

**Institutional Code of Conduct  
for Educational Loans  
Briar Cliff University  
1/10/10**

# Table of Contents

<b>Advisory Councils</b>	
Impermissible Activities .....	7
Permissible Activities .....	7
<b>Boards of Directors</b>	
<b>Lender, Lender Servicer, Guarantor</b>	
Impermissible Activities .....	8
Permissible Activities .....	9
<b>Institutional Boards of Directors or Trustees</b>	
Impermissible Activities .....	9
Permissible Activities .....	9
<b>Bundling of Private Loans</b>	
Impermissible Activities .....	10
Permissible Activities .....	10
<b>Choice of Lender (Borrower Choice of Lender)</b>	
Impermissible Activities .....	10
<b>Consulting and Contractual Arrangements</b>	
Impermissible Activities .....	11
Permissible Activities .....	11
<b>Educational Loan Activities .....</b>	<b>5</b>
<b>Entertainment – see Gifts .....</b>	<b>6</b>
<b>Gifts</b>	
Definition .....	6
Family Members .....	6
Impermissible Activities .....	6
Permissible Activities .....	6
<b>Loan Counseling</b>	
Permissible Activities .....	11
<b>Loan Terms and Conditions</b>	
Employee Loan Borrowers .....	13
Impermissible Activities (FFELP colleges only) .....	12
Permissible Activities .....	12

<b>Lodging</b>	
<b>Impermissible Activities – also see Gifts</b> .....	6, 20
<b>Advisory Councils/Boards</b> .....	20
<b>Meals &amp; Refreshments</b>	
<b>Impermissible Activities – also see Gifts</b> .....	6, 13
<b>Permissible Activities</b> .....	13
<b>Prudent Person Test</b> .....	14
<b>Misleading Identification of Institutional Employees</b> .....	14
<b>Opportunity Pools</b>	
<b>See Loan Terms and Conditions</b> .....	12
<b>Other Permissible Benefits and Services</b> .....	21
<b>Payment of Educational Loan Costs</b>	
<b>Cohort Default Rate Impact</b> .....	14
<b>Permissible Activities</b> .....	14
<b>Philanthropic Gifts/Contributions</b>	
<b>Impermissible Activities</b> .....	7
<b>Permissible Activities</b> .....	7
<b>Preferred Lender Arrangements</b> .....	14
<b>Preferred Lender Lists</b> .....	15
<b>Preferred Lender List Alternatives</b> .....	16
<b>Private Educational Loan</b> .....	5
<b>Publications</b>	
<b>Impermissible Activities</b> .....	17
<b>Permissible Activities</b> .....	17
<b>Receptions</b>	
<b>Impermissible Activities – see Gifts</b> .....	6
<b>Permissible Activities</b> .....	13
<b>Revenue-Sharing Arrangements</b> .....	18
<b>Staffing Assistance</b>	
<b>Impermissible Activities</b> .....	18
<b>Permissible Activities</b> .....	18
<b>State Education Grants/Scholarships/Other Financial Aid</b> .....	19
<b>Student Aid-Related Programs</b> .....	19

<b>Technology</b>	
<b>Impermissible Activities</b> .....	<b>20</b>
<b>Permissible Activities</b> .....	<b>20</b>
<b>Training</b>	
<b>Impermissible Activities</b> .....	<b>20</b>
<b>Permissible Activities</b> .....	<b>20</b>
<b>Travel/Transportation</b>	
<b>Impermissible Activities – also see Gifts</b> .....	<b>6, 20</b>
<b>Permissible Activities</b> .....	<b>20</b>

## **Introduction**

Iowa Code Section 261F.2, Sections 487(a)(25)(A) and 487(e) of Title IV of the Higher Education Act (HEA), and federal regulations contained in 34 CFR 668.14(b)(27), and 34 CFR 601.21 require **Briar Cliff University** (referred to throughout this document as “the institution”) to develop, administer, and enforce a code of conduct governing educational loan activities. These state and federal laws and regulations set forth standards for business relationships between colleges and universities, their affiliated organizations, and private lenders.

Educational loan activities are those associated with any loan made, insured, or guaranteed under the Federal Direct Loan Program (FDLP), or any private educational loan. Loans issued to student or parent borrowers under FDLP are the federal Stafford, parent PLUS, Grad PLUS, and Consolidation loans.

A private education loan is any loan that is not made under Title IV of the Higher Education Act and is issued to a borrower expressly for postsecondary education expenses, regardless of whether the loan is provided through the institution that the student attends or directly to the borrower from the lender. A private loan secured by a dwelling or an extension of credit under an open-end consumer credit plan (e.g., a home equity line of credit, or open line of credit tied to a Certificate of Deposit) is not considered a private education loan.

