

SPOTLIGHT ON FINANCE

Internal Revenue Service Taxpayer Advice

If you are like most people, being contacted by the Internal Revenue Service ("IRS") about an issue with your income tax liability is enough to make you confused, nervous or scared. The one thing you do not want to do in this situation is avoid the inquiry, since that could only make matters worse.

As a taxpayer, you should be aware that you have rights in dealing with the IRS. If you have an issue with the IRS, your first step should be to contact them and attempt to work through the problem.

However, if you are unable to resolve the issue, you can contact the Taxpayer Advocate Service ("TAS") to assist with your concerns. The TAS is an independent organization within the IRS. They will work with a taxpayer to help get the problem resolved and they will be a partner with you throughout the process. Their services are provided without cost to the taxpayer. When working with TAS, you are assigned one advocate who will:

- ◆ Listen to your tax problem
- ◆ Help you understand what needs to be done
- ◆ Provide free, fair and independent help
- ◆ Stay with you until the problem is resolved
- ◆ Be your voice at the IRS

You should consider contacting the TAS if your issue with the IRS is causing a financial hardship for your family, your business or yourself; your business or you are facing an immediate threat of adverse action; or you have attempted to contact the IRS repeatedly.

Information to provide to the TAS includes your name, address and Social Security number, phone number and the best time to contact you, the type of tax return and the tax years at issue, and a description of your problem or hardship. The TAS will also need to know your history in attempting to resolve the issue, and the IRS office or representative (with specific representative number) with whom you've discussed your issue.

There are TAS representatives in the Memphis and Nashville IRS offices. They can be contacted respectively at 901-395-1900 or 615-250-5000. The TAS can also be reached toll-free at 877-777-4778 and you will be directed to the closest office, or you can visit the TAS website at either: www.irs.gov/advocate

www.taxpayeradvocate.irs.gov. Additionally, you can request, complete and return IRS Form 911 and file this with TAS. IRS Form 911 can be found on the IRS website at: www.irs.gov, or the form can be requested by phone at 800-829-3676.

Information for this article was obtained from Publication 1546 (Rev.12-2016) and Publication 4921 (Rev.6-2013), Department of the Treasury, Internal Revenue Service, www.irs.gov.

Free Shred Days

<http://www.shredontherun.com/FREE%20SHRED%20DAY.htm>

April 14, 2018
City of Forest Hills
6300 Hillsboro Pike
Nashville, TN 37215
8:30-12:30 CST

April 21, 2018
Beacon Capital Management
751 Cool Springs Boulevard
Franklin, TN 37067
9:00-12:00 CST



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Choosing a Credit Counselor

Are you having trouble developing a workable budget, let alone saving for retirement? Are you living paycheck to paycheck or worried about debt collectors? If all of this sounds too familiar, you may want to consider the services of a credit counselor for some help and guidance.

Most reputable credit counselors are non-profit organizations and offer services at local offices, online, or on the phone. If possible, find an organization that offers in-person counseling. There are several sources to consider such as universities, military bases, housing authorities, your financial institution or a local consumer protection agency.

A reputable credit counseling organization can advise you on managing your money and debts, help you develop a budget and offer free educational materials and workshops. The counseling agency's counselors are certified and trained in consumer credit, money and debt management and budgeting.

As an added benefit, if you use a credit counseling organization, a lender may work more readily with a borrower who uses a credit counselor who is affiliated with the National Foundation for Credit Counseling, or NFCC. Founded in 1951, the NFCC has a national network of member offices serving all 50 states and Puerto Rico. To locate a NFCC affiliated credit counseling organization, visit: <https://www.nfcc.org/locator/>.

You will be able to discuss your entire financial situation with them to develop a personalized plan to assist with your money problems. When choosing a credit counselor, here are some questions to ask and things to avoid.

What services do you offer? Look for an organization that offers a

range of services including budget counseling, savings and debt management classes. **Avoid** organizations that push a debt management plan (DMP) as your only option before they spend a significant amount of time analyzing your financial situation.

What information do you offer? Are educational materials available for free? **Avoid** organizations that charge for information.

What are your fees? Are there set-up and/or monthly fees involved? Be sure to get a specific price quote in writing.

Will I have a written agreement or contract with you? **Avoid** signing anything without reading it first. Make sure all verbal promises are in writing.

