

# KEWANEE CREDIT BUREAU

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IRS AND FORGIVEN DEBTS

## F.H.A. ACCEPTANCE OF REVISED CREDIT REPORT REQUIREMENTS

A new Federal Housing Administration (FHA) policy permitting a "three repository merged credit report (TRMCR) as opposed to Residential Mortgage Credit Report (RMCR) has been implemented. However, lenders may choose to use an RMCR if that is their current policy. The FHA goes on to state that the TRMCR should "prove sufficient for processing most loan applications," but out-lines four circumstances that require ordering a RMCR which include:

1. If the borrower(s) dispute accounts on the TRMCR as not his, hers, or theirs.

2. If the borrower(s) claim that collections, judgments or liens reflected as open on the TRMCR have been paid and cannot provide separate documentation supporting this.

3. If the borrower(s) claim that certain debts shown on the TRMCR have different balances and/or payments and can not provide current statements (less than 30 days old) attesting to the fact.

4. If the lender's underwriters determine that it would be prudent to utilize a RMCR in lieu of the TRMCR to properly underwrite the loan.

If the lender orders a TRMCR and subsequently orders a full RMCR, the borrower may only be charged for the RMCR....except when delays on the part of the borrower requires the TRMCR to be updated and if the RMCR is ordered for reasons listed previously. (ACB Communicator, Vol. V, #3)

The FEES for The TRMCR are:

Individual TRMCR	\$25.00
Joint TRMCR	30.00

The fees for RMCR as of 1-1-96 will be:

Individual, 2 bureau, RMCR	\$35.00
Joint, 2 bureau, RMCR	\$40.00
Individual, 3 bureau, RMCR	\$40.00
Joint, 3 bureau, RMCR	\$45.00

## RATE CHANGE FOR ORAL CREDIT REPORTS

Effective 1-1-96, for Non-dues paying members, Oral Individual credit reports will be \$5.50 and Joint reports will be \$7.50.

For Dues paying members, Oral Individual credit reports will be \$3.00 and Oral Joint will be \$4.50.

Charges for reports pulled over your own computer or terminal have not changed.

Mike Schmidt, a tax law specialist with the IRS office of the Assistant Chief Council for Income Tax and Accounting said the 1099 reporting requirements only apply to banks and financial institutions that forgave debtors of \$600.00 and more. It should not be used for debts arising from services rendered.

"Services are inherently suspect, because there is a question about whether a person received \$600.00 worth of work or whether the actual service rendered was worth only \$400.00."

Another common abuse is sending the forms to people involved in bankruptcy, according to Schmidt, those filing bankruptcy are not required to pay taxes on debts that they discharged in bankruptcy. (ACA Collector Nov 95)

## BANKER SAYS CREDIT SLOW DOWN SHOWS CAUTION BY CONSUMERS

The Federal Reserve said (11-7-95) the overall borrowing rose by \$5.4 billion in Sept, or at a 6.6% annual rate, compared with \$10.3 billion or a 12.7% annual rate in Aug. In July credit climbed \$8.6 billion at an annual rate of 10.7%.

While consumer credit has risen 28 straight months, analysts said September's starkly slower growth was expected, given the build up of debt.

Credit card use rose \$2.8 billion in Sept., the smallest increase since \$2.1 billion in December. (Journal Star 11-8-95)

## GROCERY STORE SALES

VISA USA set a significant milestone in Aug., ringing up supermarket sales of \$1 billion, a monthly record. The card association expects consumers to use its credit & debit cards for \$10 billion of grocery sales this year, 16 times the volume of 1990. (USBanker 11-95)

## BANKS SAY CONSUMER LOAN DELINQUENCY RATES RISING

The Federal Reserve said Tuesday (11-21-95) that banks reported in a quarterly survey, that slower economic growth also is contributing to a higher loan delinquency rate.

Loan officers at 33 of 54 banks questioned, said that consumer delinquency rates have risen over the past year. The American Bankers Association said a seasonally adjusted 1.95% of loans were 30 days or more past due in the 2nd quarter, up from 1.82% 3 months earlier. (Journal Star 11-22-95)

## KEWANEE CREDIT BUREAU HOURS

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

Diane Ebens, Office Manager

Larry Nelson, Pres.