### *Iowa Code Section 261.F1(10)*

All of the following individuals or entities associated with the institution must comply with this code of conduct governing educational loan activities:

- An employee
- A contract employee
- A director or officer
- A trustee
- An agent – including an alumni association, booster club, or other organization directly or indirectly associated with or authorized by the institution or an employee of the institution

### *Iowa Code Sections 261F.2(1) and 261F.1(2) and (3)*

An organization that is affiliated with the institution must comply with the institution’s code of conduct if the organization is engaged in the practice of recommending, promoting, or endorsing education loans for families and students who attend the institution. An organization is affiliated with the institution if it is directly or indirectly related to the institution and includes, but is not limited to, alumni organizations, foundations, athletic organizations, social, academic, and professional organizations, and others that provide financial and vocational services to our students, employees or alumni. An organization does not need to be dependent on the institution to be affiliated. An educational loan lender is not an affiliated organization.

*34 CFR 601.2; 34 CFR 682.200(b) Definition of “Lender” (5)(iii); November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61979*

This code of conduct must be published prominently on our internet site. At least annually, the institution's officers, employees, and agents must be informed of the provisions of this code of conduct.

*Iowa Code Section 261F.2(1)(b); HEA Section 487(a)(25)(B) and (C)*

## **Gifts**

### **Impermissible Activities**

An officer, employee, or agent of the institution who is employed in the financial aid office or who otherwise has direct responsibilities with respect to federal and private educational loans must not solicit or accept any gift from a private or FFELP educational loan lender, lender servicer, or guarantor. See exceptions below under "Permissible Activities."

#### **Gifts to Family Members or Others**

A gift to a family member of the institution's officer, employee, or agent, or a gift to an individual based on that individuals' relationship with the institution's officer, employee, or agent is not permissible if **either** of the following applies:

- The gift is given with the knowledge and acquiescence of the institution's officer, employee, or agent, **or**
- The officer, employee, or agent has reason to believe the gift was given because of that person's official position with the institution.

#### **Gift Definition**

A gift means any gratuity, favor, discount, entertainment (including expenses for shows, sporting events, or alcoholic beverages), hospitality (including private parties of select training or conference attendees), loan, or other item having a monetary value of more than a nominal amount<sup>1</sup>. A gift includes services, transportation, lodging, or meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

*Iowa Code Sections 261F.1(5) and 261F.3(1) and (2); HEA Section 487(e)(2); 34 CFR 682.200(b) Definition of "Lender" (5)(i)(A)(8); 34 CFR 682.401(e)(1)(i)(D); 34 CFR 601.21(c)(2)(i) and (ii); November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61981*

### **Permissible Activities**

An officer, employee, or agent of the institution, or a member of an organization affiliated with the institution, may accept items of nominal<sup>1</sup> value from a private or FFELP educational loan lender, lender servicer, or guarantor that are offered as a form of generalized marketing or advertising or to create good will.

<sup>1</sup>A "nominal" amount is undefined in Iowa Code, federal law or the U.S. Department of Education's education loan inducement regulations. Employees of state agencies should consult their personnel policies for additional restrictions on the acceptance of gifts.

Examples of permissible gifts include, but are not limited to, the following:

- Pens or pencils
- Notepads
- Sticky-notes
- Rulers
- Calculators
- Small tote bags
- Other individual office supply items

An employee of the institution may also accept items of value from a lender, lender servicer, or guarantor that are also offered to the general public.

*Iowa Code Section 261F.1(5)(l) and (m); HEA Section 487(e)(2)(B); 34 CFR 682.200(b) Definition of "Lender" (5)(ii)(J); 34 CFR 682.401(e)(2)(ix)*

## **Philanthropic Gifts/Contributions to the Institution**

### **Impermissible Activities**

The institution will not accept philanthropic contributions from a lender, lender servicer, or guarantor that are related to the educational loans the lender, lender servicer, or guarantor provides to our students and families, or that are made in exchange for any advantage related to educational loans.

In addition:

- The institution will not accept scholarships or grants from a FFELP lender or guarantor in exchange for FFELP loan applications or application referrals, a specified volume or dollar amount of FFELP loans made or guaranteed, or placement of a lender on the institution's FFELP preferred lender list (PLL). Briar Cliff does not participate in FFELP.
- The institution and its affiliated organization(s) will not accept financial aid funds under any Title IV, State, or private program from a guarantor based on an agreement to use the guarantee agency for processing loans, or to provide a specified volume of loans using the agency's guarantee.

*Iowa Code Section 261F.1(5)(d); HEA Section 487(e)(2)(B)(ii)(V); 34 CFR 682.200(b) Definition of "Lender" (5)(i)(A)(9); 34 CFR 682.401(e)(1)(i)(E); 34 CFR 601.21(c)(2)(iii)*

### **Permissible Activities**

The institution may accept philanthropic contributions from a lender, lender servicer, or a guarantor that are not related to the educational loans provided by the lender or guarantor, and that are not made in exchange for any advantage to the lender, guarantor, or servicer. However, we must report philanthropic contributions made by a lender with whom we have a preferred lender arrangement\* to the Iowa Attorney General. (As of the date of this publication, the process for this disclosure has not been developed by the Iowa Attorney General.)