Are you licensed to offer your services in my state? To check on the license status of a credit counseling organization, visit www.verify.tn.gov and search under the "Profession" title of "TN Debt Management Services Provider". The search area provides the license number, how long they have been licensed, when the license expires and their location information.

In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?

What are the qualifications of your counselors? Are they accredited or certified by an outside organization? If so, by whom? If not, how are they trained? If possible, try to use an organization whose counselors are trained by a non-affiliated party.

What assurance do I have that my personal information (address, phone number and financial information) will be kept confidential and secure?

A reputable credit counseling agency should send you free information about itself and the services it provides without requiring you to provide any details about your situation. If a firm doesn't do that, consider it a red flag and go elsewhere for help.

Once you've compiled a list of counseling agencies you might do business with, verify each one with your state Attorney General (www.naag.org) and local consumer protection agency (www.usa.gov/directory/stateconsumer/index.shtml). They can tell you if consumers have filed complaints about any one of them. Be aware that although there may not be any complaints doesn't guarantee they are legitimate. Also be aware that "non-profit" status doesn't guarantee that services are free, affordable, or even legitimate. Some credit counseling organizations charge high fees, which they may try to hide, while others might urge you to make "voluntary" contributions that can cause more debt.

If you find that your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (DMP). In a DMP, you deposit money each month with the credit counseling organization and it uses your deposits to pay your unsecured debts according to a payment schedule the counselor develops with your creditors.

The DMP alone is not credit counseling and they are not for everyone, so make sure you have spent time with a certified credit counselor and your situation has been thoroughly reviewed in advance.

For additional information about Choosing a Credit Counselor, Debt Management Plans and how they work please visit the Federal Trade Commission link at: www.ftc.gov

The ABC's of Mortgage Terminology

Although homeownership can be a wonderful investment, it can also be one of the most confusing decisions you can ever make. Finding a house isn't the only step in the homeownership process. Next you need to determine how you will pay for it. Understanding some of the terminology used by mortgage professionals is also important, so you will have ability to discuss the mortgage loan process. Some of the terms include words such as appraisals, equity, escrow, points and settlement costs. These can be hard to follow, unless you've done your "homework" to gain knowledge of these terms. The following is a more comprehensive listing of some of the wording that may be used by mortgage professionals.

Adjustable Rate Mortgage (ARM)

A loan with a fixed interest rate for a specified introductory time period (i.e. - 24 months). Once the introductory period expires, the interest rate adjusts on a regular schedule and the amount of the monthly payment is likely to increase. A portion of the interest rate that is paid is based on a national economic index and the lender's margin. Also called an ARM or "variable rate mortgage."

Adjustment Date

The date that the interest rate changes on an adjustable rate mortgage.

Appraisal

A physical inspection by a licensed appraiser, which provides an estimated value of the property based on recent sales comparable data of properties that are in close proximity of the subject property and have sold within a three (3) to six (6) period of the inspection date. This assists the lender in evaluating the loan request to determine the amount of money that can be loaned on the property.

Appraisal Fee

The charge for estimating the value of property offered as security.

Appraiser

A professional who conducts an analysis of the property, including examples of sales of similar properties in order to develop an estimate of the value of the property. The analysis is called an "appraisal."

Annual Percentage Rate (APR)

The cost of borrowing money expressed as a yearly rate, which includes the interest rate, points and other fees charged by the lender.

Application Fee

A one-time fee charged by a lender for processing a borrower's application for a mortgage loan.

Appreciation

An increase in the market value of a home due to changing market conditions and/or home improvements.

Arbitration

A process where disputes are settled by referring them to a fair and neutral third party (arbitrator). The disputing parties agree in advance to agree with the decision of the arbitrator. There is a hearing where both parties have an opportunity to be heard, after which the arbitrator makes a decision.

Assignment of Mortgage

Financial institutions often buy and sell mortgage loans from each other. This is a legal document evidencing the transfer from one mortgagee to another.

Assumable Mortgage

A type of financing agreement in which an outstanding mortgage loan and its terms can be transferred from the current owner to the buyer, when a home is sold. The seller remains liable unless released by the lender from the obligation. The buyer can avoid having to obtain their own mortgage loan.

Before-tax Income

Income before taxes are deducted. Also known as "gross income."

