



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**  
**INTERNAL REVENUE SERVICE**  
Mail Stop 1112, PO Box 12307  
Ogden, UT 84412

DATE OF THIS NOTICE:

CONTACT PERSON/ID NUMBER:

CONTACT TELEPHONE NUMBERS:

Toll Free 1-877-767-2501  
Long Distance 1-801-620-

RESPONSE DUE DATE:

Employer Identification Number:  
Tax Period(s):  
Form(s): 990

Dear Sir or Madam:

We are conducting a compliance check regarding your organization's credit counseling services. As you may know, the IRS has been focusing on organizations that offer credit counseling services because of the changes we have seen in the types of services offered. As part of our on-going efforts to ensure compliance in the Exempt Organizations community, we are asking organizations that provide credit counseling services to answer questions about their operations that are not included on Form 990, *Return of Organization Exempt From Income Tax*.

Enclosed is Form 13769, *Credit Counseling Questionnaire*, that asks for information about your organization and how it operates its credit counseling services. Please complete the questionnaire and follow the instructions below for sending the information to us. Depending on your answers to Part II of the questionnaire, you may not need to complete Part III. However, be sure to complete Part IV, which requires the signature of an officer, director, trustee, or other official who is authorized to sign for the organization.

Please attach a copy of this letter to the front of the questionnaire and mail to the address shown above by . If you wish to send the information by fax, our fax number is 801-620-2132. Failure to use the above address or fax number may result in processing delays. If you fail to reply by the above date, we will forward your case for examination consideration. See Publication 4386, *Compliance Checks*.

**Letter 4049 CG (1-2006)**  
Catalog Number 47910H

Also, in the spaces below, please give us an officer's name, title, telephone number and most convenient time for us to call if we need to speak with someone.

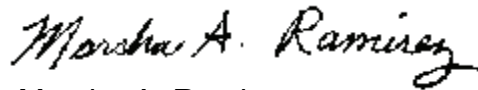
Name of officer: \_\_\_\_\_ Time: \_\_\_\_\_

Title: \_\_\_\_\_ Telephone Number: ( ) \_\_\_\_\_

If you have any questions, contact the person named in the heading of this letter.  
Keep a copy of this letter for your records.

Thank you for your cooperation.

Sincerely,



Marsha A. Ramirez  
Director, EO Examinations

Enclosures:  
Publication 4386  
Form 13769

# Compliance Checks

## Examination, Audit or Compliance Check?

### Tax Exempt and Government Entities Division

- **What is an examination? What is an audit?**

An examination is a review of an organization's books and records. In addition, an examination may involve the questioning of third parties to determine the organization's activities and/or tax liability. Another term for an examination is an audit.

- **What is a compliance check?**

A compliance check is a review conducted by the IRS to determine whether an organization is adhering to recordkeeping and information reporting requirements. It is a review of information forms that we require organizations to file or maintain for example, Forms 990, 990-T, 940, 941, W-2, 1099, or W-4. The check is a tool to help educate organizations about their reporting requirements and to increase voluntary compliance.

A compliance check is not an examination; it does not directly relate to determining a tax liability for any particular period.

- **What occurs during a compliance check?**

At the beginning of a compliance check, we will inform the officer or director that the review is a compliance check and not an examination. We will not ask to examine any books and records or ask questions regarding tax liabilities. We may ask the organization whether they understand or have questions about filing obligations for required forms. If, during a compliance check, we decide an examination is appropriate, we will notify the organization that we are commencing an examination before asking questions related to tax liability.

- **Is there a penalty for refusing to submit to a compliance check?**

No. The officer or director may refuse to participate in a compliance check without penalty. However, we have the option of opening a formal examination, whether or not the organization agrees to participate in a compliance check.

- **How often can the IRS do compliance checks?**

Because a compliance check only reviews whether an organization is adhering to record keeping and information reporting requirements and is not an examination, it is possible to have more than one compliance check for a tax year if facts and circumstances warrant.

**Credit Counseling Questionnaire**

This questionnaire asks for information about the organization and how it operates its credit counseling services. Answer the questions based on the organization's most recently completed tax period. Be sure to follow the instructions in the accompanying letter for how to send it to us.

**PART I – ORGANIZATION**

Name of organization: \_\_\_\_\_

EIN: \_\_\_\_\_

Most Recently Completed Tax Period (Use YYYY/MM Format): \_\_\_\_\_

Private Foundation Status:

509(a)(1)/170(b)(1)(A)(vi) Public Charity

509(a)(2) Public Charity

509(a)(3) Public Charity

Private Foundation

**PART II – OPERATION**

1. Does the organization have a website? Yes  No

If "Yes," provide website address: \_\_\_\_\_

2. Which of the following does the organization provide? (Check all that apply.)

a.  Consumer credit counseling services?

b.  Debt management services?

c.  Credit repair services?

d.  Debt negotiation services?

