

# Student Loan Code of Conduct

## 1. Definitions

- a. "Employee" or "School employee" means any employee, agent, student financial aid contractor, director, officer or trustee of the school. For purposes of the Code of Provisions relating to gifts and stock ownership, this term includes family members of the Employee. For purposes of Paragraph 2 of this Code, this term includes family members living in the same household as the Employee.
- b. "School" means all colleges, campuses, departments or other components of the higher education institution adopting this Code of Conduct that are either located in Arizona or that offer online classes to Arizona residents, including alumni associations if the associations are under the institution's control and are not separately incorporated. This includes all University of Phoenix locations and online programs.
- c. "Student loan lender" or "lender" means any entity involved in making, holding, consolidating, originating, servicing or guaranteeing any loan to students or parents to finance higher education expenses. This includes lenders who provide private educational loans as well as lenders who provide loans that are made, insured or guaranteed by the U.S. Department of Education, except loans under the William D. Ford Direct Loan Program.

## 2. Employee Compensation Prohibition

No Employee of the school or "school-affiliated organization" (as defined in 34 C.F.R. 682.200(b)(5)(i)(A)(8)) shall accept or solicit anything of other than nominal value from a student loan lender.

"Nominal value" means a total retail value of not more than ten dollars (\$10.00) as calculated over a 12 month period, or as defined by a School policy consistent with applicable federal and state law. This paragraph shall not prohibit School employees from conducting non-student lending business with any lender or accepting or soliciting anything of other than nominal value in any activity unrelated to student loans.

## 3. Lender Advisory Board Restrictions

A School employee shall not accept any remuneration or reimbursement of expenses for serving as a member of or otherwise participating on a student loan lender's advisory board or committee, consistent with applicable federal student loan requirements.

A School employee who is employed in the financial aid office, or who otherwise has direct responsibilities with respect to educational loans, shall not serve on or otherwise participate with advisory councils of lenders or affiliates of lenders.

## 4. Financial Relationship Prohibition

A School employee shall not accept from any lender or affiliate of any lender any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation for any type of consulting arrangement or other contract to provide services to a lender or on behalf of a lender relating to education loans.

In addition, a person employed in the financial aid office of the school, or who otherwise has direct responsibilities with respect to educational loans or other financial aid, shall:

- a. Avoid any equity or other interest in any student loan lender other than a remote interest;<sup>1</sup>
- b. Avoid consulting or similar financial relationships with student loan lenders and comply with the School's Conflict of Interest Policies & Procedures.

## 5. Institutional Compensation Prohibition

a. The School will not accept anything of value from a student loan lender in exchange for any advantage or consideration provided to the lender related to its education loan activity. This prohibition shall include, but not be limited to: (1) the School's receipt from any lender of any computer hardware for which the School pays below market prices, (2) preferential rates for, or access to, a lender's other financial products and (3) printing costs or services. Notwithstanding anything else in this paragraph, the School may accept assistance as contemplated by 34 C.F.R. 682.200(b).

b. The School shall not engage in revenue sharing with a student loan lender. "Revenue sharing" means any arrangement under which a student loan lender pays a higher education institution or an affiliated entity or organization a certain sum, fee, percentage or other material benefit calculated in relationship to the volume of loans received by the lender from students of the institution.

## 6. Preferred Lender List Requirements

a. **Best Interests of Students Paramount.** If the School decides to develop and/or publish any list of suggested, recommended or preferred student loan lenders ("preferred lender list" or "lender list"), the school shall develop and maintain any lender list based solely on the best interests of student and parent borrowers.

b. **Required Disclosures.** The School shall prominently disclose on all publications of a preferred lenders list:

- i. The process and criteria by which the list was assembled
- ii. Comparative information regarding interest rates and other benefits offered by the lenders
- iii. Borrowers have the right and ability to select lenders not included on the list.

<sup>1</sup> For the purpose of this Code, "Remote interest" is defined as: "the ownership of less than three percent of the shares of a corporation for profit, provided the total annual income from dividends, including the value of stock dividends, from the corporation does not exceed five percent of the total annual income of such officer or employee and any other payments made to him by the corporation do not exceed five percent of his total annual income." See generally A.R.S. § 38-502(e).

**c. Prompt Certification of Loans from Any Lender.** The School will timely certify any loan from any lender selected by the borrower that offers the loan, to the extent consistent with applicable federal student loan requirements. The School will not assign, through award packaging or other methods, the borrower's loan to a particular lender, or refuse to certify or cause unnecessary certification delays for borrowers who use a lender that has not been recommended or suggested by the School.