Bi-Weekly Mortgage Payment

A loan in which the mortgage loan servicing institution collects half of your contractual monthly mortgage payments every two weeks. This results in 26 payments over the course of a year that applies one extra monthly payment per year to assist in paying off the loan sooner and saving money on long-term interest charges.

Bridge Loan

A short-term loan secured by the borrower's current home (which is usually for sale) that allows the proceeds to be used for building or closing on a new house before the current home is sold. Also known as a "swing loan."

Buy-Downs

An amount a borrower pays in advance to lower the interest rate. Also called "discount points."

Capacity

An applicant/borrower's ability to earn enough income to make mortgage payments on time and still pay all other living expenses. This is also known as "ability to pay".

Certificate of Eligibility

A document issued by the U.S. Department of Veterans Affairs (VA) certifying a veteran's eligibility for a VA-guaranteed mortgage loan. This provides an assurance to a private lender that if the borrower is unable to make the loan payments, the lender may be able to go the VA to cover its losses.

Closing

The final step in the transfer of property ownership, which usually occurs at a formal meeting between the buyer, seller, settlement agent and possibly real estate agents, where the buyer signs the mortgage and mortgage note, the seller receives payment for the property, the buyer or seller or both pay closing costs and the title is transferred from the seller to the buyer. This is also called "settlement." Some closing costs cannot increase at all, others can increase by up to 10 percent and others can increase by any amount.

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The ABC's of Mortgage...(continued from page 3)

Collateral

An asset such as a piece of property that an applicant/borrower pledges as security for repayment of a loan. There is typically a condition in the loan documents that these items would be forfeited in the event of default, or non-payment of the loan.

Credit Score

Helps to predict how likely an applicant/borrower is to pay back a loan on time. Information provided to the credit reporting services help to derive the score. Lenders use the credit score to determine whether to extend a loan and it is also used to determine the interest rate you will receive on the loan.

Debt-to-Income Ratio

The percentage of all gross monthly income that goes toward paying for your monthly debts. Lenders use this data as a way to measure your ability to manage the debt payments you make every month to repay the money borrowed.

Default

Failure to repay a loan according to the terms agreed upon in the Promissory Note or Loan Agreement.

Equity

The difference between the value of the home and the amount of the liens against your home. If you owe \$100,000 on your house but it is worth \$130,000, you have \$30,000 of equity.

Escrow

At closing, the borrower generally is required to set aside a percentage of the yearly taxes to be held by the lender. On a monthly basis, the lender collects additional money to be used to pay the taxes (and sometimes Private Mortgage Insurance, or PMI) on the home. The lender is responsible for paying the tax bills on a regular basis.

Fixed Rate Mortgage

The interest rate and the term of the loan is negotiated and set for the life of the loan. Terms can range from 10 years up to 40 years.

Fair Credit Reporting Act (FCRA)

A consumer protection law that imposes obligations on (1) credit bureaus (and similar agencies) that maintain consumer credit histories, (2) lenders and other businesses that buy reports from credit bureaus, and (3) parties who furnish consumer information to credit bureaus. Among other provisions, the FCRA limits the sale of credit reports by credit bureaus by requiring the purchaser to have a legitimate business need for the data, allows consumers to learn the information about them in credit bureau files (including one annual free credit report), and specifies procedures for challenging errors in that data.

First Mortgage

A mortgage that is the primary lien against a property that secures the mortgage and has predominant status over any others claims to the property, in the event of default.

First-Time Home Buyer

A person with no ownership interest in a principal residence during the three-year period preceding the purchase of the property used as collateral for the loan.

Lock-In Rate

A written agreement that the mortgage interest rate will not change between the offer date and the closing date, as long as the loan is closed within a specific time period (i.e.-45 days) and there are not any changes to the loan application.

Manufactured Housing

Homes that are built entirely in a factory in accordance with a federal building code administered by the U.S. Department of Housing and Urban Development (HUD). Manufactured homes may be single- or multi-section and are transported from the factory to a site and installed. Homes that are permanently affixed to a foundation often may be classified as a real property and may be financed with a mortgage. Homes that are not permanently affixed to a foundation generally are classified as personal property, and are financed

with a retail installment sales agreement.

Mortgage

A temporary and conditional pledge of property to a creditor as security for the repayment of a debt.

