

KeyRealEstate



A Terribly Taxing Situation

By Ilyce Glink
Contributing Columnist

Q: I have a friend who fills out tax returns for me and a couple of my friends every year. My friends did not get their tax refunds last year. As it turns out, our accountant "friend" seems to have given his own address and account number for all of my friends' tax returns to be direct-deposited. Is this identity theft? What is the federal punishment for such an offense?

A: The person who filed your tax returns and stole your money is likely guilty of fraud, a much more serious offense (not to suggest that identity theft isn't taken seriously). The punishment could include making restitution, paying a fine, and jail time.

Talk to your attorney or call the IRS. Your friends might also want to check their credit histories and scores to make sure nothing else unpleasant happened. You can pull a free copy of your credit history each year from each of the three credit reporting bureaus by going to www.annualcreditreport.com.

This year, either learn how to file your own tax return (if you make less than \$50,000 you can file for free with the IRS and have any refund direct deposited into your own account), or pay a licensed accountant to file a return on your behalf.

Q: My 2-year adjustable-rate mortgage (ARM) expires in January. The current interest rate is 6.9 percent. Based on today's rates, how much will my payment increase?

A: What kind of loan do you have? Do you have an interest-only loan? Do you have a pay-option ARM? Does your loan convert to a 1-year ARM, or will you get another two years before it adjusts for another 2-year period, or does your loan convert to a 28-year fixed-rate mortgage? What index is your loan tied to?

Let's assume you have a straight-forward ARM where you pay principal and interest. If your ARM has a 1- or 2-percent interest rate cap, then it might rise to 7.9 or 8.9 percent. But some interest rates have actually dropped a bit, so it's possible your interest rate wouldn't go up at all and might, in fact, drop.

You might want to call your lender and

ask. Then, I'd start shopping around. At press time, Bankrate.com was featuring 5-year ARMs at 5.54 %, 15-year loans at 5.46 %, and 30-year loans at 5.69 %. The best rates require a top credit history and score. Some of these rates include the payment of discount points (one point equals one percent of the loan amount), so make sure you call around to get the best rate and the best deal for yourself.

Q: I recently purchased some land with a partner. The land is in my name because I'm financing the deal, but my partner did all the legwork. We intend to build houses on the land after getting some changes from the local zoning committee.

Here's the problem: While my partner is a friend, his character is somewhat questionable. He's suggested that I quit claim the property to him so he can talk to builders more easily without having to get approval from me.

If I do this, would I lose all rights to the land? Could I quit claim the property for a period of time, like two months, then regain ownership rights down the line?

A: This deal has trouble written all over it. Do not quit claim the property to your partner. He doesn't need to own the land to talk to builders. You and he are partners no matter who owns the land. And, if you don't trust his judgment with money, I can't see why you'd hand over such a huge asset to him.

Clearly, however, this "partnership" hasn't been fully realized. You and your friend haven't talked through what each person's responsibilities are, and how the deal should be handled. Have you talked about how the profits will be split? Will you be reimbursed for the cash you spend first and then what's left will be shared?

Your friend sounds nervous, and rightly so. Talk to a real estate attorney who can help you draft a partnership arrangement spelling out who owns what, who's entitled to what and what responsibilities each of you have.

Whatever you schedule or travel commitments, be prepared to spend a lot of time working on this deal and making sure that there are no side deals involved that will siphon off cash.

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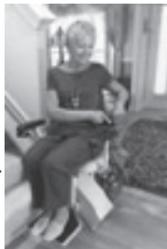
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