

### **Code of Conduct: FSA Loan Program**

Recently the Higher Education Opportunity Act of 2008 legislated requirements which prohibits a conflict of interest with the responsibilities of an officer, employee, or agent of the school regarding Title IV loans.

The Code as enacted on August 14, 2008, is 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 conflict of interest.

#### **Definitions**

- a. "Employee" or "School employee" means any employee, agent, student financial aid contractor, director, officer or trustee of Midwestern Career College. 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 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.

#### **Employee Compensation Prohibition**

No employee of Midwestern Career College or MCC-affiliated organization" (as defined in 34 CFR 82.200(b)(5)(i)(A)(8)) shall accept/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/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.

#### **Lender Advisory Board Restrictions**

A MCC 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.

#### **Financial Relationship Prohibition**

A person employed in the financial aid office of Midwestern Career College, 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 as defined by law;
- b. avoid consulting or similar financial relationships with student loan lenders.

#### **Institutional Compensation Prohibition**

a. Midwestern Career College 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) MCC's receipt from any lender of any computer hardware for which MCC 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, MCC may accept assistance as contemplated by 34 CFR 682.200(b).

b. Midwestern Career College 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.

### **Preferred Lender List Requirements**

- a. Best Interests of Students Paramount. If Midwestern Career College decides to develop and/or publish any list of suggested, recommended or preferred student loan lenders (“preferred lender list” or “lender list”), MCC shall develop and maintain any lender list based solely on the best interest of student/parent borrowers.
- b. Required Disclosures. Midwestern Career College shall prominently disclose on all publications of a preferred lender 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; and
  - iii. that borrowers have the right and ability to select lenders not included on the list.
- c. Prompt Certification of Loans from Any Lender. MCC 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. MCC will not cause unnecessary certification delays for borrowers who use a lender that has not been recommended or suggested by MCC.
- 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 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, MCC shall either rotate or randomize the list of lenders or list them alphabetically.
- f. Loan Resale. MCC shall require that all lenders on a preferred lender list commit in writing to disclose to the borrower at the time a loan is issued 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. MCC shall inform student and parent borrowers that lenders can, and do, sell student loans, and encourage borrowers to contact their lenders for more information. Further, MCC 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. MCC 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.

### **Promotion of Preferred Lenders Prohibited**

MCC 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 MCC endorses the private educational loans offered by the lender.

### **Master Promissory Notes**

MCC 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 MCC’s preferred lender list.

### **Lender Restriction Prohibition**

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

### **School as Lender**



If MCC participates in the School as 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 MCC advertised to borrowers.

#### **Private Loans a Last Resort**

MCC 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.

#### **Opportunity Loans**

- a. MCC shall not enter into an opportunity loan agreement with a student loan lender under which MCC 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.
- b. MCC shall not certify student eligibility for an opportunity loan made available pursuant to an agreement between the School and a lender unless (i) the agreement includes the option of short term or partial loans not to exceed one year and (ii) MCC 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.

#### **Staffing Assistance from Lenders**

MCC 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. MCC 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.

#### **Implementation**

- a. MCC agrees to publish the Student Loan Code of Conduct prominently on its website.
- b. MCC 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 and state student loan laws and regulations, and related School policies and procedures.
- c. All MCC employees and agents with responsibilities related to such loans be annually reminded (and review) the code of conduct.