

Financial Aid Code of Conduct

Purpose Statement

This Code of Conduct is intended to ensure that the relationships between providers of education loans and other forms of financial aid to students of the Connecticut Community College System and the representatives of the Community Colleges with whom they deal are free from all conflicts of interest, actual and perceived. Students of the Community Colleges or, in appropriate cases, their parents, shall be the sole beneficiaries of all forms of financial aid.

I. Definitions

A. "College" shall mean any college in the Community College System or the Community College System, including the Board of Trustees for the Community-Technical Colleges.

B. "Lending Institution" or "Lender" shall mean any entity that itself, or through an affiliate, engages in the business of making or guaranteeing loans to students, parents or others for purposes of financing higher education expenses. "Lending institution" or "Lender" shall not include any college in the Community College System, the Community College System, the Board of Trustees for Community-Technical Colleges or the State or the Federal Government.

C. "Compensation" shall mean 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 or other items of value, whether given directly or indirectly.

D. "Trade Association" shall mean any higher education financial aid, lending or banking trade, industry or professional association that has received compensation within the preceding 12-month period from any Lending Institution or Lender.

E. "Outside Director" shall mean 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.

F. "Agent" shall mean an employee or other person acting as a representative of and at the direction of or under the control of a college where such person's responsibilities relate primarily to the college's activities involving financial aid or higher education loans.

G. "Affiliated Organization" shall mean an alumni association, booster club, foundation, athletic organization, social organization, academic organization, professional organization or other organization which is affiliated with a college and which is not a separately existing legal entity.

H. "Opportunity Loan" shall mean a loan to any student who, because of his/her credit history or lack of credit history, does not have access to student loans on reasonable terms.

II. Code of Conduct

A. Prohibition of Certain Compensation to College Employees

1. No college trustee, director, officer, or agent, including any employee who is employed in the financial aid office of a college, or who otherwise has responsibilities with respect to higher education loans or other financial aid at the college, and no spouse or dependent child of any such person (“family member”) shall accept compensation of more than nominal value (not to exceed the gift limitations established in the State Code of Ethics), directly or indirectly, from or on behalf of a lending institution or trade association. This provision shall not be construed to prohibit any trustee, director, officer, agent or employee of a college or any of their family members from receiving compensation for the conduct of non-college business with any lending institution or trade association or from accepting compensation that is offered to the general public, provided receipt of such compensation is permitted by the State Code of Ethics.

2. Notwithstanding the prohibitions set forth in subsection II.A.1 above or any other provision of this Code of Conduct, (i) a college may hold a membership in any nonprofit professional association; and (ii) a college trustee, director, officer, or employee who 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 college 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 college, and provided further that such college trustee, director, officer or employee complies with the Community College System Ethical Conduct Policy and receives annual written notice of the requirements of this Code of Conduct and of the System Ethical Conduct Policy.

3. Notwithstanding the prohibitions set forth in subsection II.A.1 above, 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 shall not be prevented from serving on the Board of Trustees of the Community-Technical Colleges solely by virtue of his or her position with the lending institution or trade association, provided that any such person is precluded from participating in the Board’s discussions or decisions that might affect the interests of such lender or trade association.

4. Nothing in this Code of Conduct shall be construed to conflict with the requirements of Connecticut General Statutes §§10a-201 et seq., including without limitation §10a-203(a), and §§10a-221 et seq.

5. The prohibitions set forth in this subsection II.A shall also include, but not be limited to, a ban on any payment or reimbursement by a lending institution or trade association to a college employee or family member for lodging, meals, or travel to conferences or training seminars unless such payment or reimbursement is related solely to non-college business or is otherwise permitted pursuant to the State Code of Ethics, Connecticut General Statutes §1-84(k). College employees whose duties relate to financial aid may accept food or refreshments provided or paid for by a lender or trade association at a meeting, conference or seminar related to their professional development or training, as permitted under the State Code of Ethics. College 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 any registration fee is limited to covering the costs associated solely with the education or training component of the program, if permitted pursuant to the State Code of Ethics.

B. Limitations on Participation on Lender Advisory Boards

No college trustee, director, officer, agent or employee, or any of their family members shall serve on an advisory board for a lender unless such service is unrelated in any way to financial aid or higher education loans. 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.

C. Prohibition of Certain Compensation to a College

1. No college or any of its 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 shall include, but not be limited to: (i) revenue sharing by a lending institution or trade association with a college or affiliated organization; (ii) the receipt by a college or affiliated organization from any lending institution or trade association of any equipment or supplies, including, without limitation, computer hardware and software, for which the college or affiliated organization pays below-market prices; and (iii) printing costs or services, provided that a college or affiliated organization shall not be prohibited from accepting a lender's or trade association's own standard printed brochures or informational material that does not contain the college logo or otherwise identify the college.

