

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: **8/13/2014**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945-04.04

B=
C=

Dear :

You asked for advance approval of your educational loan procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational loans meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

You will operate an educational grant/loan program called B.

Your purpose is to engage in charitable activities by enhancing access to higher education. You provide loans to students who are at least 18 years of age and are in need of financial assistance to be able to attend, at least half-time, a college or university in C. The college or university must receive its principal financial support directly from the State of C. The student must pursue courses of study leading to bachelor's degrees in the fields of geology, engineering and physics. The loan program will be managed by a Trustee.

The number of loans that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed.

Students who are awarded a loan execute a promissory note. The note provides simple interest at an annual rate of the most favorable prevailing rate for a student loan on the date of the execution of the note. Interest is to accrue beginning on the first day of the month following the month the student receives a degree. All loans are to be repaid with interest within ten years, but the trustee may extend the time for up to five additional years after considering the reasons for failure to repay. If the student abandons the course of study or leaves the college for any reason other than military service, interest shall be computed beginning with the first day of the month following the month in which the student abandons the college. Interest will cease only when a loan has been repaid or when the debt is forgiven. The trustee may forgive the payment of interest or repayment of principal when they believe the student has a genuine hardship.

Each year you send letters and applications to the financial aid offices at the colleges in C that offer degrees in the required fields of study. The colleges advertise the loan fund to the eligible students, some through newspaper, websites or guidance counselors in the financial aid offices.

You maintain information and documentation of the loan recipients, such as; case histories including names, addresses, purposes of awards, amount of each loan, manner of selection, and relationship (if any) to officers, trustees, or donors of funds until the applicable statute of limitations period expires.

A condition of the loan will require the student to authorize you to obtain student records from every college and university. You will be authorized to:

- request information regarding students' records and/or financial aid records (including, without limitation, information about grades, enrollment status, transcript, residence, and financial information),
- to obtain and disclose to all necessary parties, all information required for consideration of the student's application and/or for the granting or denying of any loan; and
- report any delinquencies or other defaults of the loan agreement to credit bureaus.

You will investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:

- A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
- A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Long-term, low-interest loans that private foundations make for educational purposes can be considered grants under Code section 4945(g)(3) and Revenue Ruling 77-434, 1977 2 C.B. 420.

Other conditions that apply to this determination

- This determination covers only the loan program described above. This approval will apply to succeeding loan programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make loans to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).

- You should keep adequate records and case histories so that you can substantiate your loan distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations