

STEPHEN F. AUSTIN

STATE UNIVERSITY

Office of the General Counsel

POLICY SUMMARY FORM

Policy Name: Financial Aid Code of Conduct

Policy Number: 4.7

Is this policy new, being reviewed/revised, or deleted? Review/Revise

Date of last revision, if applicable: 4/14/2015

Unit(s) Responsible for Policy Implementation: Provost and Vice President for Academic Affairs

Purpose of Policy (what does it do): To ensure compliance with Higher Education Act § 487(a)(25) and to outline standards of ethical conduct for university personnel in managing financial aid monies.

Reason for the addition, revision, or deletion (check all that apply):

☒ Scheduled Review ☐ Change in law ☐ Response to audit finding

☐ Internal Review ☐ Other, please explain:

Please complete the appropriate section:

Specific rationale for new policy:

Specific rationale for each substantive revision: Overall, the policy required several minor grammar clarifications. More specifically, it was necessary to update the name of the lending institution and to allow for an electronic exit interview.

Specific rationale for deletion of policy:

Additional Comments:

Reviewers:

Academic Affairs Policy Committee

Steve Bullard, Provost and Vice President for Academic Affairs

Damon Derrick, General Counsel

Financial Aid Code of Conduct

Original Implementation: April 21, 2009

Last Revision: ~~April 14, 2015~~ October 29, 2018

This code of conduct is promulgated under the Higher Education Act § 487(a)(25), as reauthorized and amended by the Higher Education Opportunity Act, and is not intended to conflict with any Texas law *or university policy* involving conflict of interest and/or ethics, specifically Texas Government Code § 572.051 ~~and. This code of conduct helps to ensure that such laws are not violated; the code is consistent with~~ Stephen F. Austin State University's Ethics policy (2.6). To help ensure public confidence in the financial aid system and to promote high ethical standards, provisions in this code of conduct may exceed the minimum limits required by law. Any employee or agent of the university with responsibilities involving the financial aid process will be provided ~~with an annual~~ copy of this policy ~~annually~~.

I. Definitions

- A. "Lending institution" or "lender" means: (i) any entity that itself, or through an affiliate, engages in the business of making loans to students, parents or others for purposes of financing higher education expenses, or that securitizes such loans; or (ii) any entity, or association of entities, that guarantees education loans. "Lending institution" or "lender" will not include the university or the state or federal governments. The *Trellis Company* (formerly the Texas Guaranteed Student Loan Corporation) is exempt from this definition.
- B. "University" -means Stephen F. Austin State University (*SFA*) ~~and those~~ entities that subscribe to ~~its~~ ~~their~~ policies ~~and this code of conduct~~.
- C. "Compensation" -means anything of value, including but not limited to money, credits, loans, discounts, payments, fees, forgiveness of principal or interest, reimbursement of expenses, charitable contributions, stock options, consulting fees, educational grants, vacations, prizes, gifts, gratuities, favors, discounts, entertainment, hospitality, or other items of value, whether given directly or indirectly. The term additionally includes a gift of 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.
- D. "Trade association" ~~s~~-means any higher education, financial aid, lending or banking trade, industry, or professional association that receives compensation within the preceding 12-month period from any lending institution or lender.
- E. "Outside director" -means a member of a lender's board of directors or board of trustees who receives compensation from such lender in connection with his or her service on the board of directors or board of trustees and who receives no other compensation from the lender as an officer, employee, or agent of the lender or otherwise.

- F. “Agent” -means a person acting as a representative of and at the direction of or under the control of a university, where such person’s responsibilities ~~with respect to the university~~ relate primarily to the university’s activities involving financial aid or the business of higher education loans.