\*See "Preferred Lender Arrangements" for more information.

*Iowa Code Sections 261F.1(5)(d) and 261F.4(6); HEA Section 487(e)(2)(B)(ii)(V); 34 CFR 601.21(c)(2)(iii); November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61976*

## **Advisory Councils**

### **Impermissible Activities**

An officer, employee, or agent of the institution who is employed in the financial aid office or who otherwise has direct responsibilities with respect to educational loans must not serve on or otherwise participate in an advisory council established by a lender, a group of lenders, or a lender's affiliate.

*Iowa Code Section 261F.3(6)*

An officer, employee, or agent of the institution who serves on an official, standing advisory council for a FFELP guarantor must not accept anything of value for that service. See the exception below for reasonable compensation under "Permissible Activities."

*HEA Section 487(e)(7); 34 CFR 601.21(c)(7)*

### **Permissible Activities**

An officer, employee, or agent of the institution who is employed in the financial aid office, or who otherwise has responsibilities with respect to educational loans or other financial aid offered to our students and their families may serve on an official, standing advisory council for a FFELP guarantor, including an Iowa College Student Aid Commission advisory council or task force, and be compensated for reasonable expenses incurred in that service.

Reasonable expenses: Expenses are considered reasonable if they meet the standards of and are paid according to a State government reimbursement policy that governs the entity offering reimbursement. If no State government reimbursement policy applies to the entity which offers reimbursement, expenses are reasonable if they meet the standards of and are paid according to applicable Federal cost principles.

An officer, employee or agent of the institution may respond to any lender who seeks advice from the institution or groups of institutions by telephone, electronically, or in a meeting, about improving products or services for borrowers. However, the institution may not accept any gift or compensation for responding to the lender including, but not limited to, transportation, lodging, or related expenses.

*Iowa Code Section 261F.3(6); HEA Section 487(e)(7); 34 CFR 601.21(c)(7); 34 CFR 668.16(d)(2)(ii); 34 CFR 682.401(e)(2)(vi); November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61980*

## **Boards of Directors**

### **Impermissible Activities**

#### **Lender, Lender Servicer, and Guarantor**

An employee or agent of the institution who is employed in the financial aid office must not serve on or otherwise participate in a lender's, lender servicer's, or guarantor's board of directors.

An employee or agent of the institution who is not employed in the financial aid office but who has responsibility with respect to educational loans must not serve on or otherwise participate in a lender's, lender servicer's, or guarantor's board of directors, unless we have a written conflict of interest policy.

This institution has a written conflict of interest policy for this purpose. See below under “Permissible Activities” for more information about the content of that policy.

*Iowa Code Sections 261F.3(7)(a)(1) and (2) and 261F.2(3); HEA Section 487(e)(3)(B)(i) and (ii); 34 CFR 601.21(c)(3)(i) and (ii) Institutional Boards of Directors or Trustees*

No officer, employee, agent, or contractor of a lender, lender servicer, or guarantor may serve on this institution’s board of directors or trustees, unless we have a written conflict of interest policy.

This institution has a written conflict of interest policy for this purpose. See below under “Permissible Activities” for more information about the content of that policy.

*Iowa Code Sections 261F.3(7)(a)(3) and 261F.2(3); HEA Section 487(e)(3)(B)(iii); 34 CFR 601.21(c)(3)(iii)*

## **Permissible Activities**

### *Lender, Lender Servicer, and Guarantor*

An employee or agent of the institution who is not employed in the financial aid office and who has no responsibility with respect to educational loans may serve unrestricted and be compensated for service on the board of directors of a lender, lender servicer, or guarantor.

An employee or agent of the institution who is not employed in the financial aid office but who has responsibility with respect to educational loans may serve on the board of directors of a lender, lender servicer, or guarantor, and be compensated for that service, if the institution has a written conflict of interest policy. Our conflict of interest policy specifies that an officer or agent of the institution who is serving on such a board of directors must not participate in any decision of the board with respect to any transaction regarding educational loans.

*Iowa Code Sections 261F.2(3), 261F.3(6), 261F.3(7)(a)(1); 34 CFR 601.21(c)(3)(i) and (ii) Institutional Board of Directors and Trustees*

This institution may permit an officer, employee, agent, or contractor of a lender, lender servicer, or a guarantor to serve as a member of our board of directors or trustees if we have a written conflict of interest policy. Our conflict of interest policy includes all of the following:

- A prohibition against the participation of such a member in any decision regarding educational loans offered to our students or their families,
- Procedures to be followed when such a member’s personal or business interests in educational loans may be advanced by an action of the board of directors or trustees, and
- A prohibition against the participation of such a member in any decision to approve any transaction where such conflicting interests may be advanced.

