

CODE OF CONDUCT FOR RELATIONSHIPS BETWEEN UNIVERSITIES IN THE DISTRICT OF COLUMBIA AND EDUCATIONAL LOAN PROVIDERS

The undersigned universities, in cooperation with the Attorney General for the District of Columbia, voluntarily adopt this Code of Conduct ("Code") regarding appropriate educational lending practices at their institutions.

Prohibition of Certain Remuneration to University Employees

1. A university shall prohibit employees who regularly work in its financial aid office in a non-clerical capacity, or who regularly make substantive decisions or policy concerning educational loans, or who regularly counsel prospective borrowers on educational loans, from accepting from any Lending Institution any gift or trip or lodging worth more than nominal value. (As used in this Code, a "Lending Institution" is any entity that engages in the business of making or guaranteeing loans to students, parents or others for the purposes of financing students' higher education expenses.) This paragraph shall not be construed to prohibit any Lending Institution from paying conference fees for a university employee where the university employee is presenting at a conference sponsored by that Lending Institution. Moreover, this paragraph shall not be construed to prohibit any officer, trustee, director, employee, or agent of a university in his or her personal capacity from conducting business with any Lending Institution when such business is unrelated to, and is not a *quid pro quo* for, business related to the university or to educational loans. Nothing in this paragraph or Code shall prevent a university or any of its officers, trustees, directors or employees from holding membership in any nonprofit professional association.

2. A university shall prohibit employees who regularly work in a financial aid office in a non-clerical capacity, or who regularly make substantive decisions or policy concerning educational loans, or who regularly counsel prospective borrowers on educational loans, from entering into any type of consulting or employment arrangement or other contract to provide services to a Lending Institution.

Limitations on University Employees Participating on Lender Advisory Boards

3. A university shall prohibit employees who regularly work in a financial aid office in a non-clerical capacity, or who regularly make substantive decisions or policy concerning educational loans, or who regularly counsel prospective borrowers on educational loans, and who serve on an advisory board, commission, or group established by a Lending Institution or group of Lending Institutions, from receiving anything of more than nominal value from the Lending Institution or group of Lending Institutions. Nothing in this paragraph or this Code shall prohibit any officer, employee, or agent of a university from serving, and accepting remuneration and expense reimbursement for serving, on a board of directors of (a) any for-profit or non-profit company that does not provide loans to students, parents or others for purposes of financing higher education expenses; or (b) any non-profit membership corporation of which the university, or a component of the university, is a member.

Prohibition of Certain Remuneration to a University

4. A university shall not receive anything of value from any Lending Institution in exchange for providing the Lending Institution with any advantage in marketing,

offering or making educational loans for students enrolled, or expected to be enrolled, at the university; provided, however, that a university shall not be prohibited from receiving from a Lending Institution informational materials for students on that Lending Institution's lending activities and services so long as the materials clearly and conspicuously disclose that the materials are paid for and provided by the Lending Institution. This prohibition on providing the Lending Institution with any advantage in marketing, offering or making educational loans shall include, but not be limited to: (a) "revenue sharing" by a Lending Institution with the university; (b) the university's receipt from any Lending Institution of any computer hardware for which the university pays below-market prices; and (c) printing costs or services. Notwithstanding anything else in this paragraph, a university may accept (a) assistance from a Lending Institution comparable to the kinds of assistance provided by the United States Secretary of Education under, or in furtherance of, the Federal Direct Loan Program; and (b) a Lending Institution's support of and participation in a school's or guaranty agency's student financial aid and financial literacy-related outreach activities, other than in-person school-required initial or exit counseling, so long as the name of the Lending Institution is on the materials provided to the participants and the Lending Institution does not explicitly promote its student loan or other products except as permitted by federal law.

Preferred Lender Lists

5. In the event that a university promulgates a list of preferred or recommended lenders or similar ranking or designations ("Preferred Lender List"), then:

(a) The university's decision to identify a Lending Institution as a Preferred Lender and the university's prioritization, if any, of Lending Institutions on any Preferred Lender list, shall be

(i) determined by consideration of the best interests of the prospective borrowers without regard for the pecuniary interests of the university; and

(ii) based on the merits of the primary loan product of the list concerned without consideration of the terms of other loan products offered by the Lending Institution or other benefits or incentives offered to the university.

(b) A university shall disclose to prospective borrowers, as part of the Preferred Lender List, the methods and criteria used by the university in placing any Lending Institution on the list.

