



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224**

Date:

Contact Person:

Revised Sample Credit Counseling Development Letter

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Dear Applicant:

We have become increasingly aware that the delivery of consumer credit counseling services has undergone changes in the past 30 years. On July 30, 2004, the IRS Office of Chief Counsel released a Chief Counsel Advice Memorandum (CCA 200431023, 2004 IRS CCA LEXIS 22), presenting a comprehensive legal analysis of whether credit counseling organizations can qualify as charitable or educational organizations described in section 501(c)(3) of the Internal Revenue Code. We have enclosed a copy of the CCA for your information.

We also remind you that exempt status will be recognized in advance of operations only if proposed operations can be described in sufficient detail to permit a conclusion that an organization will clearly meet the particular requirements of the section under which exemption is claimed. In those cases where an organization is unable to describe fully its purposes and activities, a refusal to issue a determination letter will be considered an initial adverse determination from which administrative appeal or protest rights will be afforded. (Rev. Proc. 90-27, Section 5.02, 1990-1 C.B.514)

To assist us in completing our consideration on your application, we need the following additional information over the signature of one of your principal officers or directors:

1. With regard to interactions with clients:
 - a. List all interactions with clients from the first encounter through the completion of the relationship with the client. For each interaction, indicate the name of each party involved in the interaction. (i.e. your telemarketer, your service provider, you, or any other party involved.)
 - b. List all information you collect from clients before or during the initial session with your organization.
 - c. Describe your presentation to clients during the initial session, including topics covered and options discussed.
 - d. List the criteria your employees use to determine which services are appropriate for a client.

- e. State the number of times you meet with a client before recommending an approach.
 - f. Describe what, if any, assistance you provide in regard to secured debt.
 - g. State whether you provide a written budget analysis to all clients.
2. Submit the following documents regarding interaction with your clients:
 - a. Client contracts for counseling services.
 - b. Client questionnaires used during the initial session.
 - c. Prepared scripts used during the initial session.
 - d. Representative copies of written budget analyses.
 - e. Copies of all material provided to clients who do not wish to sign up for a counseling session or participate in a DMP.
 - i. Describe the circumstances under which such material is provided.
 - ii. State the length of time that the employees speak with these clients.
 - f. Documents prepared before enrolling a client on a DMP or before recommending any other service.
 - g. If you provide clients with a current list of qualified assistance agencies or individuals, submit a copy of such list. State how frequently the list is updated.
3. If you provide DMPs directly to clients, provide a copy of a typical DMP customer contract.
4. If you refer your DMP clients to another entity rather than provide this service directly, provide a copy of the customer referral and all agreements between you and the client as well as agreements between you and the referred-to organization. Describe all contacts you have with clients once a referral has been made.
5. State whether you include client accounts in a DMP if the creditor will not pay fair share. If so, please provide specific examples when this occurred and indicate the percentage of those accounts in your portfolio.
6. State the number of clients, as well as the percentage of clients, that have received your services without set-up charges or monthly fees imposed because of their inability to pay.
7. List the factors you rely on in making the determination that a client is unable to pay.
8. For each year state:
 - a. Number of clients who completed the DMP program.
 - b. Number of clients who are continuing to participate in a DMP program.
 - c. Number of clients who dropped out of the DMP program.
 - d. Number of DMP clients referred for a debt consolidation loan.
9. Identify all other entities, including all for-profit and non-profit service providers, that you work with or refer clients to, and state how these organizations are selected. Submit copies of all contracts between you and the identified entities.
10. Describe all business and personal relationships between you and the landlord of each facility you use to provide your services, and submit a copy of the lease for each of these

facilities.

11. State whether you require participants in your DMP program to participate in ongoing educational programs during the course of their plan. If so, describe those programs in detail, including the manner in which they are presented and the experience level of the program presenters. Submit all written materials for these programs.
12. If your employees provide continuing counseling through telephone contacts, submit all scripts they use. If no written scripts exist, describe the content of the contacts.
13. Submit representative copies of all periodic assessments you perform during the duration of a DMP.
14. Describe, in detail, all workshops, classes, or seminars on financial planning, budgeting, credit/debt relief, or other educational programs you offer to the general public. For each program:
 - a. Provide a list of past and scheduled sessions, including any fees charged.
 - b. Provide the number in attendance at each past session.
 - c. Provide the syllabus and all written materials used for the session.
 - d. Provide a list of instructors and copies of their resumes.
 - e. State whether the sessions were offered in partnership with other entities. If so, specify each entity, the terms of the partnership, and any limitations on attendees.
15. Provide a print-out of each of your website's pages, or proposed website's pages. If registration is required, please supply a password so we may access the material.
16. Provide the following information about your employees:
 - a. List all categories of employees. (ie. counselors, administrative staff, etc.)
 - b. Indicate the number of employees in each category.
 - c. Provide a written description of each category, listing all tasks and responsibilities.
 - d. List the employee's education, experience, and salary.
17. Describe your employee compensation system, including how you determine base compensation for credit counselors, all bonus or incentive arrangements you offer, and the circumstances under which counselors can qualify for them. If this system has changed since you began operations, please explain.
18. Describe all continuing education and training programs you provide for your employees. Provide all education and training materials, including training manuals, and state when you began to offer the training.
19. Provide all written agreements your credit counselors and other employees must enter into during their employment, including employment contracts and agreements not to compete.
20. Submit your Employee Handbook, your Personnel Manual, and all other material you furnish or plan to furnish regarding terms of employment.