*Iowa Code Sections 261F.3(7)(a)(3), and 261F.2(3); HEA Section 487(e)(3)(B)(iii); 34 CFR 601.21(c)(3)(iii)*

# **Bundling of Private Loans**

## **Impermissible Activities**

The institution's financial aid staff will not bundle (i.e., package) private educational loans in a student's financial aid award, except under certain conditions. See "Permissible Activities" below for more information about acceptable conditions for private loan bundling.

*Iowa Code Section 261F.5(2)*

## **Permissible Activities**

The institution's financial aid staff may bundle (i.e., package) private educational loans in a student's financial aid award under any one of the following conditions:

- The borrower is ineligible for additional funding
- The borrower has exhausted the limits of his or her eligibility for Title IV loans (Federal Perkins, Stafford, and, as applicable, parent or Grad PLUS)
- The borrower has not filled out a Free Application for Federal Student Aid (FAFSA)
- The borrower does not desire, or refuses to apply for, a Title IV loan (including a parent PLUS loan)

The bundling of private educational loans will be clearly and conspicuously disclosed to the borrower, in a manner that distinguishes them from loans made under Title IV of the HEA, prior to the borrower's acceptance of the financial aid package.

*Iowa Code Section 261F.5(2); HEA Section 152(a)(1)(B)(iii); 34 CFR 601.11(c)*

## **Choice of Lender**

### **Impermissible Activities**

Regardless of whether this institution maintains a preferred lender arrangement for educational loans, our financial aid office will not:

- If we participate in the FFELP, deny a FFELP borrower his or her choice of FFELP lender
- Refuse to certify or delay certification of an educational loan based on a borrower's selection of a lender or guarantor
- Assign a first-time borrower's educational loan to a particular lender through award packaging or other methods

*HEA Section 432(m)(1)(B); HEA Section 487(e)(4); 34 CFR 682.603(f)(1) and (2); 34 CFR 601.21(c)(4)*

## **Consulting and Contractual Arrangements**

### **Impermissible Activities**

An officer, employee, or agent of the institution who is employed in the financial aid office or who otherwise has responsibilities with respect to educational loans will not accept from any lender or its affiliate any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or other contract to provide services to or on behalf of the lender. A prohibited financial benefit includes the opportunity to purchase stock.

*Iowa Code Section 261F.3(3); HEA Section 487(e)(3); 34 CFR 601.21(c)(3)*

This institution will not enter into a contractual arrangement with a FFELP lender to provide services that are related to student aid, or to provide services in exchange for securing FFELP loan applications or otherwise limiting a borrower's choice of FFELP lender. An organization that is affiliated with this institution will not enter into a contractual arrangement with a FFELP lender to provide services that are related to student loans, or to provide services in exchange for securing FFELP loan applications or otherwise limiting a borrower's choice of FFELP lender.

*November 1, 2007, Federal Register, Vol. 72, No. 211, pp. 61976, 61979, and 61981*

### **Permissible Activities**

An officer, employee, or agent of the institution who is not employed in the financial aid office and who has no responsibilities with respect to educational loans may accept compensation from a lender for a consulting arrangement or other contract to provide services to or on behalf of a lender. However, if a lender is a FFELP lender, additional restrictions apply, as noted in the following paragraph.

*Iowa Code Section 261F.3(3); 34 CFR 601.21(c)(3)*

The institution may enter into a contractual arrangement with a FFELP lender to provide services only if those services are unrelated to any type of student aid, and are not undertaken to secure FFELP loan applications or limit a borrower's choice of FFELP lender. An organization affiliated with the institution may enter into a contractual arrangement with a FFELP lender to provide services only if those services are unrelated to student loans.

*November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61976 and 61979*

## **Loan Counseling**

### **Permissible Activities**

The institution may request and accept services from a lender or guarantor in conducting initial (i.e., entrance) and exit loan counseling for our students (including in-person counseling or on-line counseling resources), provided:

- Institution staff are in control of the counseling. Institutional staff are in control of the counseling when they review and approve the content of the counseling and provide oversight over how the counseling is conducted.
- The lender or guarantor does not promote a specific lender's products or services.

Counseling materials that the institution accepts from a lender or guarantor must disclose the identity of the entity that assisted in preparing or providing the materials, and must not be used to promote the lender's or guarantor's educational loan or other products. A guarantor's materials may promote benefits provided under other federal and state programs that the guarantor administers.

*Iowa Code Section 261F.4(5)(a); HEA Section 487(e)(2)(B)(ii)(IV); 34 CFR 682.200(b) Definition of "Lender" (5)(i)(10) and (5)(ii)(B); 34 CFR 682.401(e)(2)(i); 34 CFR 601.21(c)(2)(iii)(D); 34 CFR 601.21(c)(6)(ii); Federal Register dated October 28, 2009, p. 55631*

## **Loan Terms and Conditions**

### **Impermissible Activities**

#### ***For FFELP participants only( Briar Cliff is not a FFELP participant)***

The institution will not request or accept preferential rates on private educational loans made by a private lender that is also a FFELP lender, in exchange for FFELP applications, FFELP application referrals, a specified volume or dollar amount of FFELP loans made, or a preferred lending arrangement for FFELP loans.