II. Code of Conduct

A. Prohibition of Certain Compensation to University Employees

1. No university trustee, director, officer, or agent, or any employee who is employed in the financial aid office of the university or who otherwise has responsibilities with respect to higher educational loans or other financial aid at the university, and no spouse or dependent children of any such persons (“family member”), will accept any compensation of more than a de minimus amount (not to exceed \$20), directly or indirectly, during any 12-month period, from or on behalf of a lending institution or trade association, except that this provision does not prohibit any officer, trustee, director, agent or employee of the university, or any of their family members, from receiving compensation for the conduct of non-university business with any lending institution or trade association or from accepting compensation that is offered to the general public. No compensation will be accepted by an employee (or employee’s family member) in the financial aid office from any financial aid applicant or his/her family.
2. Notwithstanding the prohibitions in subsection II.A.1 or any other provision of this code of conduct: (a) the university may hold membership in any nonprofit professional association; and (b) a university trustee, director, officer, or employee who is not employed in the financial aid office of the university and does not have responsibilities with respect to higher education loans or financial aid, may serve as an outside director of a lending institution or trade association and receive compensation at the lending institution’s or trade association’s established compensation rates for outside directors, provided that any university trustee, director, officer or employee serving on the board of the lending institution or trade association is precluded from participating in such board’s discussions or decisions that might affect the interests of the university and provided further that such university trustee, director, officer or employee complies with the university’s policy on Ethics (2.6), and receives annual written notice of the requirements of both this code of conduct and the university’s conflict of interest policy. Further, notwithstanding the prohibitions in subsection II.A.1, a trustee, director, officer or employee of a lending institution or trade association who does not have responsibilities with respect to higher education loans or financial aid is not prevented from serving on the board of directors of a university solely by virtue of his or her position with the lending institution or trade association, provided that any such person serving on the board of the university is precluded from participating in such board’s discussions or decisions that might affect the interests of such lender or trade association or that relate to financial aid or higher education loans.

3. The prohibitions set forth in this subsection include, but are not limited to, a ban on any payment or reimbursement by a lending institution or trade association to a university employee or family member for lodging, meals, or travel to conferences or training seminars unless such payment or reimbursement is related solely to non-university business. University employees whose duties relate to financial aid may accept food or refreshments of nominal value provided or paid for by a lender or trade association at a meeting, conference or seminar related to their professional development or training. University employees are not precluded from attending any educational or training program related to financial aid or higher education loans where no registration fee is charged to any attendee because of a lender's or trade association's sponsorship or support of the program, and provided that the registration fee is limited to covering the costs associated solely with the education or training component of the program.
4. No action will be taken by an employee in the financial aid office that is for ~~his/her~~^{their} personal benefit or could be perceived to be a conflict of interest. Employees within the financial aid office will not award aid to themselves or to a relative as defined in policy 11.16, Nepotism. Staff will ~~refer~~^{serve} this task to an institutionally designated person to avoid the appearance of a conflict of interest.

B. Limitations on University Employees Participating on Lender Advisory Boards

Any person who is employed in the *university's* financial aid office ~~of a covered educational institution~~, or who otherwise has responsibilities with respect to private educational loans or other financial aid of the ~~institution~~*university*, and who serves on a lender advisory board, commission, or group established by a private educational lender or group of such lenders are prohibited from receiving anything of value from the private educational lender or group of lenders except reimbursement for reasonable expenses. An annual report *of any reasonable expenses paid* will be provided to the U.S. secretary of education ~~of any reasonable expenses paid~~. Each report will include: the amount for each specific instance of reasonable expenses paid or provided; the name of the financial aid official, other employee, or agent to whom the expenses were paid or provided; the dates of the activity for which the expenses were paid or provided; and a brief description of the activity for which the expenses were paid or provided. Lenders can obtain advice and opinions of financial aid officials on financial aid products and services through trade associations, industry surveys, or other mechanisms that do not require service on lender advisory boards, and provided that any reimbursement for expenses is limited to reasonable expenses as defined for service on advisory boards. This provision does not apply to participation on advisory boards that are unrelated in any way to financial aid or higher education loans. This paragraph does not apply ~~to those~~^{to those} serving in the ~~Texas Guaranteed Student Loan Corporation, Trellis Company.~~

