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1031 EXCHANGE SETUP FOR A HUD-1 SETTLEMENT STATEMENT

This handout will outline the steps to prepare a 1031 Exchange, including: setting the feature to automatically adjust diverted proceeds; indicating property as a 1031 exchange for 1099 filing; updating signature details and the header for the HUD-1 and/or Closing Statement.

Setting the HUD-1 to Automatically Divert 1031 Proceeds

As you prepare the HUD-1 Settlement Statement, you must send the proceeds to the Exchange Company. By diverting the proceeds, the bottom line amount will automatically adjust.

1. Navigate to the **HUD-1 & Closing tab**, open the **500 Reductions in Amount Due Seller** screen
2. On line 517:
 - a. Mark the **Divert Proceeds to Line 517** checkbox.
 - b. In the **Desc:** field enter “Proceeds to §1031 Exchange Company”
 - c. In the **To:** field, enter the name and address of the Exchange Company

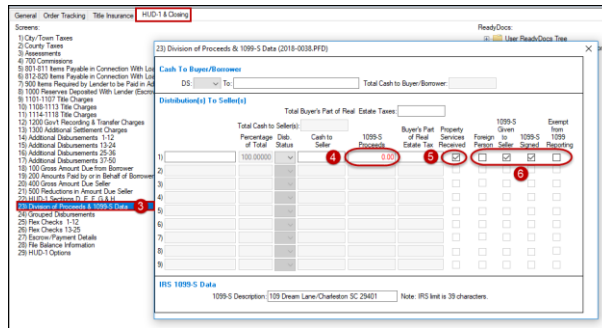
The screenshot shows the '500 Reductions in Amount Due Seller' screen in the HUD-1 Settlement Statement software. The left sidebar lists various line items, with line 517 highlighted in blue. A red circle and arrow point to the 'Divert Proceeds to Line 517' checkbox, which is checked. The 'Desc' field for line 517 contains 'Proceeds to §1031 Exchange Company' and the 'To' field contains 'The Qualified Intermediary Company'.

Indicating property as a 1031 Exchange for 1099 filing

3. Navigate to the **HUD-1 & Closing tab** and open the **Seller Proceeds & 1099-S** screen
4. Overwrite **1099-S Proceeds** with the actual gross proceeds
5. Select the **Property Services Received** check box
6. Check the applicable 1099 check box(es)



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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		<input checked="" type="checkbox"/>

1099-S Proceeds	Buyer's Part of Real Estate Tax	Property Services Received
250,000.00		<input checked="" type="checkbox"/>

Drawing Documents

FIRST: Draw all appropriate documents that require **ONLY** the Buyer/Seller’s signature (i.e. deeds)

SECOND: When you are ready to draw all other documents that require **BOTH** the Buyer/Seller and Exchange Company’s signature including the Settlement Statement, proceed with the next step.

Update the signature of the party benefitting from the exchange. In this example, we are updating the Seller, but you can follow the same steps for the Buyer.

7. Navigate to the **General tab** and open the **Seller** screen.
8. At the bottom of the **Seller, Officers & Signature** screen, in the **Seller All Names (And)** field replace the default with the name of the Exchange Company. (This will reflect the Exchange Company on the ALTA Settlement Statement)
9. Click the **Signature Lines** button.
10. Edit the signature, as necessary, to reflect the Exchange Company and/or Buyer/Seller. Click the **X**.



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The screenshot shows the HUD-1 & Closing software interface. The left sidebar lists various sections, with 'HUD-1 Sections D, E, F, G & H' highlighted in red and marked with a '7'. The main window displays several sections, including 'Seller Signature Lines (2018-0038.PFD)' and 'Seller All Names (Relationship)'. A red callout box highlights a specific line item with the text: 'The Qualified Intermediary Company as Qualified Intermediary for Donald Duck and Daisy Duck'. Other sections visible include 'Seller All Names (First)', 'Seller All Names (Last)', and 'Seller All Names (Initial)'. A red callout box also highlights a dropdown menu with the text: 'The Qualified Intermediary Company as GI for Donald Duck and Daisy Duck'.

11. Navigate to the **HUD-1 & Closing** tab and open the **HUD-1 Sections D, E, F, G & H** screen.
12. In the **E. Name and Address of Seller:** section, replace the default name and address with the Exchange Company's.
13. In the **Titles for HUD-1** section, replace "Seller" with "Exchangor".

The screenshot shows the HUD-1 & Closing software interface with sections D, E, F, G & H and the Titles for HUD-1 section. The left sidebar lists various sections, with 'HUD-1 Sections D, E, F, G & H' highlighted in red and marked with a '11'. The main window displays sections D, E, F, G, and H. Section D is 'Name and Address of Borrower' with fields for Mickey Mouse and Minnie Mouse. Section E is 'Name and Address of Seller' with a red callout box highlighting the text: 'The Qualified Intermediary Company as GI for Donald and Daisy Duck'. Section F is 'Name and Address of Lender' with fields for Bank of South Carolina. Section G is 'Property Location' with fields for 109 Dream Lane, Charleston, SC 29401. Section H is 'Settlement Agent' with fields for SoftPro Title and Escrow Services, Inc. The 'Titles for HUD-1' section at the bottom has a dropdown menu with 'Exchangor' selected, highlighted with a red callout box and marked with a '13'. A note at the bottom right states: 'Note: Text entered in sections D, E, F, G & H will be printed as is on page 1 of the HUD-1.'

Note: Edits to the Buyer or Seller Contact no longer flows to section E of the HUD-1 header.