*Iowa Code Section 261E.3(5); HEA Section 487(e)(5); 34 CFR 682.200(b)(5)(iii)(C)*

#### ***For all institutions***

The institution will not request or accept from any lender an offer of funds to be used for private education loans, including funds for an opportunity pool loans (see the separate definition of opportunity pool loans below), in exchange for the institution's promise to provide the lender with any of the following:

- A specified number of FFELP or private educational loans
- A specified FFELP or private loan volume
- A preferred lender arrangement

*Iowa Code Section 261F.3(5); HEA Section 487(e)(5); 34 CFR 682.200(b) Definition of "Lender" (5)(iii)(C); 34 CFR 601.21(c)(5)*

The institution will not place an education loan lender on a preferred lender list (PLL), or provide that lender with preferred placement on the PLL, in exchange for benefits the lender provides to the institution or to our students in connection with a different type of loan.

*Iowa Code Section 261F.6(4)*

#### **Opportunity Pool Loans**

An opportunity pool means a private educational loan made by a lender to a student attending this institution or a student's family member that this institution guarantees in any manner or that involves the institution directly or indirectly paying points, premiums, payments, additional interest, or other financial support to the lender for the purpose of that lender extending credit to the borrower.

*Iowa Code Section 261F.3(5); 34 CFR 601.21(c)(5)(ii)*

### **Permissible Activities**

The institution may solicit or accept from any lender an offer of funds to be used for private educational loans (including opportunity pool loans), if it is **not** provided in exchange for a

promise that the institution will deliver to the lender a specified number of loans or loan volume, or, if applicable, place that lender on the institution's preferred lender list for, as applicable, private or FFELP educational loans.

*Iowa Code Section 261F.3(5); HEA Section 487(e)(5); 34 CFR 601.21(c)(5)(ii)*

The institution may solicit and accept the following favorable educational loan terms and conditions on behalf of our student and parent borrowers:

- A reduced origination fee
- A reduced interest rate
- Payment of the federal default fee on a Stafford or PLUS loan made under the FFELP, if
- applicable
- Benefits offered to a borrower under a repayment incentive program that requires, at minimum, one or more scheduled payments to receive or retain the benefit
- Benefits under a loan forgiveness program for public service or other targeted purposes approved by:
  - The Iowa Attorney General for a private loan forgiveness program
  - The U.S. Department of Education for a federal loan forgiveness program

An *employee* of the institution may accept favorable terms, conditions, and borrower benefits on an educational loan if the terms, conditions, and benefits on the employee's loan are comparable to those provided to all of our students.

*Iowa Code Section 261F.1(5)(c); HEA Section 487(e)(2)(B)(ii)(III); 34 CFR 601.21(c)(2)(iii)(C)*

## **Meals, Refreshments, and Receptions**

### **Impermissible Activities**

See the definition of "Gift" for information about cases when meals, refreshments, or other hospitality is considered a prohibited gift.

### **Permissible Activities**

The institution's employees and agents may accept from any lender or guarantor food and refreshments that are reasonable in cost and are offered as an integral part of a training session or conference that is designed to contribute to the professional development of our employees or agents.

The food and refreshment sponsored by the lender or guarantor must be offered to all who attend the training session or conference. Our employees and agents may attend a lender- or guarantor-sponsored reception for which food and refreshments are provided, so long as the reception is a general gathering that is held in conjunction with a training session or conference and is open to all attendees. These events provide attendees with the opportunity for information-sharing on the training being conducted.

In addition, the institution's employees and agents may accept from a guarantor food and refreshments that are reasonable in cost and provided in connection with other workshops and forums the agency uses to fulfill its guaranty agency responsibilities.

*Iowa Code Section 261F.1(5)(b); HEA Section 487(e)(2)(B)(ii)(II); 34 CFR 682.200(b) Definition of "Lender" (5)(ii)(C); 34 CFR 682.401(e)(2)(iv) and (v); 34 CFR 601.21(c)(2)(iii)(B)*

Employees of the institution who participate in the planning of a student-aid related training session or conference will ensure that food and refreshments sponsored by a lender or guarantor is reasonable in cost by applying the “prudent person test.” In other words, the cost per person for the sponsored event must not exceed the cost that would be incurred by the prudent person under the circumstances at the time the decision was made to incur the cost. The burden of proof will be, in part, on event managers to show that costs are consistent with the normal per-person cost of the event.

*November 1, 2007, Federal Register, Vol. 72, No. 211, p. 61981*

## **Misleading Identification of Institutional Employees**

### **Impermissible Activities**

The institution will not permit a lender’s or guarantor’s employee or agent to be identified as an institutional employee, representative, or agent.

*Iowa Code Section 261F.4(2)*

## **Payment of Educational Loan Costs**

### **Permissible Activities**

The institution may make principal or interest payments to a federal or private loan lender to lower costs for educational loan borrowers.

