Recently the Higher Education Opportunity Act of 2008 (HEOA) legislated requirements which prohibit any conflict of interest with the responsibilities of an officer, employee, or agent of the school regarding Title IV loans and private educational loans.

The HEOA lender code requirements, enacted on August 14, 2008, are intended to help guide financial aid professionals in carrying out their obligations, particularly with regard to ensuring transparency in the administration of the student financial aid programs, and to avoid the harm that may arise from actual, potential, or perceived conflicts of interest.

Since the HEOA’s enactment, the Congress in the spring of 2010 enacted legislation (the “HCERA”), which ended the issuance of Stafford and PLUS loans by banks under the Federal Family Loan Program (FFELP) as of June 30, 2010. FFELP loans issued prior to June 30, 2010 will continue to be serviced, in accordance with the requirements of the FFELP regulations, by private lenders and servicers. Since July 1, 2010, all new Stafford and PLUS loans have been and will be issued only under the Direct Loan Program operated by the United States Department of Education ("DOE"). Because financial aid professionals may have occasion to have contact with banks which were FFELP lenders with respect to the default management activities concerning FFELP loans made prior to June 30, 2010 and also with private education loan lenders, private lenders are included in the focus of this 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 Computer Systems Institute. For purposes of the Code 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. “Student loan lender” or “lender” means any entity involved in making, holding, consolidating, processing, originating, servicing or guaranteeing any federal or private education loan to students or parents to finance higher education expenses. This includes lenders who provide private educational loans and lenders who provide loans that are/were made, insured or guaranteed by the U.S. Department of Education under the FFELP or the William D. Ford Direct Loan Program. [Note that the lender regulations, 34 CFR section 601.2(b) defines “loan” to include loans made under the Direct Loan Program and defines “lender” to include the DOE for Direct Loans. So, while it seems like there be no need to admonish employees to avoid conflicts of interest with a lender when that lender is the DOE,
the regulations nonetheless require that school codes include the DOE as a lender with which conflicts must be avoided.]

2. Employee Compensation & Gift Prohibition
No employee of Computer Systems Institute shall accept/solicit anything other than marketing or promotional items of a 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/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 CSI 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. [Note that HEOA section 493 (c)(2)(e)(7) and the lender regulations, 34 CFR section 601.21 (c)(7) permit lenders to provide reimbursement of reasonable travel costs to attend an advisory board meeting. But this does not mean that an institution cannot prohibit its employees from accepting any reimbursement by a lender of reasonable travel costs incurred to attend advisory board meetings.]

4. Financial Relationship Prohibition
A person employed in the financial aid office of Computer Systems Institute, or who otherwise has direct responsibilities with respect to educational loans or other financial aid, shall:

a. not acquire any equity or other interest in any student loan lender, other than a remote and indirect interest defined by law to be the holding of units in a mutual fund that owns shares of stock of a student loan lender that represent no more than 5% of the total holdings of such mutual fund; and

b. not enter into any paid consulting or similar financial relationships with student loan lenders.

5. Institutional Compensation Prohibition
a. Computer Systems Institute will not accept anything of value from a student loan lender provided in exchange for any advantage or consideration extended by CSI to the lender related to its education loan activity. This prohibition shall include, but not be limited to: (1) CSI’s receipt from any lender of any computer hardware for which CSI pays below market prices, (2) preferential rates for, or access to, a lender’s other financial products, (3) printing costs or services; and (4) staffing assistance at less than market rates. Notwithstanding anything else in this paragraph and as contemplated by 34 CFR 601.21 (c) & 682.200(b), CSI may accept: (i) training and assistance on the origination of loans, (ii) assistance with entrance and exit counseling provided that CSI staff remain in control of these processes; (iii) financial literacy, debt management and educational counseling materials, provided that these materials identify the lender as the source of the materials; (iv) staffing assistance on a short-term basis provide in the event of disaster situations; and (v) philanthropic
contributions not given in consideration of or exchange for any preference given by CSI to the lender.

b. Computer Systems Institute 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 or percentage calculated in relationship to the volume of loans received by the lender from students of the institution.

c. Computer Systems Institute shall not accept any “opportunity pools” from any lender. An “opportunity pool” means any arrangement under which a student loan lender provides the School with a pool of funds to be used for grants or scholarships in exchange for the School providing a certain volume of private educational loans or a certain preference or advantage as a lender to students of the School.

6. Preferred Lender List Requirements
   a. **Best Interests of Students Paramount.** If Computer Systems Institute decides to develop and/or publish any list of suggested, recommended or preferred private student loan lenders (“preferred lender list” or “lender list”), CSI shall develop and maintain any lender list based solely on the best interest of student/parent borrowers.

   b. **Required Disclosures.** Computer Systems Institute shall prominently disclose on all publications of a preferred lender list:
      i. comparative information regarding interest rates and other benefits offered by the lenders; and
      ii. a reminder that borrowers have the right and ability to select lenders not included on the list; and
      iii. a reminder that federal loans may be available and may offer more favorable rates, terms and benefits than the private loans.

   c. **Prompt Certification of Loans from Any Lender.** CSI 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. CSI will not cause unnecessary certification delays for borrowers who use a lender that has not been recommended or suggested by CSI.

   d. **Minimum Number of Lenders Required.** The School shall ensure there are at least two (2) private student loan lenders named on each preferred lender list and that the lenders 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, CSI shall either rotate or randomize the list of lenders or list them alphabetically.

   f. **Different Types of Loans.** CSI 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
   CSI 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 CSI endorses the private educational loans offered by the lender.
8. **Master Promissory Notes**
   CSI 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 on CSI’s preferred lender list.

9. **Lender Restriction Prohibition.**
   CSI shall not restrict borrowers to any specific lender or any particular type of lender (*e.g.*, those that process loans electronically).

10. **Private Loans a Last Resort**
    CSI 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.

11. **Implementation.**
    a. CSI shall publish the Student Loan Code of Conduct prominently on its website.
    b. CSI shall require all of its employees with direct responsibilities relating to student loans to attend annual training concerning the Student Loan Code of Conduct, applicable federal and state student loan laws and regulations, and related School policies and procedures.
    c. All CSI employees with responsibilities related to such loans shall be annually reminded to review the code of conduct and shall be required to certify in writing that they will follow the requirements of the code of conduct.