3. If the organization provides any of the services in question 2 above, which of the following activities does the organization provide? (Check all that apply.)

a.  Educating and/or counseling consumers, in person, in writing, or using electronic means;

b.  Helping consumers consolidate debts;

c.  Negotiating with creditors on behalf of consumers to lower interest rates, waive fees, adjust balances, or restore acceptable credit ratings;

d.  Offering, selling or managing debt and/or loan consolidation services and programs or down payment assistance services;

e.  Acting as an escrow agent for debtors; or

f.  Participating in creditor "Fair Share" arrangements.

4. If the organization does not provide any of the services listed in question 3 above, briefly describe your organization's activities below. Do not complete Part III; instead, go to Part IV.

**PART III – CONSUMER CREDIT COUNSELING/DEBT MANAGEMENT/  
CREDIT REPAIR/DEBT NEGOTIATION SERVICES**

Organization Services Are Available To:

a.  Everyone, regardless of income or assets.

b.  Low-income individuals or families who have financial problems.

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**Organization Fee Structure:**

- a.  Fees are the maximum allowed by state law.
- b.  are Fees modest, significantly less than state maximum.
- c.  Fees are reduced or waived in hardship situations or because of client's inability to pay.
- d.  Fees are set using a sliding scale fee schedule.
- e.  Fees are not charged.

**Counseling Sessions** (*For each item, check any box that applies.*)**1. Counselors ask each person to provide detailed information about:**

- a.  The type, amount and source of all income (current and future).
- b.  Assets.
- c.  Monthly and annual expenses.
- d.  Secured debt such as mortgages and car loans.
- e.  Unsecured debt, including student loans and credit cards.
- f.  Other liabilities such as child support, alimony and tax liabilities.
- g.  Employment.
- h.  Education.
- i.  Significant expenditures.
- j.  Buying habits
- k.  Past or anticipated changes in earnings, assets, expenses and liabilities, including the reason or cause for those changes.
- l.  Health and other life issues that may affect the individual's financial situations.

**2. Counselors present clients with which of the following options to address debt problems:**

- a.  Negotiating directly with creditors on payment or interest rate relief.
  - b.  Mechanics and advantages of creating and maintaining a budget.
  - c.  Changing buying habits or strategies for saving money.
  - d.  Custom-designed self-administered payment plans.
  - e.  Enrolling in Debt Management Plans (DMPs).
  - f.  Filing for bankruptcy.
  - g.  Other (*Describe*)
- 
- h.  Counselors discuss the advantages and disadvantages of each of the options checked above.
  - i.  Counselors offer written materials on budgeting and managing personal finances.

**3. Criteria for Recommendations.**

- a.  Counselors analyze all information before making recommendations.
- b.  Counselors use objective criteria when recommending any options checked in question 2 above that best meet the client's individual needs, goals and circumstances.

**4. Referrals.**

- Counselors provide specific and appropriate referrals to social service organizations for appropriate support services when they identify problems such as unemployment, lack of training, substance abuse, literacy or psychological issues.

**Counselor Education and Training** (*Check all that apply.*)

- a.  Counselors receive comprehensive training in counseling skills, personal finance, budgeting, and credit and debt management in live or interactive training sessions and through detailed written manuals.
- b.  Counselors are trained on how to develop options and recommendations that address the particular circumstances of each client.

- c.  Counselors are trained to identify underlying personal problems such as illness, job loss, or suicide risk that may contribute to financial problems, and on making appropriate referrals.
- d.  Counselor Evaluation:
- Counselors are evaluated on how thoroughly and effectively they develop and present options to match the particular circumstances of each client.
  - Counselors are evaluated or compensated based on whether their clients enroll for additional services provided by the organization or other profit or non-profit organization. If checked, on which of the following do you evaluate/compensate a counselor?
    - i.  Clients enroll in DMP's.
    - ii.  Amount of debt in the DMP.
    - iii.  Number of clients who make first or third payments.
    - iv.  Purchases of additional services that are sold for profit by the organization or another profit or non-profit organization.

**Outreach/Advertising** (*Check all that apply*)

**1. Use of Website. If the organization does not have a website, go to 2.**

- a.  Initial page requires registration or requests contact information for those interested in DMPs.
- b.  Initial page primarily focuses on counseling services as measured by visual prominence and relative amount of time and space devoted to each.
- c.  Educational pages can be accessed without providing contact information.

**2. Content of advertising**

- a.  Mass media and direct mail advertising primarily focuses on counseling services as measured by visual prominence and relative amount of time and space devoted to each.
- b.  Advertising mentions DMPs as one option for addressing debt problems, not as a universal solution.
- c.  Advertising focuses on DMPs as the primary option for addressing debt problems.

**3. Referrals**

- a.  The organization receives potential clients from referral by employers, union leaders, clergy and/or community organizations.
- b.  The organization purchases lists of debtors.
- c.  The organization pays for referrals.