### *Impact on Our Cohort Default Rate*

If an owner, agent, contractor, employee, or other entity or individual affiliated with the institution makes a payment to prevent default on a Stafford loan, or a Consolidation loan that repaid a Stafford loan, during the period for which our cohort default rate is calculated, that loan is considered to be in default and counts against our cohort default rate notwithstanding the payment.

*Iowa Code Section 261F.3(7)(b); 34 CFR 668.183(c)(1)(iii); USDE Cohort Default Rate Guide, Chapter 2, p. 2-1.9*

## **Preferred Lender Arrangements**

### *Definition*

A preferred lender arrangement is an arrangement or agreement between the institution or an institution-affiliated organization and a lender that provides educational loans to our students and their families in which we or our affiliated organization recommends, promotes, or endorses the lender’s educational loan product.

### *Iowa Code Section 261F.1(8)*

There are two conditions that must be met in order for a preferred lender arrangement to exist between a lender and this institution or an institution-affiliated organization:

- A lender provides or issues education loans to our students or their families, and
- We, or an institution-affiliated organization, recommends, promotes, or endorses the lender’s education loan products.

A preferred lender arrangement does not require a written or verbal agreement between the institution and a lender, nor is a preferred lender arrangement confined to only cases in which the institution includes the lender on a preferred lender list.

*HEA Section 151 Definitions (8); 34 CFR 601.2; Federal Register dated July 28, 2009, p. 37436; Federal Register dated October 28, 2009, p. 55630*

A preferred lender arrangement does **not** include any of the following:

- Federal Direct loans
- Federal Perkins loans
- Federal PLUS loans made under the Federal PLUS auction pilot program

*Iowa Code Section 261F.1(8); 34 CFR 601.2*

A preferred lender arrangement does not exist for a private educational loan made by the institution or an institution-affiliated organization if any one of the following conditions are met:

- The loan is funded by the institution's or institution-affiliated organization's own funds
- The loan is funded by donor-directed contributions
- The loan is made under title VII or VIII of the Public Service Health Act
- The loan is made under a State-funded financial aid program that includes a loan forgiveness option for public service

*34 CFR 601.2*

***(Pending agreement of the Iowa AG)***

The identity of any private lender with whom the institution or any of its affiliated organizations have a preferred lender arrangement will be displayed on all information and documentation related to the lender's loans.

*HEA Section 152(a)(3); 34 CFR 601.12(b)*

## **Preferred Lender Lists**

***(Applicable to institutions, and their affiliated organizations, that have a FFELP or private preferred lender list.)***

A preferred lender list (PLL) is a list of private or FFELP lenders which the institution recommends, promotes, or endorses, and with which we have a preferred lending arrangement.

### **Impermissible Activities**

The institution's FFELP or private loan PLL will not include less than three unaffiliated lenders.\* For this purpose, a lender is affiliated with another lender if any of the following applies:

- The lenders are under the ownership or control of the same entity or individuals
- The lenders are wholly or partly owned subsidiaries of the same parent company
- The directors, trustees, or general partners, or individuals exercising similar functions, of one of the lenders constitute a majority of the persons holding similar positions with the other lender

*Iowa Code Sections 261F.1(9) and 261F.6(1)(b)*

\*If we initially meet the preferred lender list requirement of including a minimum of three unaffiliated lenders, we may be later notified that one or more of those lenders has decided to discontinue making loans to our students and parents. The USDE and the Iowa Attorney General will take such circumstances, over which we have no control, into consideration in determining our compliance with the requirement that we maintain at least three unaffiliated lenders on our preferred lender list.

*DCL GEN-08-06*

A PLL will not include lenders that have offered, or have offered in response to our solicitation, financial or other benefits to the institution in exchange for inclusion on the PLL, or a promise that the institution or its students will send a certain number of loan applications to the lender.

*Iowa Code Sections 261F.6(1)(c); 34 CFR 682.212(h)(1) and (3)*

Our financial aid office will not use a PLL to do any of the following:

- Require a prospective borrower to use a lender on our PLL
- Deny or otherwise impede a borrower's choice of lender
- Assign a first-time borrower's loan to a particular lender through award packaging or other methods
- Refuse to certify a loan or cause unnecessary certification delays for a borrower who selects a lender that does not appear on our PLL

*Iowa Code Sections 261F.6(1)(a) and 261F.6(2)(c), (d), and (e); HEA Section 487(e)(4); 34 CFR 682.212(h)(1)(i); 34 CFR 682.212(h)(2)(iii), (iv), and (v)*

## **Preferred Lender List Alternatives**

### **Permissible Activities**

The institution's financial aid office is not required to maintain a preferred lender list for private or FFELP loans, and may provide no information to educational loan borrowers about lenders.

