

Bethel University

Code of Conduct Governing Educational Loan Activities

Section 487(a)(25)(A) of the Higher Education Act (HEA) requires schools who participate in a Title IV loan program 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 (DL), the Federal Perkins Loan Program, the Minnesota Student Education Loan Program (SELF), or any private educational loan.

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.

The code of conduct shall prohibit a conflict of interest between the responsibilities of an officer, employee, or agent of the school and financial institutions with respect to educational loans. All of the following individuals or entities associated with Bethel University must comply with the code of conduct governing educational loan activities (*HEA Section 487(a)(25)(A)*):

- An employee
- A contract employee
- A director or officer
- A trustee
- An agent – including an alumni association or any other organization directly or indirectly associated with or authorized or employed by Bethel University

This code of conduct must be published prominently on the Bethel University internet site. At least annually, Bethel University's officers, employees, and agents must be informed of the provisions of this code of conduct. (*HEA Section 487(a)(25)(B) and (C)*).

Advisory board compensation. Bethel University employees who serve on an advisory board, commission, or group established by a lender, guarantor, or group of lenders or guarantors will not accept any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation from the lender, guarantor, or group of lenders or guarantors. However, the employee may be reimbursed for reasonable expenses incurred in serving on the advisory board, commission, or group.

Assigning lenders. Bethel University will not assign, through award packaging or other methods, any first-time borrower's non-Title IV loan to a particular lender or refuse to certify or delay certification of any loan based on the borrower's selection of a particular lender or guarantor.

Contracting arrangements are prohibited. Bethel University will not accept any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation from any lender or affiliate for any type of consulting arrangement or other contract to provide services to the lender or on behalf of the lender with regard to education loans.

➤ **Exceptions:**

- Paid or unpaid service on a Board of Directors of a lender, guarantor, or servicer of education loans by an officer or employee of a school who is not employed in the financial aid office or an agent who do not have responsibilities with respect to education loans.
- Paid or unpaid service on a Board of Directors of a lender, guarantor, or servicer of education loans by an officer or employee of a school who is not employed in the financial aid office but who does have responsibilities with respect to education loans as a result of a position held at the school or an agent who has responsibilities with respect to education loans if the school has a written conflict of interest policy that clearly sets forth the requirement that officers, employees, or agents must recuse themselves from participating in any decision of the Board with regard to education loans at the school.
- Service by an officer, employee, or contractor of a lender, guarantor, or servicer of education loans on a Board of Directors or as a trustee of a school if the school has a written conflict of interest policy that the Board member or trustee must recuse himself/herself from any decision with regard to education loans at the school.

Gift ban. Bethel University will not solicit or accept any gift from a lender, guarantor, or servicer of education loans. A gift is defined as any gratuity, favor, discount, entertainment, hospitality, loan, or other item having a monetary value of more than a *de minimis* amount.¹

➤ **Exceptions: A gift does not include any of the following:**

- Materials, activities, or programs related to loan issues, default aversion, default prevention or financial literacy, such as a brochure, a workshop, or training.
 - Food, refreshments, training, or informational material furnished to an officer or employee of the school or to an agent as a part of a training session designed to improve the service of a lender, guarantor, or servicer of education loans to the school if such training contributes to the professional development of the school's staff.
 - Favorable terms, conditions, and borrower benefits on an education loan provided to a student employed by the school if the same terms, conditions, or benefits are comparable to those provided to all students at the school.
 - Entrance and exit counseling as long as the school's staff is in control of the counseling (whether in person or via electronic capabilities) and the counseling does not promote the products or services of any specific lender.
 - Philanthropic contributions to a school from a lender, servicer, or guarantor that are unrelated to education loans and not made in exchange for any advantage related to education loans.
 - Education grants, scholarships or financial aid administered by or on behalf of a State.
 - An employee of Bethel University may also accept items of value from a lender, lender servicer, or guarantor that are also offered to the general public.
- A gift to a family member of an officer or employee of a school or an agent or to any other individual based on that individual's relationship with the officer, employee, or agent shall be considered a gift if the officer, employer, or agent knew about the gift and had reason to believe that the gift was given based on the official position of the officer, employee, or agent.

Offers of funds for private loans. Bethel University will not request or accept funds from any lender for private education loans including funds for an opportunity pool loan² to its students in exchange for the school

¹ Under IRS guidelines, the *de minimis* rule can also apply to any benefit, property or service provided to an employee that has so little value that reporting for it would be unreasonable or administratively impracticable. For example, use of a company photocopier to make copies for personal use. Cash is not excludable, regardless of the amount. (See, IRS Publication 15-B which may be accessed at www.irs.gov.)

providing concessions or promises to the lender regarding the number or volume of loans or a preferred lender arrangement.

Preferred lender arrangements. Bethel University will use a fair process in evaluating potential lenders for our preferred lender list. The list will be compiled annually and made available to students and families of students attending Bethel. The list will include at least two unaffiliated lenders. In addition, all of Bethel's marketing materials containing the preferred lender list shall also advise students and their families that they have the right to select the lender of their choice, are not required to use any of the lenders on the preferred lender list, and will suffer no penalty or incur unnecessary delay for choosing a lender not on the list.

All preferred lenders must satisfy the following minimum expectations:

- Demonstrate a commitment to helping borrowers avoid going into default (e.g., proactively contacting borrowers who are late on payments, providing resources that help borrowers manage their money and avoid borrowing too much).
- Demonstrate the commitment and ability to provide educational loans for the long term.
- Clearly communicate the terms and conditions of their educational loans.
- Provide high levels of customer service, including, but not limited to, online loan applications, access to loan status online, disbursement of loan funds via electronic funds transfer, online loan information tailored specifically for Bethel borrowers, and prompt response to any loan processing issues identified by our borrowers or staff.

Revenue-sharing arrangements ban. Bethel University will not enter into a revenue-sharing arrangement which is defined as an arrangement between a school and a lender under which the lender pays a fee or provides other material benefits, including revenue or profit sharing to the school, an officer or employee of the school, or an agent and in exchange, the school recommends the lender or the lender's loan products and the lender makes loans to the students. (*HEA Section 487(e)(1); Truth in Lending Act Section 140(b)(2)*).

Staffing assistance ban. Bethel University will not request or accept any assistance from any lender with financial aid office staffing. However, professional development training for financial aid administrators, or staffing services on a short-term, non-recurring basis during State or federally declared natural disasters, federally declared national disasters, and other localized disaster and emergencies identified by ED are not prohibited.

Use of Bethel's identity. Bethel University will not allow a lender to use Bethel University's name, emblem, mascot, logo, or other words, pictures or symbols that readily identify Bethel University in a manner that implies the loan is offered or made by Bethel University.

World-view. Bethel University will refrain from taking any action we believe is contrary to law, regulation, or the best interests of the students and parents we serve. Bethel University will see that the information we provide is accurate, unbiased, and does not reflect any preference arising from actual or potential personal gain.

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- ² An opportunity pool loan is defined as a private education loan made by a lender to a student or the family of a student attending the school that involves a payment, directly or indirectly, by the school of points, premiums, additional interest, or financial support to the lender for the lender's extension of credit to the student or family.