

# Institutional Code of Conduct for Educational Loans

**HARPER  
COLLEGE**

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## **Introduction**

The Higher Education Act (HEA) requires Community Colleges to develop, administer, and enforce a code of conduct governing educational loan activities. 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 the FDLP are the federal Direct Stafford, parent PLUS and Consolidation loans.

A private educational loan is any loan that is not made, insured or guaranteed under Title IV of the Higher Education Act and is issued to a borrower expressly for postsecondary educational expenses, regardless of whether the loan is provided through the institution that the student attends or directly to the borrower from the lender. Private educational loans secured by a dwelling (e.g., a residential mortgage or reverse mortgage transaction), real property, or under 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) are exempted from the definition of private educational loan.

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

- An employee
- A contract employee
- A director or officer
- An agent – including an alumni association, booster club, or other organization directly or indirectly associated with or authorized or employed by Harper Community College

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

## **Gifts**

### **Impermissible Activities**

An officer, employee, or agent of Harper College who is employed in the financial aid office or who otherwise has direct responsibilities with respect to educational loans must not solicit or accept any gift from a private 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 a Harper College officer, employee, or agent, or a gift to an individual based on that individual's relationship with an officer, employee, or agent of Harper College 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.

### **Permissible Activities**

A Harper College employee, or a member of an organization affiliated with Harper College may accept items of a nominal<sup>1</sup> value from a private educational loan lender, lenders 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 federal law or the USDE's 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 Harper College may also accept items of value from a lender, lender servicer, or guarantor that is also offered to the general public.

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

### **Impermissible Activities**

Harper College must not accept philanthropic contributions from a lender, lender servicer, or guarantor that are related to the educational loans provided by the lender, lender servicer, or guarantor to Harper College or that are made in exchange for any advantage related to educational loans. In addition:

- Harper College or its affiliated organization(s) must 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.

### **Permissible Activities**

Harper College 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.

## **Advisory Councils**

### **Impermissible Activities**

A Harper College officer, employee, or agent 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.

*HEA Section 487(e) (7)*

### **Permissible Activities**

A Harper College officer, employee, or agent who is employed in the financial aid office, or who otherwise has responsibilities with respect to educational loans or other student aid may serve on an official, standing advisory council for a guarantor, including the Illinois Student Assistance Commission advisory council or task force, and be compensated for reasonable expenses incurred in that service.

An officer, employee or agent of Harper College 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, Harper College

may not accept any gift or compensation for responding including, but not limited to, transportation, lodging, or related expenses.

## **Board of Directors**

### **Impermissible Activities**

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

An officer, employee, or agent of Harper College 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 officer, employee, or agent of Harper College 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 Harper College has a written conflict of interest policy.

Harper College has a written conflict of interest policy for this purpose. See below under "Permissible Activities" for more information about the content of that policy.

### **Permissible Activities**

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

An officer, employee, or agent of Harper College who is not employed in the financial aid office and who has no responsibility with respect to educational loans may serve unrestricted and with compensation on the board of directors of a lender, lender servicer, or guarantor.

An officer, employee, or agent of Harper College who is not employed in the financial aid office but who has responsibility with respect to educational loans may serve with compensation on the board of directors of a lender, lender servicer, or guarantor, if Harper College has a written conflict of interest policy. Harper College's conflict of interest policy specifies that a Harper College officer or agent 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.

## **Consulting and Contractual Arrangements**

### **Impermissible Activities**

An officer, employee, or agent of Harper College who is employed in the financial aid office or who otherwise has direct 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 on other than free market terms.

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

### **Permissible Activities**

An officer, employee, or agent of Harper College who is not employed in the financial aid office and who has no direct 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.

Harper College 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 Harper College 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**

Harper College may request and accept assistance from a lender or guarantor in conducting in-person, initial (i.e. entrance) and exit loan counseling for Harper College students, provided:

- Harper College staff are in control of the counseling
- The lender or guarantor does not promote a specific lender's products or services. A guarantor may promote benefits provided under other federal and state programs that the guarantor administers.

Harper College may also request and accept materials, presentations, or on-line loan counseling resources from a lender or guarantor. The materials 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.