21. State how many of your counselors are certified to perform credit counseling or credit repair services. For each such counselor, indicate the name of the certifying organization and whether it is a federal, state or private certification organization. Submit a copy of the requirements for certification provided by each certifying organization.
22. State the average amount of time your counselors spend in speaking with each client:
 - a. During an initial inquiry
 - b. During subsequent calls
 - c. After the client has enrolled in a DMP
23. Submit a statement of income and expenses, which details your advertising budget.
24. Submit copies of the following advertising materials:
 - a. Flyers and letters distributed or to be distributed through mass media (including the yellow pages, newspapers, magazines, etc....).
 - b. Current or prospective radio and television scripts.
 - c. Copies of advertisements for hiring employees.
25. Submit a list of all Internet sites on which you advertise or plan to advertise, or that you link to or that link to you for advertising purposes.
26. State whether you receive referrals from banks, credit-offering entities, local service agencies, or other organizations. If so, describe each referral arrangement and submit all written documentation relating to the arrangement.
27. State whether you purchase or plan to purchase leads (i.e. names of prospective clients). If so:
 - a. Identify each lead source.
 - b. Describe the terms and conditions of your arrangements for the purchase of leads with each source. Attach copies of all contracts with each source.
 - c. State how many leads you purchase from each source per month.
 - d. State the cost of each lead per source, and the annual cost for all leads.
28. State whether you leave automatic voice broadcast messages about your organization, or purchase such services from a service provider. If so, provide the name of each service provider, submit a copy of each contract, and the script of all automated voice messages.
29. List all funding sources for each year, breaking out fees for services (including set-up fees and monthly fees whether they are described as fees or contributions), fair share payments, fees from other programs, or the sale of material and contributions from disinterested members of the public.
30. Describe how you allocate the client's first payment. (i.e. amount for a set-up fee, service fee, contribution, or debt service) Submit copies of all reports you provide clients detailing the allocation of any up-front fees.

31. Describe your fund-raising program and submit copies of all solicitation materials, and acknowledgement letters for the receipt of contributions. List the criteria you use to determine which contributions will receive written acknowledgements.
32. For each grant you have received or have applied for:
 - a) State the source, the amount, and the purpose of the grant
 - b) Identify those grants from creditors who participate in your program, but do not pay fair share.
 - c) Attach copies of all grant requests/applications.
33. List the names and addresses of all sources that have provided, or promised to provide, you with start-up capital, including the terms and conditions of each transaction.
34. State whether you now offer, or plan to offer, any additional services or products such as loans, credit repair, credit negotiation, bankruptcy counseling, or down payment assistance. If so, please list those services.
35. List all past and present directors, officers and key employees, and for each:
 - a) Provide a resume.
 - b) State the number of hours per month the individual provides services to you.
 - c) State all services the individual provides.
 - d) List the total compensation provided to the individual and how it was set.
36. List each past or present board member and officer (and members of their families) who:
 - a. Has served on the board of any organization with whom you do business.
 - b. Has an ownership interest in any for-profit entity that does business with you.For each, identify each entity and explain the nature of the relationship to you.
37. List all current and former officers and directors who are related to each other (include family and business relationships) and describe the nature of the relationship.
38. Submit copies of all conflict of interest policies.
39. Provide minutes of all board and committee meetings since your inception.
40. State whether you have applied for or obtained certification from the United States Trustee Program to be a nonprofit budget and credit counseling agency under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. If so, please submit a copy of the application and the ruling on the application.
41. If you have ever been the subject of an investigation by any of the following entities, please describe the complaint, state where and when it was initiated, and the result of the investigation (also submit copies of the complaint and documentation of its resolution).
 - a. State Attorney General
 - b. State Office of Consumer Protection
 - c. Better Business Bureau
 - d. Federal Trade Commission or other local, state, or federal agency

42. If you have ever been a party to a lawsuit, describe the subject of each lawsuit, state where and when it was initiated, as well as the result. Submit copies of all pleadings in each suit, settlement agreements and other resolution documents.

The information you submit should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts relating to the request for the information, and such facts are true, correct, and complete.

If the additional information indicates that you qualify for exempt status, we will send you an exemption letter. If the additional information indicates that you do not qualify for exempt status, we will explain our decision and provide information about the appeal rights available to you.

If you need an extension of time to respond, or if you have any other questions about this matter, please call me at the above telephone number. You will expedite our receipt of your reply by using the following address on the envelope. If it is convenient, you may fax your reply using the fax number shown in the heading of this letter.

Internal Revenue Service
[Office symbols]
[Name] (3xx)
1111 Constitution Ave, N.W.
Washington, DC 20224

In the event that we close your case, we will notify the appropriate State officials, as required by Code section 6104(c), that based on the information we have, we are unable to recognize you as an organization of the type described in Code section 501(c)(3).

If you do not provide the requested information in a timely manner, it will be considered by the Service as a failure to take all reasonable steps to secure the ruling you requested. Under Code section 7428(b)(2), your failure to take all reasonable steps to secure the ruling requested in a timely manner may be considered as a failure to exhaust the administrative remedies available to you within the Service, and thus may preclude the issuance of a declaratory judgment in this matter under the judicial proceedings of Code section 7428.

Thank you for your cooperation. We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

[Name]
Tax Law Specialist
Exempt Organizations

Technical Group *

Attachment:
CCA 200431023