**d. Minimum Number of Lenders Required.** The School shall ensure there are at least three (3) student loan lenders named on each preferred lender list which are not "affiliates" of each other, as described in 34 C.F.R. § 682.212 (h)(3).

**e. Review and Update of Preferred Lender Lists.** Preferred lender lists must be reviewed and updated at least once a year. When publishing preferred lender lists, the School shall either rotate or randomize the list of lenders or list them alphabetically.

**f. Loan Resale.** The School shall require that all lenders on a preferred lender list commit in writing to disclose to the borrower before a loan agreement is signed whether there is an existing agreement to sell loans to another lender, and if so, the contact information for the lender who will be purchasing the borrower's loan. The School shall inform student and parent borrowers that lenders can, and do sell student loans as well as encourage borrowers to contact their lenders for more information. Further, the School may remove a lender from its preferred lender list if that lender sells loans without ensuring that the advertised loan terms and benefits are honored with the new lender.

**g. Different Types of Loans.** The School shall not include a student loan lender on a preferred lender list for one type of loan in exchange for benefits provided by the lender with respect to a different type of loan.

## 7. Promotion of Preferred Lenders Prohibited

The School shall not allow a lender included on a preferred lender list to use the name, emblem, mascot or logo of the school or other words, pictures, or symbols readily identified with the school in the marketing of private educational loans to the students attending the School that implies the School endorses the private educational loans offered by the lender.

## 8. Master Promissory Notes

The School shall inform borrowers of the procedure(s) for completing the Master Promissory Note or other loan agreement with the lender of the borrower's choice, whether or not the lender appears in the School's preferred lender list.

## 9. Lender Restriction Prohibition

The School shall not restrict borrowers to any particular type of lender (e.g., those that process loans electronically).

## 10. School as Lender

If the School participates in the School as a Lender Program under 20 U.S.C. § 1085(d)(1)(E) and has an agreement to sell student loans to another lender, it must (a) disclose the existence of the agreement to the borrower and provide contact information for the lender who will be purchasing the borrower's loan and (b) require that any lender to whom the loans are sold honors the loan terms and benefits the School advertised to borrowers.

## 11. Private Loans as a Last Resort

The School shall not certify student eligibility for a private educational loan without first informing the borrower that (a) federal financial assistance (including grants and loans under Title IV) may be available and (b) federal loans may provide more advantageous terms to the borrower than private loans.

## 12. Opportunity Loans

**a.** The School shall not enter into an opportunity loan agreement with a student loan lender under which the school provides concessions or promises to the lender that prejudice other borrowers. An "opportunity" loan means a student loan provided to borrowers with poor or no credit history, or who otherwise would not meet the student loan lender's eligibility criteria. The School shall not request or accept from any lender any offer of funds to be used for private education loans, including funds for an opportunity loan, to students in exchange for the School providing concessions or promises regarding providing the lender with a specified number of loans made, insured, or guaranteed; a specified loan volume of such loans; or a specified lender arrangement for such loans.

**b.** The School shall not certify student eligibility for an opportunity loan made available pursuant to an agreement between the School and a lender unless (a) the agreement includes the option of short term or partial loans not to exceed one year and (b) the School informs the borrower of the short term or partial loan option, so the borrower can consider different or less expensive financing if the borrower's financial condition improves.

## 13. Staffing Assistance from Lenders

The School shall not request or accept from any lender any assistance with call center or financial aid office staffing, including in-person school-required initial or exit counseling, except as permitted by applicable federal student loan requirements. The School shall ensure that any lender employees on campus are accurately represented as such and not misidentified as School agents or employees. While lenders may provide professional development training to financial aid administrators and participate in financial literacy outreach activities, lender employees must clearly disclose the name of the entity preparing any written materials and may not promote the lender's products.

## 14. Implementation

**a.** The School agrees to publish the Student Loan Code of Conduct prominently on its website within ten business days of its adoption of the School.

**b.** The School shall require all of its employees with direct responsibilities relating to student loans to obtain training concerning the Student Loan Code of Conduct, applicable federal as well as state student loan laws and regulations and related School policies and procedures within 90 days of when the School adopts this Code or for new employees within 90 days of the date of hire. The School shall adopt procedures to ensure these employees maintain current knowledge of the Code and applicable regulations.