## **Loan Terms and Conditions**

### **Permissible Activities**

Harper College 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

An employee of Harper College 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 Harper College students.

## **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**

Harper College employees, affiliated organizations, 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 Harper College 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.

Harper College employees 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, Harper College 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.

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

## **Misleading Identification of Institutional Employees**

### **Impermissible Activities**

Harper College will not permit a lender's or guarantor's employee or agent to be identified as an employee, representative, or agent of Harper College.

## **Opportunity Pools**

### *Definition*

An opportunity pool means an educational loan made by a private lender to a borrower that Harper College guarantees in any manner or that involves Harper College 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.

### **Impermissible Activities**

Harper College will not solicit or accept from any lender any opportunity pool to be used for private educational loans in exchange for concessions or promises to the lender that Harper College will deliver a specified number of loans, loan volume, or, if applicable, a preferred lender arrangement for FFELP loans. See "Preferred Lender Arrangements" for additional information.

### **Permissible Activities**

Harper College may solicit or accept from any lender an opportunity pool to be used for private educational loans, if it is **not** provided in exchange for a promise that Harper College will deliver to the lender a specified number of loans or loan volume, or if applicable, will place that lender on Harper College preferred FFELP lender list.

## **Payment of Educational Loan Costs**

### **Permissible Activities**

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

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

## **Publications**

### **Impermissible Activities**

Harper College will not permit a private educational loan lender to prepare any of our materials related to educational loans, with exceptions permitted by law and noted below under “Permissible Activities.”

Harper College will not permit a lender or guarantor to print and distribute Harper College’s catalog and other non-counseling or non-student financial aid-related materials at reduced or no cost.

*34 CFR 682.200(b)(5)(iii)(C); 34 CFR 682.401(e)(3)(iii)*

Harper College will not permit a private lender to use Harper College’s name, emblem, mascot, logo, other words, pictures or symbols readily identified with Harper College in the marketing of private educational loans to Harper College’s students or parents in a way that implies that Harper College endorses the lender’s private educational loans.

*Truth in Lending Act Section 140(c)*

### **Permissible Activities**

Harper College 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. Harper College may also request and accept initial (i.e., entrance) and exit loan counseling materials, presentations, or on-line resources from any lender or guarantor. The materials must disclose the identity of the entity that assisted in preparing or providing the materials,

and must not be used to promote benefits provided under other federal and state programs that the guarantor administers.

## **Revenue-Sharing Arrangements**

### **Impermissible Activities**

Harper College officers, employees, or agents will not solicit or accept a fee, revenue- or profit-sharing, or other materials benefit provided by a private or FFELP lender that issues educational loans to or on behalf of Harper College students in exchange for Harper College recommending the lender or the lender's educational loan products

## **Staffing Assistance**

### **Impermissible Activities**

Harper College will not permit any lender to staff Harper College's 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)(5)(i)(10)*

Harper College will not permit a guarantor to staff Harper College's financial aid offices or call center under any circumstances.

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

### **Permissible Activities**

Harper College may permit a lender's employee or agent to staff Harper College's 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 Illinois Attorney General and the USDE

## **Technology**

### **Impermissible Activities**

Harper College 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

Harper College 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.

### **Permissible Activities**

Harper College 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.

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

## **Training**

### **Impermissible Activities**

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

### **Permissible Activities**

Harper College 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 Harper College financial aid office staff relative to financial aid administration, student aid outreach, financial literacy, debt management, default prevention, and educational counseling.

## **Travel and Lodging**

### **Impermissible Activities**

An officer, employee, or agent of Harper College 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**

An officer, employee, or agent of Harper College who is employed in the financial aid office or who otherwise has educational loan responsibilities and who serves on a guarantor advisory council may accept reimbursement for reasonable expenses incurred for service on the guarantor's advisory council. See "Advisory Councils" for more information about permissible activities.

### **Other Permissible Benefits and Services**

Harper College employees, affiliated organization, or agent may accept other benefits or services that are specifically identified in a separate, public notice issued by the Illinois Attorney General and, for services provided by a FFELP lender or guarantor, the USDE.