B.C. Prohibition of Certain Compensation to the University

1. Neither the university, nor any alumni association, booster club, foundation, athletic organization, social organization, academic organization, professional organization

or other organization affiliated with the university (“affiliated organizations”) may accept any compensation from any lending institution or trade association in exchange for any advantage or consideration provided to the lending institution or trade association related to the lending institution’s or trade association’s financial aid or education loan activity. This prohibition includes, but is not limited to: (i) revenue sharing by a lending institution or trade association with the university or affiliated organizations; (ii) the receipt by the university or affiliated organizations from any lending institution or trade association of any equipment or supplies, including without limitation, computer hardware and software, for which the university pays below-market prices; and (iii) printing costs or services, provided that a university or affiliated organizations is not prohibited from accepting a lender’s or trade association’s own standard printed brochures or informational material that does not contain the university’s logo or otherwise identify the university.

2. Notwithstanding anything else in this subsection, the university may accept assistance comparable to the kinds of assistance provided by the secretary of the U.S. Department of Education to schools under or in furtherance of the Federal Direct Loan Program.
3. Nothing in this subsection prohibits the university from accepting endowment gifts, capital contributions, scholarship funding, or other financial support from a lender or trade association, as long as the university gives no competitive advantage or preferential treatment to the lender or trade association related to its education loan activity in exchange for such support.

~~C.D.~~ Preferred Lender Lists

In the event the university promulgates a list of preferred or recommended lenders or similar ranking or designation (“preferred lender list”), the following restrictions and provisions apply:

1. Every brochure, web page, or other document that sets forth a preferred lender list must clearly disclose, textually or by clearly designated hyperlink, the process and criteria by which the university -selected lenders for said preferred lender list, including but not limited to the payment of origination fees, competitive interest rates or other terms, high-quality servicing, and additional benefits beyond the standard terms. The list will be compiled without prejudice and for the sole benefit of the students attending the institution.
2. Every brochure, web page, or other document that sets forth a preferred lender list or identifies any lender as being on said preferred lender list must state in the same font and same manner as the predominant text on the document that students and their parents have the right and ability to select the education loan provider of their choice, are not required to use any of the lenders on said preferred lender list, and

will suffer no penalty from the university for choosing a lender that is not on said preferred lender list. Borrowers will not be auto-assigned to any particular lender.

3. Every brochure, web page, or other document that sets forth a preferred lender list or identifies any lender as being on said preferred lender list must state in the same font and same manner as the predominant text any affiliations between the lenders on the preferred lender list.
4. The university's selection of preferred lenders and the university's decision as to where or how prominently on the list the lending institution's name appears must be based solely on the best interests of student and parent borrowers, using stated criteria that are limited to benefits provided to borrowers (such as competitive interest rates and repayment terms, quality of loan servicing, and whether loans will be sold), and the ability to work efficiently and effectively with the university to process loans, without regard to the pecuniary interest of the university or to any benefits provided by lending institutions to the university or any of the university's officers, trustees, directors, agents or employees or their family members. The university's selection of any preferred lender must be limited to the types of loans for which that lender has been selected, based on the benefits to the borrower for those types of loans, and the university's preferred lender list must indicate the types of loans for which each lender has been selected as a preferred lender. Nothing in this provision is intended to restrict the university's ability to exercise its discretion in making its own final judgment about which lenders best meet the university's criteria and the needs of its student and parent borrowers.
5. The university must review its preferred lender list at least annually.
6. The university must require that all preferred lenders commit in writing to disclose to the borrower at the time a loan is issued: (a) whether the loan may be sold to another lender; (b) that the loan terms and benefits will not change if the loan is sold to another lender; and (c) that the loan benefits may change if the borrower chooses to consolidate his or her loans.
7. The university must ensure that any preferred lender list ~~that~~ it publishes to students contains no less than two (2) unaffiliated lending institutions for private loans.