(c) Every brochure, web page or other document that sets forth a Preferred Lender List or identifies any Lending Institution as being on said Preferred Lender List shall state, in the same font and in the same manner as the document's predominant text, that students and their parents are not required to use any of the Lending Institutions on said Preferred Lender

List and will not be penalized by the university for choosing a Lending Institution that is not on said Preferred Lender List.

(d) The composition of any Preferred Lender List shall be reviewed by the university no less than annually.

(e) Universities may not permit a Lending Institution to appear on a Preferred Lender List unless the Lending Institution provides written assurances that it will clearly and conspicuously disclose to students at the time of any loan any pre-existing agreement to sell the loan to another institution (which shall not include sales to the U.S. Department of Education or sales to other federal, state or District of Columbia governmental entities). Universities may seek such assurances during the annual review of a Preferred Lender List required under federal law, or at such other times as may subsequently be required by law.

Prohibition of Lending Institutions' Staffing of University Financial Aid Offices

6. An employee or other agent of a Lending Institution shall not be employed by the university to regularly work in a non-clerical position in a financial aid office or in any position that regularly makes substantive decisions concerning policy on educational loans or that regularly counsels prospective borrowers on educational loans,

Proper Use of Master Promissory Notes

7. A university shall not link or otherwise direct potential borrowers to any electronic Master Promissory Notes or other loan agreements that do not allow students to enter or select the lender code name for any Lending Institution

offering the relevant loan through the relevant guaranty agency or electronic application service. A university's link or direction referred to in this paragraph shall comply with paragraph 5(a) and (b) above. Nothing in this paragraph shall preclude a university from providing in any brochure, website or other document the top-level domain address (e.g. www.samplelender.com) or similar address of a Lending Institution for the purpose of allowing borrowers to review the site, terms, services and offers of that Lending Institution, provided that such website address does not link directly to a promissory note or loan agreement without the potential borrower electing to apply for a loan with that Lending Institution.

School as Lender

8. If a University participates in the federally authorized "School as Lender" program under 20 U.S.C. §1085(d)(1)(E), then the university shall not treat School As Lender loans any differently than if the loans originated directly from another Lending Institution.

Opportunity Loans

9. A university shall not arrange with a Lending Institution to provide any Opportunity Loans if the provision of such Opportunity Loans prejudices any other borrower. Opportunity Loans are loans that a Lending Institution offers pursuant to an agreement with a university under which the Lending Institution agrees to make loans up to a specified aggregate amount to students with poor or no credit history, or to international students, who the Lending Institution claims would otherwise not be eligible for the Lending Institution's alternative loan program(s). Nothing in this paragraph or Code shall be construed to prevent a

university from offering loans, or arranging for loans to be offered, to international students, at fair market rates, when those students would be otherwise unable to secure a domestic loan, provided that such loans are not loans that prejudice other borrowers.

Legal Effect and Applicability of Code

10. This Code is applicable to future practices only, and is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, by any party against any university signing this Code, its agencies, instrumentalities, or entities, its officers, employees, or agents, or any other person. The Code applies only to employees of the signatory institutions and is not meant to address non-employee trustees or directors of the universities. The Code applies to business relationships between Lending Institutions and signatories hereto connected to marketing, offering or making educational loans. It does not apply to philanthropic or other business transactions, such as general banking services or advertising relationships, that may exist between Lending Institutions and signatories hereto and that are unconnected with any advantage in marketing, offering or making educational loans provided to the Lending Institutions.

Conflict with Applicable Laws

11. In the event of any conflict between the terms of this Code and any applicable District of Columbia, federal, state or local statutes, rules, regulations, or guidelines (collectively the "applicable laws"), the provisions of the applicable laws shall prevail.

Re-Negotiation of Code

12. The Attorney General for the District of Columbia and the universities that are parties to this Code understand that circumstances may change in relation to student loans, and accordingly commit to re-examine and re-negotiate the terms of this Code at the request of any university or the Attorney General if there is a material change in the law, the relevant lending environment, or other relevant circumstances. If any university or the Attorney General is dissatisfied with the results of such re-negotiation, it shall have the right to withdraw from this Code. In addition, at any time after three years have elapsed from the Code's effective date, any university may withdraw from the Code upon thirty (30) days written notice to the Office of the Attorney General.

Effective as of September 1, 2008