

# KEWANEE CREDIT BUREAU

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## IMPORTANT MESSAGE FOR OUR INTERNET USERS OF MORTGAGE AND CONSUMER CREDIT REPORTS

### PLEASE SEE THAT ALL PERSONNEL WHO ACCESS CREDIT REPORTS, READ THIS NEWSLETTER!!

If you have applied for internet access and have not received your user names and passwords within two weeks, please call us.

For our customers using Merged and Mortgage Reports, our Experian Consumer Credit Reports and Flood Determinations pulled over the internet, your passwords will expire each 90 days. If your password has expired you will be instructed as to how to assign yourself a new password when you try to logon.

Experian Consumer Credit Report customers who do not use their user name and password each 180 days, will be dropped from Experian's system. We suggest you go into the system at least every other month, even if you don't pull any reports. The act of logging into the system keeps your user name and password active.

### REPORTING CHARGED OFF LOANS TO THE IRS

The following are excerpts from the IRS web page regarding the reporting, as miscellaneous income, charged off loans to the IRS.

This is not meant as advise, but for information only. To be sure if you are allowed to report your charged off loans, you should contact your tax accountant.

"Canceled debt:

A canceled debt is not reportable on Form 1099-MISC. Canceled debts are required to be reported on Form 1099-C, Cancellation of Debt, by financial institutions, credit unions, Federal Government agencies, certain agencies connected with the Federal Government, and any organization where the lending of money (such as finance and credit card companies) is a significant trade or business."

"See the separate Instructions for Forms 1099-A and 1099-C."

"See specific Instructions for Form 1099-C

File Form 1099-C:

Cancellation of Debt, for each debtor for whom you canceled a debt owed to you of \$600 or more only if:

1. You are an entity described under Who Must File below and
2. An identifiable event has occurred. It does not matter whether the actual cancellation is on or before the date of the identifiable event. See When Is a Debt Canceled? on page AC-3. Form 1099-C must be filed regardless of whether the debtor is required to report the debt as income."

"The debtor may be an individual, corporation, partnership, trust, estate, association, or company. "

"Do not combine multiple cancellations of a debt to determine whether you meet the \$600 reporting requirement unless the separate cancellations are under a plan to evade the Form 1099-C requirements. "

"Who Must File:

File Form 1099-C if you are:

1. A financial institution described in section 581 or 591(a) (such as a domestic bank, trust company, building and loan or savings and loan association).
2. A credit union. "

"Statements to Debtors:"

"If you are required to file Form 1099-C, you must provide a statement to the debtor. Furnish a copy of Form 1099-C or an acceptable substitute statement to each debtor. For more information about the requirement to furnish a statement to the debtor, see part H in the General Instructions for Forms 1099, 1098, 5498, and W-2G. You have furnished a statement to the debtor if it is mailed to the debtor's last known address. "

(from: www.irs.ustreas.gov)

**Comment by the newsletter editor:** It appears that if you are a financial institution, you must report charged off accounts over \$600. I didn't find anywhere saying you can't report those losses under \$600.

### PREDATORY COSTS SOAR

Predatory lending practices - chiefly equity stripping, excessive foreclosures, and risk-rate disparities - are costing borrowers \$9.1 billion a year, says a report from North Carolina-based consumer group Coalition for Responsible

Lending. The group presented its findings at a US Senate committee hearing, after doing its own analysis.

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Equity stripping alone, has a \$6.2 billion impact. The study broke it down further, claiming financed credit insurance costs \$2.1 billion and affects 500,000 families.

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Two of the largest subprime lenders, Citigroup and Household International, recently changed their policies requiring the use of single premium credit insurance.

According to the report delivered by Martin Eakes, president of non-profit lender Self-Help, the only large lender offering single premium credit insurance is Conseco Finance. Exorbitant up-front fees cost \$1.8 billion and affect 750,000 families, while subprime prepayment penalties have a financial impact of \$2.3 billion, hurting 850,000 families. The report says borrowers in African-American neighborhoods are 5 times as likely to be subject to prepayment penalties as borrowers in white neighborhoods. (Collections & Credit Risk, Vol. 6, #12)

## **BANKRUPTCY BITES BACK**

The current economic slump has risk managers worrying more about losses due to bankruptcies than in recent years. To cope, they are turning to bankruptcy prediction software. Will it work?

As a result, [of the recent downturn] risk managers must pay closer attention to the behavior of existing accounts and scrutinize the financial obligations of new account applicants in order to spot potential signs of bankruptcy sooner.

To help achieve their goal of minimizing losses due to bankruptcy, risk managers are expected to rely more heavily on bankruptcy prediction software, which has been around since the early 1990s. The primary purpose of the technology is to spot red flags sooner, such as an abnormal reliance on credit by a consumer, which may indicate a bankruptcy, before the lender sustains high-dollar losses.

Most bankruptcies occur with little or no warning, bankruptcy experts say. ..the primary culprits for this trend are what some bankruptcy experts consider to be liberal bankruptcy laws and heightened consumer awareness about how to take advantage of those laws.

..While just 15% of all bankruptcy filings in 2000 involved credit card debt, bankruptcies accounted for 38% of total bank card chargeoffs, according to San Diego-based HNC Software.

"A lot of people that file for bankruptcy protection tend to use most, if not all, of the credit line on their credit cards, while only occasionally being delinquent." Careen Forster, Fair, Isaac & Co.

For risk managers likely to be combating the rising tide of bankruptcies in the coming months, any tool they can use to stem the flow is a welcome addition to their arsenal of weapons. (Collections & Credit Risk, Vol. 6, #12)

## **SPEAKERS**

If the service organization you belong to, or your local high school needs a speaker to talk about credit, loans, interest rates or collections, just give us a call. We have programs for service organizations and for high schools.

## **OUR CORRECT MAILING ADDRESS!**

Please use: PO Box 93, Kewanee IL 61443 when sending us mail. The Post Office will **no longer** deliver mail to our street address.

## **LOOK FOR OUR BOOTH AT THE PEORIA BUSINESS CONNECTION, MARCH 19TH & 20TH.**

## **KEWANEE CREDIT BUREAU HOURS**

Monday - Friday 9:00am to 4:30PM

Consumer credit reports are provided from Experian.

Business reports are provided from Experian.

Residential Mortgage Credit Reports may contain information from: the Kewanee Credit Bureau, Experian, TransUnion and/or Equifax.

The KEWANEE CREDIT BUREAU has served businesses since 1928 and serves the following counties for Experian: Henry, Stark, Bureau, Putnam, LaSalle, Marshall, Woodford, Peoria, Knox, Fulton, Mason, McDonough, Warren, Logan, Henderson, Hancock, Adams, Schuyler and Tazewell.

If you know of any person or business that should be using consumer credit reports or employment credit reports, please tell them to call us.

*Your Children  
Need Your Presence  
More than your Presents.*