~~D.E.~~ Prohibition of Lending Institutions' Staffing of University Financial Aid Offices

1. No employee or other agent of a lending institution may staff the university financial aid offices at any time, either directly or through call center staffing. The university must ensure that no employee or other representative of a lending institution is ever identified to students or prospective students of the university or their parents as an employee or agent of the university. The foregoing prohibitions notwithstanding, if the university believes that it would benefit students, the university may allow representatives of lenders to conduct informational sessions, such as exit interviews and presentations on loan payment and loan consolidation

options, as long as: (a) student attendance is voluntary; (b) a university representative explains that other lenders may provide similar services; (c) the affiliation of the lender representative is disclosed at the start of the presentation; (d) the lender representative does not promote the products or services of any lender; and (e) the university takes reasonable steps to ensure compliance with the requirements of this paragraph.

2. In the event that the university permits a lender to conduct information sessions or exit interviews as set forth in subsection E.1., the university must retain control of any interview or presentation offered by lenders. Control may be evidenced by: (a) a university employee attending such interview or presentation; (b) the university recording or videotaping the interview or presentation; or (c) ~~with respect to an exit interview conducted electronically via the internet, the university creating or approving in advance the content of~~ *such electronic exit interview conducted electronically.*

~~E.F.~~ Proper Execution of Master Promissory Notes

The university will not link or otherwise direct potential borrowers to any electronic master promissory note or other loan agreement unless the master promissory note or agreement allows borrowers to enter the lender code or name for any lender offering the relevant loan, or the university's link to the electronic master promissory note or agreement informs borrowers of alternative means of entering into a master promissory note or agreement with any lender of the borrower's choice. Any information the university provides to borrowers about completing a master promissory note or agreement with a preferred lender must provide the information required in subsections II.D.1 and II.D.2. This paragraph will not apply to ~~telephone~~ conversations in which a student merely seeks assistance in completing the master promissory note and has already selected a lender.

~~F.G.~~ Revolving Door Prohibition

1. In the event ~~the~~ a university hires an employee who will be employed in ~~its~~ the financial aid office ~~of the university~~, or who otherwise will have responsibilities with respect to higher education loans or other financial aid and such employee was employed by a lender during the 12-month period prior to the date of hire by the university, such employee is prohibited from having any dealings or interactions with such lender on behalf of the university for a period of 12 months from the date such employee's employment with the lender was terminated.
2. In the event a lender hires an employee who was employed by the university during the 12-month period prior to the date of such employee's hire by the lender, the university is prohibited from having any dealings or interactions with such employee that relate to financial aid or higher education loans for a period of 12 months from the date such employee's employment with the university was terminated.

G.H. Information Provided by Financial Aid Offices

1. Information provided by the financial aid office must be accurate, unbiased, and not reflect preference arising from actual or potential personal gain.
2. Institutional award notifications and/or other institutionally provided materials will include the following: (a) a breakdown of individual components of the institution's cost of attendance, designating all potential billable charges; (b) clear identification of each award, indicating type of aid, ~~(i.e. gift aid~~ (grants, scholarships), work, or loans); (c) standard terminology and definitions; and (d) renewal requirements of each award.
3. All required consumer information is displayed in a prominent location on the institutional website(s) and in any printed materials, easily identified and found and labeled as "consumer information."
4. All employees of the financial aid office will disclose to the institution any involvement, interest in, or potential conflict of interest with any entity with which the institution has a business relationship.

Cross Reference: Higher Education Opportunity Act, Pub. L. No. 110-315, 20 U.S.C. § 1094(a)(25), (e); Tex. Gov't Code § 572.051; Ethics (2.6); Nepotism (11.16)

Responsible for Implementation: Provost and Vice President for Academic Affairs

Contact for Revision: Office of Financial Aid and General Counsel

Forms: None

Board Committee Assignment: Academic and Student Affairs Committee