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VINCENT M. AMBERLY
70 S-610-0626

February 27, 1997

Lucy Morris, Esq.
Assistant Director for Credit Practices
Federal Trade Commission, Suite 4033
601 Pennsylvania Avenue, N. W.
Washington, DC 20580

Re: National Foundation for Consumer Credit

Dear Lucy:

Pursuant to our discussions and following up on my July 23, 1996 request for a staff opinion on several proposed new policies for the National Foundation for Consumer Credit, Inc. ("NFCC"), enclosed please find the final language which will be proposed for NFCC'S new policies. The NFCC Board of Trustees will be voting on these proposed new policies at its next Board meeting which is scheduled for March 12, 1997.

We look forward to receiving your staff opinion regarding these policies. If you should have any further questions, please call me.

Sincerely,

Vincent M. Amberly

VMA/lal
Enclosure
cc: Mr. Durant S. Abernethy, III

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PROPOSED MEMBER ELIGIBILITY STANDARDS
UNIFORM CONSUMER DISCLOSURES

1. MODEL MEMBER AGENCY FUNDING DISCLOSURE

Background: At the September 1996 annual Board meeting, the following model disclosure was adopted as an NFCC guideline so that member agencies could adopt the guidelines for use during a trial period. This model disclosure has been approved by the Federal Trade Commission ("FTC") and should now be considered for adoption as an NFCC Policy.

Recommended Action: That the following disclosure and explanation is proposed to be made in writing to all clients counseled by member agencies:

> **"Most of our funding comes from voluntary contributions from creditors who participate in Debt Management Plans ("DMP"). Since creditors have a financial interest in getting paid, most are willing to make a contribution to help fund our agency. These contributions are usually calculated as a percentage of payments you make through your DMP -- up to fifteen percent (15%) of each payment received. However, your accounts with your creditors will always be credited with one hundred percent (100°/0) of the amount you pay through us and we will work with all your creditors regardless of whether they contribute to our agency. "**

Official Comment: If an NFCC member agency does not request a full fifteen percent (15%) fair share contribution from any creditor, then that agency may replace the fifteen percent (15'%0) in the above disclosure with the highest percentage that it does request from any creditor. In those cases where an agency will request a maximum fair share percentage of less than fifteen percent (15%), the agency must submit to NFCC an annual certification adopted by the member's local Board that verifies the member's disclosure. In addition, if an agency does not receive a majority of its funding from DMP contributions, the lead in phrase "most of" can be replaced by "some of', as long as accurate and not misleading to prospective clients. In those cases where an agency will use the phrase "some of' as a lead in phrase to the above disclosure, the agency must submit to NFCC an authorized certification of its Board that the disclosure used is accurate and correct.

The above model member agency funding disclosure must be included in all brochures and printed promotional materials involving DMPs that an NFCC member provides to consumers, including any contracts or agreements that are filled out and/or signed by consumers, and in response to any inquiry concerning how NFCC's members are funded.

2. MODEL MEMBER AGENCY DUAL ROLE DISCLOSURE

Background: As an additional quality assurance effort, a model dual role disclosure for all potential DMP clients is being proposed for adoption as an NFCC Policy. This model disclosure has been approved by the FTC.

Recommended Action: That in any materials for consumers, which discuss DMPs, a disclosure should be made of the dual role which NFCC's members serve in responding to the needs of consumers and creditors when setting up a DMP. An appropriate disclosure would include the following: **"Our DMPs serve the dual role of helping you repay your debts and creditors to receive the money owed them".**

The effective date for all members to implement the above policies is June 1, 1997. However, if a member has existing materials which do not presently incorporate the above disclosures, a member may have until September 30, 1997 during which to use up existing inventory. After September 30, 1997, all members must use the above disclosures on all of their materials as set forth above.

3. MODEL MEMBER AGENCY DMP DURATION DISCLOSURE

Background: The NFCC Board adopted a model DMP duration disclosure guideline at the September 1996 meeting. The model duration disclosure has been approved by the FTC and should now be considered for adoption as an NFCC Policy.

Recommended Action: **Adoption of a policy requiring that member agencies provide to each client enrolling in a Debt Management Plan ("DMP") a reliable estimate of the length of time it will take to complete the DMP. This estimate must be provided in writing and identify: all the client's debts that are included in the plan; the total debt owed to each creditor; the proposed payment to each creditor; and the anticipated number of months to liquidate the debt. This estimate must be provided prior to the receipt of the client's first deposit to the agency.** Where feasible, member agencies should use computer software systems to provide an accurate estimate based on a creditor-by-creditor breakdown of continuing interest charges. Agencies that are not able to incorporate such software systems must provide a reliable estimate and also advise consumers that the DMP could take as many as forty -eight (48) or sixty (60) months (as relevant) to pay out or complete.

The effective date for all members to implement this policy is June 1, 1997.