

# **Drake University Code of Conduct for Education Loans**

***Drake University's Code of Conduct for Education Loans was developed as a best practice to fulfill the requirements of Iowa Code, Section 261F.2, Sections 487(a)(25) and 487(e) of the Higher Education Act of 1965, as amended by the Higher Education Opportunity Act of 2008, 34 CFR 668.14(b)(27), and 34 CFR 601.21.***

*Special thanks to the Iowa College Student Aid Commission for providing HF2690 Model Educational Loan Code of Conduct for Covered Postsecondary Institutions upon which the Drake University Code of Conduct is modeled.*



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## **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 Drake University (referred to throughout this document as “the institution”) to develop, administer, and enforce a Code of Conduct. The Code of Conduct sets forth standards for business relationships between colleges and universities, their affiliated organizations and entities, private entities that make or hold education loans (referred to throughout this document as “lender”), and guarantors of loans made under the Federal Family Education Loan Program (FFELP).

A *private education loan* is any loan not made under Title IV of the HEA 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)*

This code governs the behavior of the following individuals or entities associated with Drake University:

- An employee
- A contract employee
- A director or officer
- A trustee
- An agent – including an “institution-affiliated organization” (see below), booster club, or other organization directly or indirectly associated with or authorized by the institution or an employee of the institution

An *institution-affiliated organization* is an organization that is directly or indirectly affiliated with us and includes, but is not limited to, an alumni, athletic, social, academic, or professional organization.

### *Iowa Code Sections 261F.2(1) and 261F.1(2) and (3); 34 CFR 601.2 definition of institution-affiliated organization*

## **Distribution Requirements**

This code of conduct is published prominently on Drake’s financial aid web site.

### *Iowa Code Section 261F.2(1)(b) ; 34 CFR 601.21(a)(2)(ii)*

If an institution-affiliated organization (see above) participates in a preferred lender arrangement\*, and that organization has a Web site, our Code of Conduct must be published on the institution-affiliated organization’s Web site.

### *34 CFR 601.21(b)(2)*

At least annually, Drake University’s officers, employees, and agents who have responsibilities for education loans must be informed of the provisions of this code of conduct. Any institution-affiliated organization (see above) that participates in a preferred lender arrangement\* must notify its officers, employees, and agents who have responsibilities for education loans of the provisions of this Code of Conduct at least annually.

### *34 CFR 601.21(a)(2)(iii) and (3)*

\*See “Preferred Lender Arrangements” for more information.

## **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 education loans must not solicit or accept any gift from a lender, lender servicer, or guarantor. See exceptions below under "Permissible Activities."

## **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 education loans the lender, lender servicer, or guarantor provides to our students and families, or that are made in exchange for any advantage related to education loans.

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

### **Permissible Activities**

The institution may accept philanthropic contributions from a lender, lender servicer, or a guarantor that are not related to the education 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 disclose philanthropic contributions made to our institution by an education lender with whom we have a preferred lender arrangement\* under rules established by the Iowa Attorney General. (As of the date of this publication, rules for this disclosure have 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); 34 CFR 601.21(c)(2)(iii)*

## **Advisory Councils**





### Institutional Board of Directors and Trustees

The institution may permit an officer, employee, or agent 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. The institution has a conflict of interest policy for this purpose. Our conflict of interest policy includes all of the following:

- A prohibition against the participation of such a member in any decision regarding education loans offered to our students or their families,
- Procedures to be followed when such a member's personal or business interests in education 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) ; 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) a private education loan 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) a private education loan 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 a private education loan 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); 34 CFR 601.11(c)*

## Choice of Lender

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

## **Loan Terms and Conditions**

### **Impermissible Activities**

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 education loans
- A specified education loan volume
- A preferred lender arrangement

*34 CFR 601.21(c)(5)*

The institution will not place a 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 education loan made by a lender to a student attending this





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

*34 CFR 601.12(b)*

For any year in which the institution has a preferred lender arrangement, we will annually compile and make available for students attending the institution and their families a list of the specific education loan lenders that the institution recommends, promotes, or endorses.

*34 CFR 668.14(b)(28)*

See "Introduction" for more information about an "institution-affiliated organization."

## **Preferred Lender Lists**

***(Applicable to the institution, an any institution-affiliated organization\*, that has a preferred lender arrangement for education loans.)***

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

### **Impermissible Activities**

The institution's PLL will not include less than three unaffiliated lenders (see the paragraph immediately below for an exception). 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.

*U.S. Department of Education Dear Colleague Letter 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)*

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



## **Publications**