2. Notwithstanding anything else in this subsection II.C, a college 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 shall prohibit a college or affiliated organization from accepting endowment gifts, capital contributions, scholarship funding, or other financial support from a lender or trade association, so long as the college gives no competitive advantage or preferential treatment to the lender or trade association related to its education loan activity in exchange for such support.

D. Preferred Lender Lists

In the event that a college promulgates a list of preferred or recommended lenders or similar ranking or designation ("preferred lender list"), then:

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 by which the college selected lenders for said preferred lender list, including but not limited to the criteria used in compiling said list and the relative importance of those criteria; and

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 shall 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 college for choosing a lender that is not on said preferred lender list;

3. A college's selection of preferred lenders and decision as to where or how prominently on the list the lending institution's name appears shall be based solely on the best interests of student and parent borrowers, utilizing 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 college to process loans, without regard to the

pecuniary interest of the college or to any benefits provided by lending institutions to the college or any of the college's trustees, officers, directors, agents or employees or their family members or to its affiliated organizations. A college's selection of any preferred lender shall 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 college's preferred lender list shall indicate the types of loans for which each lender has been selected as a preferred lender. Nothing in this provision is intended to restrict a college's ability to exercise its discretion in making its own, final judgment about which lenders best meet the college's criteria and the needs of its student and parent borrowers.

4. Colleges shall review their preferred lender lists at least annually;

5. Colleges shall require that all preferred lenders commit, in writing to disclose to the borrower, at the time a loan is issued: (i) whether the loan may be sold to another lender; (ii) that the loan terms and benefits will not change if the loan is sold to another lender; and (iii) that the loan benefits may change if the borrower chooses to consolidate his or her loans.

6. Colleges shall ensure that any preferred lender list that they publish to students contains no fewer than three (3) lending institutions.

E. Prohibition of Lenders' Staffing of a College Financial Aid Office

1. No employee or other agent of a lending institution may staff a college financial aid office at any time. Colleges shall ensure that no employee or other representative of a lending institution is ever identified to students or prospective students of the college or their parents as an employee or agent of the college. The foregoing prohibitions notwithstanding, if a college believes that it would benefit students, the college may allow representatives of lenders to conduct informational sessions, such as exit interviews and presentations on loan payment and loan consolidation options, so long as: (i) student attendance is voluntary; (ii) a college representative explains that other lenders may provide similar services; (iii) the affiliation of the lender representative is disclosed at the start of the presentation; (iv) the lender representative does not promote the products or services of any lender, and (v) the college takes reasonable steps to ensure compliance with the requirements of this paragraph.

2. In the event that a college permits a lender to conduct information sessions or exit interviews as set forth in subsection II.E.1 above, the college must retain control of any such session or interview conducted by the lender. Control of an in-person information session or exit interview conducted by a lender may be evidenced by: (i) a college employee attending such interview or presentation; or (ii) the college recording or videotaping the session or interview. Control of an information session or exit interview conducted electronically, via the internet, may be evidenced by the college creating or approving in advance the content of such session or interview.

F. Proper Execution of Master Promissory Notes

Colleges shall 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 unless the college'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 that a college 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 above.

G. Requirements for Opportunity Loans

Colleges may enter into arrangements with lenders to provide opportunity loans to students whose credit rating would otherwise preclude them from obtaining loans with reasonable rates and terms. Such arrangements may be made with a preferred lender after a college has selected preferred lenders in accordance with the provisions of Section II.D above, or it may use a separate process for selecting lenders to provide opportunity loans, so long as that process also complies with the provisions of Section II.D above. Colleges shall not request, accept, solicit or consider a lending institution's offer to provide opportunity loans in exchange for a college's providing concessions, benefits or promises to the lender.

H. Revolving Door Prohibition

1. In the event a college hires an employee who will be employed in the financial aid office of the college 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 college, such employee shall be prohibited from having any dealings or interactions with such lender on behalf of the college for a period of twelve (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 a college during the 12-month period prior to the date of such employee's hire by the lender, the college shall be prohibited from having any dealings or interactions with such employee for a period of twelve (12) months from the date such employee's employment with the college was terminated.

I. Miscellaneous Provisions

All provisions of this Code of Conduct should be read in conjunction with the System Ethical Conduct Policy and with the Code of Ethics for Public Officials, CGS section 1-79 et seq. and with any amendments thereto.