Other acceptable alternatives to a preferred lender list appear below. These alternatives are not considered a preferred lender list or preferred lending arrangement:

- If the institution desires to compile a preferred lender list but is unable to identify at least three unaffiliated lenders that will make loans to its students or parents sufficient to meet the requirements of a preferred lender list, we may provide the names of all of the lenders that have indicated that they would provide loans to our students and their parents. In providing this information, we will make it clear that we do not endorse the lenders, and provide a clear statement that the borrower may choose to use any lender that will make loans to the borrower for attendance at this institution.
- We may provide a neutral, comprehensive list of lenders that have made loans to our students or parents in the past three to five years (or some other period) and that have indicated that they would continue to make loans to our students. We may provide contact information for the lender, and comparative information about the terms and conditions of loans offered by the lender. We will not provide any

additional information about the lender, including, for example, the percentage of loans made to our students by a particular lender. We will make it clear that we do not endorse the lenders, and provide a clear statement that the borrower can choose to use any lender that will make loans to the borrower for attendance at this institution.

- We may refer a prospective private education loan borrower to a Web site developed by a third party that contains a neutral, comprehensive list of private education lenders and the loan products each lender offers. We will ensure that the list provided on such a Web site is broad in scope, does not endorse or recommend any of the lenders on the list and the lenders on the list do not either pay the third party who maintains the Web site for placement on the list or pay the third party a fee based on any loan volume generated.

*USDE Dear Colleague Letter GEN-08-06; Federal Register dated October 28, 2009, p. 55630.*

## **Publications**

### **Impermissible Activities**

The institution will not permit a private or FFELP educational loan lender with which it has a preferred lender arrangement\* to prepare any of our materials related to educational loans, with exceptions permitted by law and noted below under “Permissible Activities.”

\*See above for more information about a preferred lender arrangement.

*Iowa Code Section 261F.4(3) and (5)(a)*

The institution will not permit a FFELP lender or guarantor to print and distribute our catalogue and other non-counseling or non-student financial aid-related materials at reduced or no cost.

*34 CFR 682.200(b) Definition of “Lender” (5)(iii)(C); 34 CFR 682.401(e)(3)(iii)*

We will not permit a private lender to use our name, emblem, mascot, logo, other words, pictures or symbols readily identified with the institution in the marketing of private educational loans to our students or parents in a way that implies that the institution endorses the lender’s private educational loans or that the loan is offered or made by this institution. We may allow the use of our name if it is part of the lending institution’s name.

*Iowa Code Section 261F.4(4); 34 CFR 601.12(a)*

### **Permissible Activities**

The institution may request and accept, free of charge, student aid outreach, financial literacy, debt management, default prevention, or default aversion materials and publications from a private or FFELP lender, or a guarantor. We may also request and accept initial (i.e., entrance) and exit loan counseling materials and services from any lender or guarantor (see “Loan Counseling” for additional information).

*Iowa Code Sections 261F.1(5)(a) and 261F.4(5)(a); HEA Section 487(e)(2)(B)(ii)(I); HEA Section 487(e)(6)(B)(ii); Truth in Lending Act Section 140(a)(2)(B)(i); 34 CFR 682.200(b) Definition of “Lender” (5)(ii)(A) and (B); 34 CFR 682.401(e)(2)(i), (ii), and (iii); 34 CFR 601.21(c)(2)(iii)(A); 34 CFR 601.21(c)(6)(ii)*

## **Revenue-Sharing Arrangements**

### **Impermissible Activities**

The institution or an agent of the institution will not solicit or accept a fee, revenue- or profit-sharing, or other material benefit provided by a private or FFELP lender that issues educational loans to our students or their families in exchange for the institution recommending the lender or the lender's educational loan products.

*Iowa Code Sections 261F.1(11) and 261F.3(4); HEA Section 487(e)(1); 34 CFR 601.21(c)(1)*

## **Staffing Assistance**

### **Impermissible Activities**

The institution will not permit any lender to staff our financial aid offices or call center, except on a short-term, non-recurring, emergency basis.

*HEA Section 487(e)(6); 34 CFR 682.200(b) Definition of "Lender" (5)(i)(10); 34 CFR 601.21(c)(6)*

The institution will not permit a FFELP guarantor to staff our financial aid offices or call center under any circumstances.

*HEA Section 428(b)(3)(C)*

### **Permissible Activities**

The institution may permit a lender's employee or agent to staff our financial aid offices or call center on a short-term, non-recurring, emergency basis.

For this purpose, "emergency" is defined as:

- A State-designated natural disaster
- A Federally-declared natural disaster (identified by the Federal Emergency Management Agency on its website at [www.fema.gov](http://www.fema.gov))
- A Federally-declared national disaster
- Another localized disaster or emergency approved by the Iowa Attorney General and the USDE

*Iowa Code Sections 261F.4(3) and 261F.4(5)(b); HEA Section 428(b)(3)(C); HEA Section 487(e)(6)(B)(iii); 34 CFR 601.21(c)(6)(iii)*

***Drafter's note: This has become very problematic. While state law, federal law and regulations permit the school to accept staffing assistance on the limited basis described above, the USDE just removed from federal regulations a FFELP lender's ability to offer it. Further clarification is needed.***

## **State Education Grants, Scholarships, & Financial Aid Funds**

### **Permissible Activities**

The institution may accept Iowa grants, scholarships, and other state-based financial aid funds administered by the Iowa College Student Aid Commission under Iowa Code Chapter 261.