**Governance** (*Check the boxes that apply and complete number 4.*)

- 1.  The organization is governed by a community-based board that includes significant representation by religious organizations, civic groups, labor unions, educational institutions and business groups.
- 2.  The organization is governed by a board that has no familial or business relationships and is independent of creditors, contractors, employees or others with a financial interest in the organization
- 3.  The organization is governed by a board that has familial or business relationships or are creditors, contractors, employees or others with a financial interest in the organization.

**4. Governing Board Information**

- a. Number of governing board members \_\_\_\_\_.
- b. Number of governing board members compensated \_\_\_\_\_.
- c. Number of governing board members who have backgrounds in:  
 Personal Finance \_\_\_\_\_ Education \_\_\_\_\_ Non-profit organizations \_\_\_\_\_

**Educational Materials/Seminars** (*Check all that apply.*)

- 1.  The organization offers seminars taught by qualified instructors that are designed to meet the current needs of financially stressed individuals.
- 2.  The organization distributes publications concerning financial management, budgeting, and credit.

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3.  Seminars are open and advertised to the public.
  4.  The website contains educational materials that are readily accessible to the public.
  5.  All clients are provided with educational materials that will assist them with budgeting and their financial management goals, whether they choose to receive additional counseling or purchase additional services such as a DMP.
  6.  All DMP and payment-plan clients are assigned a counselor who provides counseling and support during the plan.
  7.  Clients who do not choose DMP services are offered continuing educational opportunities and help with budgeting.

**Service Providers** (Check all that apply.)

**1. The organization performs the following services in-house:**

- a.  Educational services.
- b.  Counseling services.
- c.  Advertising, mass mailings and/or telephone solicitations.
- d.  Administrative services to manage DMPs, such as processing client payments and disbursing the funds, resolving credit card payment problems, and negotiating "Fair Share" with creditors.

**2. The organization contracts with unaffiliated for-profit company(ies) to perform the following services:**

- a.  Educational services.
- b.  Counseling services.
- c.  Advertising, mass mailings and/or telephone solicitations.
- d.  Administrative services to manage DMPs, such as processing client payments and disbursing the funds, resolving credit card payment problems, and negotiating "Fair Share" with creditors.

**3. The organization contracts with affiliated for-profit company(ies) to perform the following services:**

- a.  Educational services.
- b.  Counseling services.
- c.  Advertising, mass mailings and/or telephone solicitations.
- d.  Administrative services to manage DMPs, such as processing client payments and disbursing the funds, resolving credit card payment problems, and negotiating "Fair Share" with creditors.

**Compensation/Financial Transactions/Non-financial Transactions**

**1. Explain how the organization ensures that compensation (including salaries, loans, bonuses, etc.) for directors, officers, and key employees is reasonable.**

**2. Explain how the organization ensures that its financial and non-financial transactions with directors, officers, and key employees are reasonable.**

**3. Explain how the organization ensures that its financial and non-financial transactions with for-profit companies are reasonable.**

**4. Does the organization have a written conflict of interest policy?** Yes  No   
If yes, is it consistently enforced? Yes  No

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**Funding Sources**

Does the organization receive funds from entities that have a financial interest in the organization and place conditions on the receipt of the funding? Yes  No

**Sources of Income** (Check the boxes that apply and indicate the amount of income for the most recently completed tax period. Enter the tax period in YYYY/MM format \_\_\_\_\_.)

1.  Public support - charitable contributions. Amount \$\_\_\_\_\_.
2.  Required initial up-front enrollment fee/"voluntary contributions" from clients. Amount \$\_\_\_\_\_.
  - a. Clients are told that the enrollment fee:
    - Is tax deductible?
    - Does not go to the creditor(s) and therefore they also must make a payment to the creditor(s)?
3.  Required "monthly fees"/monthly voluntary contributions from clients enrolled in a DMP. Amount \$\_\_\_\_\_.
4. Creditor "Fair Share" Payments:
  - Direct payments to organization. Amount \$\_\_\_\_\_.
  - Payments received through a back office processing company. Amount \$\_\_\_\_\_.
5.  Sales of lead list(s). Amount \$\_\_\_\_\_.
6.  Sales of client list(s). Amount \$\_\_\_\_\_.
7.  Sales of educational materials (including books and videos on debt problems). Amount \$\_\_\_\_\_.
8.  Counseling fees offered separately from DMPs. Amount \$\_\_\_\_\_.

**Office of the United States Trustee (Bankruptcy Trustee)**

Did the organization apply to the Office of the U.S. Trustee to be a certified provider of credit counseling under the new bankruptcy act? Yes  No

If "Yes", enter the date applied in MM/DD/YYYY format \_\_\_\_\_.

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**PART IV – SIGNATURE**

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An officer, director, trustee or other official who is authorized to sign for the organization must sign the questionnaire.

Under penalties of perjury, I declare that I have examined this questionnaire, including any accompanying statements and documents, and to the best of my knowledge and belief, it is true, correct, and complete.

**Please  
Sign  
Here**



\_\_\_\_\_  
Signature of Officer, Director, Trustee, or other authorized official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Type or print name of signer

\_\_\_\_\_  
Type or print title or authority of signer