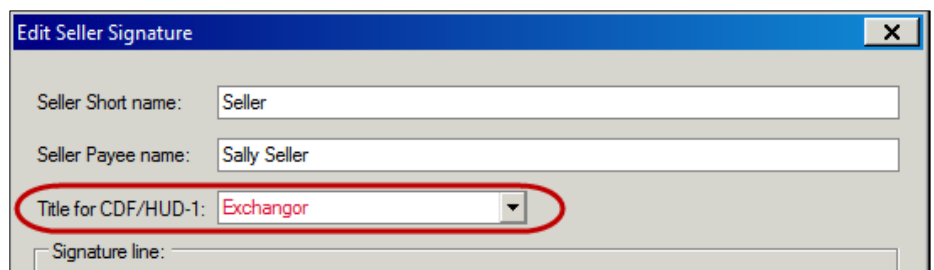
1. Navigate to the **Seller** Contact screen
2. From the **Qualified intermediary** drop down, select the **Q-Contact**



**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



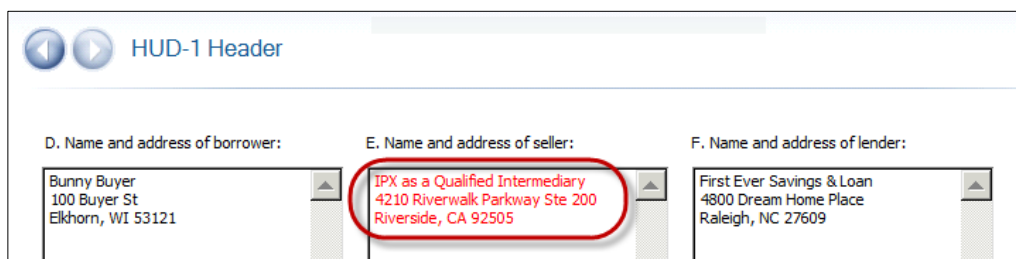
**NOTE:** Selecting the **Title for CDF/HUD-1** updates the heading on the signature lines and some documents and would be applied to **ALL** Sellers in the order.

## Preparing HUD-1/Closing Documents and 1099 Reporting

### Updating the HUD-1/Closing Statement Header (optional)

If you wish to have the Exchange Company information show on the HUD-1 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 **HUD-1 Header** screen
6. In the appropriate **Name and Address of** field, replace the default name and address with the Exchange Company's



D. Name and address of borrower:	E. Name and address of seller:	F. Name and address of lender:
Bunny Buyer 100 Buyer St Elkhorn, WI 53121	<b>IPX as a Qualified Intermediary 4210 Riverwalk Parkway Ste 200 Riverside, CA 92505</b>	First Ever Savings & Loan 4800 Dream Home Place Raleigh, NC 27609

**NOTE:** Edits to the Buyer or Seller Contact no longer flow to the corresponding **Name and address of** field once the field is updated. This change would also affect **ALL** Buyers/Sellers entered in the order.

Refer to the proper section to setup your HUD-1/Closing Statement to divert the 1031 Exchange proceeds (sale transaction) or add the incoming 1031 Exchange proceeds entry (purchase transaction).

- › Sales Transactions: Set the HUD-1/Closing Statement to Automatically Divert Proceeds
- › Purchase Transactions: Add the 1031 Exchange Proceeds Entry on the HUD-1/Closing Statement

### Sale Transactions: Automatically Diverting Proceeds for the Seller

As you prepare the HUD-1/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 the next available **1300** line

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

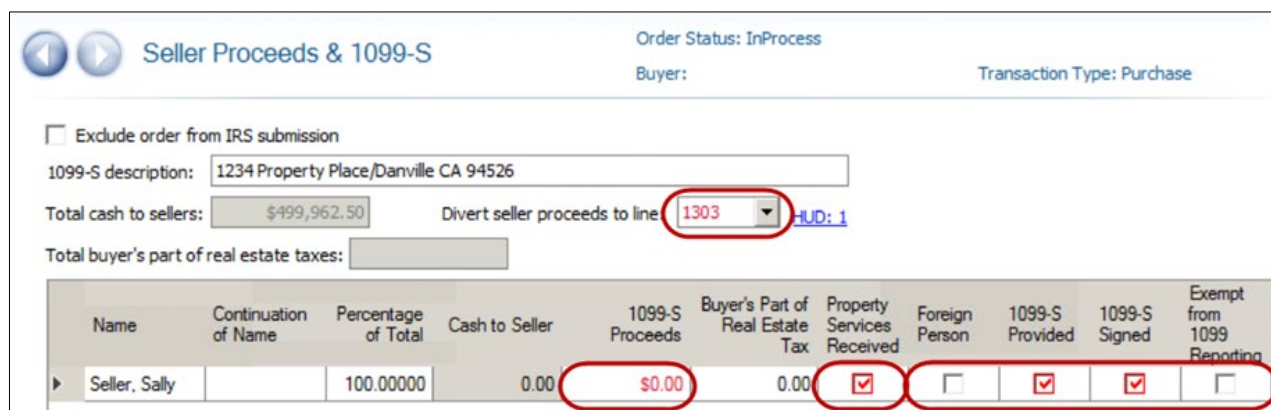
3. Overwrite **1099-S Proceeds** with the actual gross proceeds

## Preparing HUD-1/Closing Documents and 1099 Reporting

4. 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



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 some 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: 151-2012 1099-S Proceeds From Real Estate Transactions*.