*Iowa Code Section 261F.1(5)(e); HEA Section 487(e)(2)(B)(ii)(VI); 34 CFR 601.21(c)(2)(iii)(F)*

## **Student Aid Related Programs**

### **Permissible Activities**

The institution may request and accept from any lender or guarantor standard materials, activities, and programs, including workshops and training, related to student aid outreach, financial literacy, debt management, default prevention and aversion, or educational counseling that are designed to improve the lender or guarantor's services.

The lender or guarantor that provides any materials to us must disclose its identity in the materials that it assists in preparing or providing, and the lender's or guarantor's materials must not promote its student loan or other products. A guarantor may promote benefits provided under other Federal or State programs the guarantor administers.

The institution may also accept services that a guarantor must perform to meet its obligations to administer other Federal and State education programs that are not related to the FFELP, provided the guarantor does not use its role in these programs to secure FFELP loan applications or volume.

*Iowa Code Section 261F.1(5)(a) and 261F.4(5)(a); HEA Section 487(e)(2)(B)(ii)(I); HEA Section 487(e)(6)(B)(i) and (ii); 34 CFR 682.401(e)(2)(ii), (iii) and (iv); 34 CFR 601.21(c)(2)(iii)(A); November 1, 2007, Federal Register, Vol. 72, No. 211, pp. 61982, p. 61982*

## **Technology**

### **Impermissible Activities**

The institution and its affiliated organization(s) will not accept from a FFELP or private lender, or a FFELP guarantor, either of the following at below market rental or purchase cost:

- Computer hardware
- Computer software that is unrelated to educational loan processing or financial aid

*Iowa Code Section 261F.1(5); HEA Section 435(d)(5); 34 CFR 682.200(b) Definition of "Lender" (5)(iii); 34 CFR 682.401(e)(3)(iii)*

The institution will not accept free data transmission services from any lender or guarantor that is unrelated to electronic loan processing or, for FFELP loans, student status confirmation data.

*Iowa Code Section 261F.1(5)(f); 34 CFR 682.200 Definition of "Lender" (b)(5)(ii)(D); 34 CFR 682.401(e)(2)(vii)*

### **Permissible Activities**

The institution may accept, free of charge, any of the following from a lender or a guarantor:

- Financial aid related software
- Loan processing data transmission services
- A toll-free telephone number to obtain information about educational loans

The institution may also accept free student status confirmation data processing services for FFELP loans from a lender or guarantor.

*Iowa Code Section 261F.1(5)(f); 34 CFR 682.200(b) Definition of "Lender" (5)(iii)(C); 34 CFR 682.401(e)(3)(iii)*

## **Training**

### **Impermissible Activities**

The institution will not accept payment of training or conference registration, travel or lodging costs from any lender or guarantor.

*Iowa Code Section 261F.1(5); HEA Section 428(b)(3); HEA Section 435(d)(5); 34 CFR 601.21(c)(2)(ii)*

### **Permissible Activities**

The institution may request and accept, free of charge, from any lender or guarantor standard materials, activities, and programs, including workshops and training, that are designed to improve the lender or guarantor's services or contribute to the professional development of our financial aid office staff relative to financial aid administration, student aid outreach, financial literacy, debt management, default prevention and aversion, and educational counseling.

*Iowa Code Section 261F.1(5)(a); HEA Section 487(e)(2)(B)(ii); HEA Section 487(e)(6)(B)(i); 34 CFR 682.401(e)(2)(ii), (iii) and (iv); 34 CFR 601.21(c)(2)(iii)(A); 34 CFR 601.21(c)(6)(i)*

## **Travel and Lodging**

### **Impermissible Activities**

An officer, employee, or agent of the institution who is employed in the financial aid office or who otherwise has educational loan responsibilities will not request or accept lodging or travel costs from a lender or lender servicer, or a guarantor, except as provided below.

### **Permissible Activities**

See "Advisory Councils" and "Boards of Directors" for information about conditions under which an institutional employee or agent may receive reimbursement for reasonable expenses incurred in service on an advisory council or board of directors.

*Iowa Code Sections 261F.1(5) and 261F.3(1); HEA Section 487(e)(2)(B) and 487(e)(7); 34 CFR 682.200(b) Definition of "Lender" (5)(i)(A)(7) and (8); 34 CFR 682.401(e)(1)(iii)(E) and (2)(vi)*

## **Other Permissible Benefits and Services**

The institution and our affiliated organizations may accept other benefits or services that are specifically identified in a separate, public notice issued by the Iowa Attorney General or the USDE. *Iowa Code Section 261F.1(5)(n); 34 CFR 682.200(b) Definition of "Lender" (5)(ii)(A); 34 CFR 682.401(e)(2)(i)*