Mortgage Insurance (MI)

Insurance that protects lenders against losses caused by a borrower's default on a mortgage loan. MI typically is required if the borrower's down payment is less than 20 percent of the purchase price.

Mortgage Insurance Premium (MIP)

The amount paid by a borrower for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (PMI) company.

Mortgage Life Insurance

A type of insurance that will pay off a mortgage if the borrower dies while the loan is outstanding; a form of credit life insurance.

Origination Fee

A fee some lenders charge for submitting, processing and evaluating a proposed mortgage loan.

Points

In reference to a loan, points consist of a lump sum payment made by the borrower at the outset of the loan period. Generally, each point equals one percent of the loan amount.

Principal

The outstanding balance of a loan, not including interest and other charges.

Right of First Refusal

A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

Settlement

The process of completing a loan transaction at which time the mortgage documents are signed and then recorded,

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Free Shred Days *(continued from page 1)*

<https://www.bbb.org/chattanooga/news-events/events/2013/06/secure-your-id-day/>

April 20, 2018
Scenic Community Credit Union
4503 Hixson Pike
Hixson, TN 37343
9:00-12:00 EST

April 21, 2018
Corner of Lee Highway and Highway 153
Chattanooga, TN 37421
9:00-12:00 EST

<http://www.prosperitypartnerswm.com/events/shred-day>

May 11, 2018
Tugaloo Pavilion
Tugaloo Drive
Loudon, TN 37774
2:00-4:00 EST

<https://www.williamsoncounty-tn.gov/916/Free-Paper-Shredding-Tuesday>

Free paper shredding every Tuesday
Williamson County Material Recovery Facility
420 Century Court
Franklin, TN 37064
8:30-3:00 CST

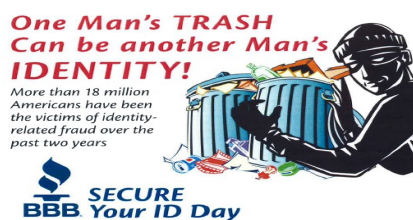
Saturday, April 21, 2018.
9 am—1 pm
Richards & Richards
1741 Elm Hill Pike
Nashville, TN 37218
9 am—until truck is full
UPS Store of Cool Springs
2000 Mallory Lane
Franklin, TN 37067

10 am—until truck is full
Cookeville Regional Medical Center
Corner of 6th & Cedar
Cookeville, TN 38501

9 am—until truck is full
Lowe's Parking Lot
1825 Old Fort Pkwy.
Murfreesboro, TN 37129

For more information visit or call:

www.bbb.org 615.250.4244



The ABC's of Mortgage... *(continued from page 4)*

funds are disbursed, and the property is transferred to the buyer (if applicable). Also called "closing or escrow" in different jurisdictions.

Settlement Statement

A document that lists all closing costs on a consumer mortgage transaction.

Seller Take-Back

An agreement in which the seller of a property provides financing to the buyer for the home purchase.

Servicing

The tasks a lender performs to protect the mortgage investment, including the collection of mortgage payments, escrow administration and delinquency management.

Short Sale

Where the bank agrees to accept less than the amount due on a mortgage loan in order to make the sale of the house possible. May have some tax implications for the borrower.

Title Insurance

policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

Underwriting

The process used to determine loan approval. It involves evaluating the property and the borrower's credit and ability to pay the mortgage.

USPAP

Uniform Standards of Professional Appraisal Practice used as guidelines for appraisers.

VA Guaranteed Loan

A mortgage loan that is guaranteed by the U.S. Department of Veterans Affairs (VA).

Walk-Through

A buyer's final inspection of a property, usually conducted right before closing, to determine that the property is as described in the purchase agreement. For example, within the 24 hours before closing.

Warranties

Written guarantees of the quality of a product and the promise to repair or replace defective parts free of charge.

Zoning

A county or city law stating the types of use to which properties can be put in specific areas.

For more terminology visit our Financial Terms Glossary that is in the CRS area on the Department website at: <https://www.tn.gov/tdfi/consumer-resources/financial-education/financial-terms-glossary.html>. We hope this helps in a clearer understanding of the basic terms involved in one of the biggest investments you may make.

Sources:

Federal Trade Commission, NeighborWorks® America, TDFI Glossary and Webster's Dictionary