

Code of Practice

**Addendum to the ISO 9001:2000 standard
For
Consumer Credit Counseling Agencies**

January 18, 2007

Consumer Credit Counseling Code of Practice

1. INTRODUCTION

This document has been produced in cooperation with BVQi-NA and the Association of Independent Consumer Credit Counseling Agencies (AICCCA), with the knowledge and review of major creditors to provide a universal Code of Practice for Consumer Credit Counseling Agencies. This Code of Practice is viewed as a customer specific requirement and shall be an integral part of the audit for those seeking ISO 9001 certification under its requirements. The document is intended to comply with credit lenders certification requirements. Consumer credit counseling agencies seeking this endorsement must achieve ISO 9001 certification and satisfy the requirements of this Code of Practice.

ISO Registration to this Code of Practice. Any ISO-certified independent registrar must agree to audit all consumer credit counseling agencies seeking their registration services to this Code of Practice regardless of their affiliation to any association and will refuse to issue certificates to such credit counseling agencies without their compliance to this Code of Practice.

This Code of Practice document has been created by AICCCA in conjunction with major creditors and an ISO registrar. The AICCCA Board of Trustees maintains proprietary responsibility for the control, ownership, and approval of this document and any subsequent revisions.

Where a service directly affecting the critical elements of the counseling function and/or the Debt Management Program is to be subcontracted, that subcontractor shall comply with this Code of Practice. If non-counseling elements are subcontracted, those vendor subcontracts will be audited to ensure that the contractual relationship embodies adequate controls with respect to the requirements of this Code of Practice. Critical credit counseling elements must be performed by a non-profit entity and are defined as all activities that are performed by qualified counselors and client service activities that are not specifically related to payment processing.

This Code of Practice does not apply to Debt Settlement activities that may be performed by a credit counseling agency.

Compliance with the principles included within this Code of Practice does not absolve the individual consumer credit counseling organization from meeting and/or exceeding their legal responsibilities and the requirements of all state and federal laws relevant to the services or products offered.

2. REFERENCES

Reference shall be made to the following documents and all relevant updates and amendments as applicable:

- ISO9001 Quality Management System requirements.
- IRC 501 (c)(3) Internal Revenue Code of the United States.
- All state and local regulations, codes, and other legal and customer requirements governing the conduct of business and consumer credit counseling agencies' activities.

3. INDUSTRY DEFINITIONS

The following definitions apply to this Code of Practice In addition to the definitions given in the ISO 9001 standard:

Industry Consumer credit counseling agencies, clients, credit lending organizations, trade associations, and subcontractors.

Agency The entity seeking registration pursuant to this Code of Practice.

Business Day Any day that the nation's banks are open for business.

Client The customer for whom a consumer credit counseling agency provides service.

Creditor The credit lending entities.

Critical Credit Counseling Activities (performed by non-profit entities)

All activities that are performed by qualified counselors and client service activities that are not specifically related to payment processing (see Non-Critical Credit Counseling Activities below). These activities are subject to full ISO audit.

Non-Critical Credit Counseling Activities (may be performed by subcontract)

Activities that need not be performed by qualified counselors or client services personnel such as payment processing (i.e., proposal processing, client payment receipt and distribution, changes to client payments, creditor payment receipt, and answering creditor issues about client payments) or other vendor relationships (e.g., telephone service, software, payroll, etc.). These activities, if subcontracted, are subject to ISO audit of the contract only. If not subcontracted, these activities are subject to a full ISO audit.

<u>Counselor</u>	Certified consumer credit counseling agency personnel who provide guidance and assistance to the client.
<u>Education</u>	Any service or product provided to improve the consumer's knowledge of personal financial management that is provided over-and-above the enrollment process, whether the benefiting consumer actually enrolls in a debt management program or not.
<u>Service</u>	The counseling and coordination and other support provided by the consumer credit counseling agency on behalf of the client and creditor.
<u>Standard</u>	Refers to the ISO 9001 Quality Standard
<u>Subcontractor</u>	A third party who has been contracted by a consumer credit counseling agency to provide a service, product, or support to the agency.

4. CODE OF PRACTICE REQUIREMENTS

The sub-clause numbers of this Code of Practice are not related to the sub-clause numbers of ISO 9001. Each sub-clause requirement is in addition to the ISO 9001 standard shall be complied with and be integral to the ISO 9001 Quality System and applies to all organizations seeking compliance to the Code of Practice. Procedures must be controlled and processes must be audited to demonstrate conformance to this Code of Practice.

This Code of Practice requires that documentation of the interaction and sequence of processes include those processes that are subcontracted except for those defined as Non-Critical Credit Counseling Activities. This documentation shall include a description of services that are provided and the legal description of the company providing those services.

5. ACCESS TO SERVICE

The consumer credit counseling agency's management shall define and document its policy and procedures for a client's access to service. There shall be objective evidence of conformance to demonstrate the following:

- A. The consumer credit counseling agency stands ready to serve all clients who seek service regardless of:
 1. A client's ability to pay
 2. The creditors owed
 3. The dollar amount owed.

- B. The consumer credit counseling agency shall provide service, or at minimum acknowledgement of the request for service, within two business days of receipt of the request, service at times convenient to the client, and service through means that are convenient to potential and existing clients.

6. COMMUNITY EDUCATION

The consumer credit counseling agency shall establish and maintain records of activities which address the support of or conduct of community education on issues related to consumer credit and money management. Records shall be maintained documenting the extent to which community education has been delivered.