5. Navigate to the **Additional Charges (1300)** screen (or click the **HUD: 1** link next to the **Divert seller proceeds to line** drop-down)
6. On the line you selected to divert proceeds, enter a **Description** indicating proceeds to the Exchange Company
7. If necessary, in the **Re** field, enter any additional verbiage required by the Exchange Company
8. In the **HUD-1 To Code** drop-down, select the **Q-Qualified Intermediary Contact**

## Preparing HUD-1/Closing Documents and 1099 Reporting

	Description	Re	Borrower	Seller	HUD-1 To Code	HUD-1 To Name
1301	Survey					
1302	Pest inspection					
▶ 1303	Proceeds to QI for Exchange			\$499,962.50	Q	Investment Property Exch...
1304						

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

1. Navigate to the **Buyer/Borrower Credits (200)** screen
2. On the next available line, 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 **Payor** more/less bar (below the grid)
4. From the **Code** drop-down, select the **Q-Contact**

**Buyer/Borrower Credits (200)**

Order Status: InProcess  
Buyer:  
Transaction Type: Refinance

**200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER**

HUD-1:  Loan 1

Description	Re	Borrower
201 Deposit or earnest money		
202 Principal amount of new loan(s)		
203 Existing loan(s) taken subject to		
▶ 204 1031 Proceeds		\$36,422.61
205		
206		

**Payors**

Code	Name	Amount	POC	Disburse POC	For	Process As	Bill Code
▶ Q	Investment Property Exchange Services, Inc.	\$36,422.61	<input type="checkbox"/>	<input type="checkbox"/>	BA	Incoming Fund	

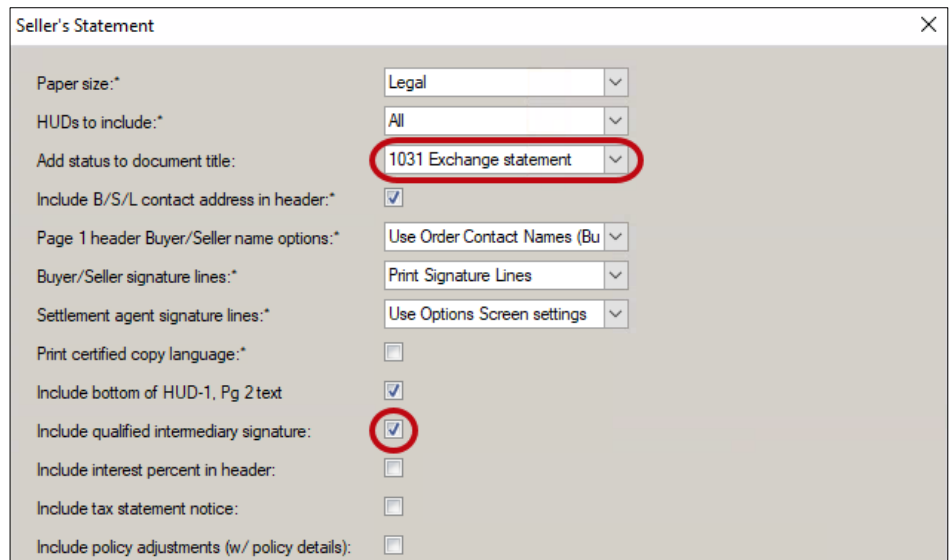
## Drawing Documents

When printing the HUD-1/Statement,

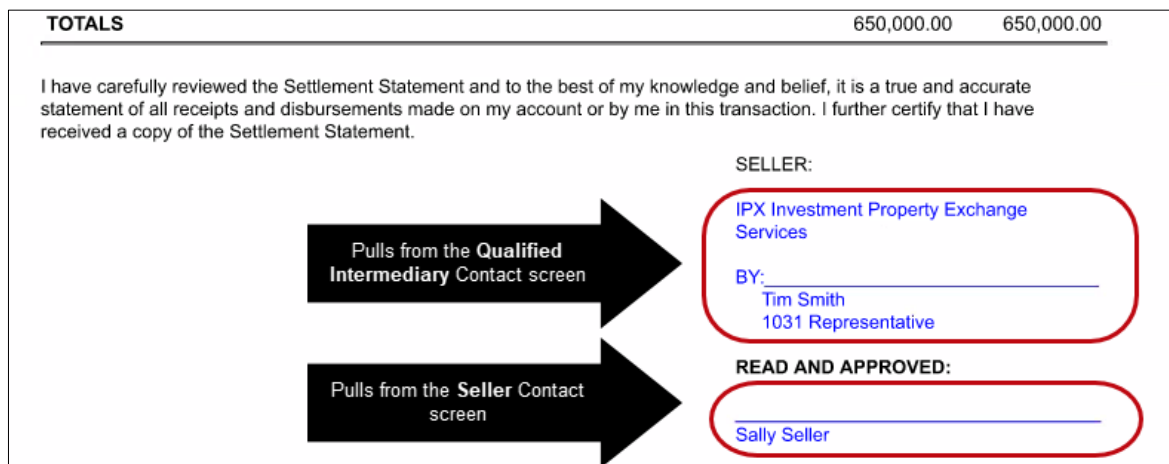
**NOTE:** This does not require the modification of the signature of the party benefitting from the 1031 Exchange (i.e., Seller or Buyer).

## Preparing HUD-1/Closing Documents and 1099 Reporting

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 Settlement Statement
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 the Settlement Statement



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



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