7. COUNSELOR TRAINING

The consumer credit counseling agency shall establish and maintain documented records in accordance to ISO standards which address the qualifications and training of counselors. The consumer credit counseling agency shall be able to demonstrate that counselors are:

- A. Adequately trained to meet the needs of the organization
- B. Certified by a qualified independent authority as identified by AICCCA or the National Foundation for Credit Counseling (NFCC)
- C. Each counselor must begin the certification process within six months of hire and complete it within 12 months of hire.

8. SERVICE RESOURCES

The consumer credit counseling agency shall determine and provide the resources needed to:

- A. Fulfill the client's service requirements
- B. Fulfill the creditor's service requirements.

9. SERVICE REQUIREMENTS

The consumer credit counseling agency shall be able to demonstrate that:

- A. Counselors conduct comprehensive interviews, to include, at a minimum:
 - 1) The client's complete financial position (e.g., assets, liabilities, income, and expenses)
 - 2) Identify and explore the root cause of the client's financial situation.

- B. Counselors develop a solution which is optimum for both the client and The creditors, to include:
- 1) Possible alternatives such as liquidation or leveraging of assets
 - 2) Financial counseling to clients who do not need payment assistance
 - 3) Providing a DMP to clients as an alternative to bankruptcy
 - 4) Advise client to close all credit lines with consideration for business or employment related purposes
 - 5) Encouragement to avoid additional debt while the client is improving their financial situation
 - 6) Communicate the consequences that obtaining new revolving debt has on the success of the DMP
 - 7) Identification of additional relevant community resources, which may include: family counseling, mental health counseling, and/or addiction treatment and counseling.
- C. Provide the client with a documented evaluation of his/her financial status to include a recommended plan of action which addresses the identified issues.
- D. Service shall be provided with documented disclosure to clients regarding the:
- 1) Fee structure for services provided: if a fee is not charged for the service, then any contribution requested by the agency from the client must be clearly identified and noted that it is voluntary
 - 2) Creditors support of the consumer credit counseling agency through fair share contributions
 - 3) Potential impact on the client's personal credit report
 - 4) Client's responsibility to monitor financial statements/reports from creditors and the consumer credit counseling agency, to verify their accuracy, and to detect and report discrepancies.

10. COMPENSATION AND FEES

The consumer credit counseling agency shall maintain documented evidence that demonstrates its ability to maintain a low fee structure for services, with specific focus upon:

- A. Compensation is not paid to the counselor based upon the outcome of the counseling process. This provision shall be clearly stated in the agency's policy document. Additional evidence of compliance may be required during audit by reference to payroll records or through employee interviews.
- B. Fees, voluntary contributions, or requested donations from clients for the enrollment into a Debt Management Plan (DMP) do not exceed the lesser of \$75 or the maximum fee allowed by law in the state of residence of the client
- C. Fees, voluntary contributions, or requested donations from clients who are on a DMP

do not exceed the lesser of \$50 or the maximum monthly fee allowed by law in the state of residence of the client. This restriction includes all programs provided by the agency (whether provided directly or from any source) on an ongoing basis while the client is on a DMP.

- D. Fairshare payments to the agency are voluntary contributions directly from creditors and are not considered part of B. and C. above.

11. FISCAL INTEGRITY

The consumer credit counseling agency shall define, document and demonstrate procedures regarding their policies on financial disciplines and fiscal integrity to include, at a minimum:

- A. An annual certified audit by an independent certified public accountant is conducted of all trust and operational books and records
- B. Accurate accounting and records of all clients' deposits and debits to creditors are maintained throughout the life of the DMP
- C. Funds received from clients for a DMP must be disbursed to the creditors no later than 15 days from receipt of valid funds, or by scheduled disbursement date, whichever is later.

12. LEGAL STATUS AND GOVERNANCE

The consumer credit counseling agency shall define and document their legal status, such that:

- A. The consumer credit counseling agency is a non-profit organization which complies with Internal Revenue Code of the United States, IRC 501(c)(3) requirements
- B. The consumer credit counseling agency is licensed in all states in which it conducts business as required by law
- C. The consumer credit counseling agency has a diverse governing Board, the composition of which represents the interests of all its constituents
- D. The consumer credit counseling agency shall have a majority of members of their governance Board who are not employed by the agency; will not benefit financially, directly or indirectly, from the outcomes of counseling sessions with clients; and who are not related by blood or marriage to other board members or employees of the consumer credit counseling agency.

13. COMPLAINT / CONFLICT RESOLUTION

The consumer credit counseling agency shall respond to all consumer complaints within five (5) business days and will take necessary action to resolve the complaint in a timely manner. Records of the complaint and disposition shall be maintained.

14. RELATED PARTY TRANSACTIONS AND REFERRALS

- A. The consumer credit counseling agency shall avoid the appearance of a conflict of interest in all decisions involving third-party providers of goods and services to the agency.
- B. An agency may subcontract a non-core agency activity to a third party as long as no non-independent trustee, family member of a non-independent trustee, or paid officer of the agency has an ownership interest in the third party other than a non-controlling interest in a publicly traded company.
- C. An agency may not subcontract a non-core agency activity to a third party where an independent trustee of the agency has an interest in the third party unless; the trustee discloses such interest to the agency's board of trustees and recuses himself/herself from the decision process related to the third party. In addition, the transaction must either be for a nominal or otherwise insignificant amount; or the transaction was made below market rate.
- D. An agency shall not outsource or subcontract any core activity except to an organization that has received a determination of tax exempt status from the IRS and complies with the standards set forth in this document.