University of California Code of Conduct Regarding Preferred Lender Arrangements

The following is from the "Code of Conduct" section of the University of California Policy on Education Loan Practices.

The code of conduct regarding preferred lender arrangements is designed to prohibit a conflict of interest for all UC employees and agents of the UC system who have responsibilities that include private student loans. All such employees must be annually informed of the provisions of the code of conduct. The requirements contained herein augment the requirements outlined in UC's Business and Finance Bulletin G-39, Conflict of Interest Policy and Compendium of Specialized University Policies Guidelines, and Regulations related to Conflict of Interest (see VI-B for link to policy).

All references to "UC" to "UC employees" and to "UC campuses" apply to the University as a whole, to individual campuses and departments, and to officially recognized alumni associations. All references to "lenders" apply to entities that provide education loans to UC students. Unless otherwise noted, references to "lenders" also include loan service providers.

Employee-Lender Relationships and Interactions

University employees have historically interacted with lenders in a variety of contexts, including professional association meetings and industry conferences, service on lender advisory boards, and routine interactions related to student loan administration. The continuing value of such interactions is the exchange of information to inform University decision-makers about the range of products and services available to students, and to help lenders improve the products and services available to UC students.

No relationship between the University and a lender may compromise the University's ability to help students and their families identify and receive the loans that best meet their needs. University-lender relationships must conform to the highest standards of integrity, transparency, and service to students.

The University's mission is furthered through financial support from public and private entities, including corporations and business concerns. Examples include sponsored research initiatives, corporate-sponsored scholarships and symposia, and corporate programs that match charitable contributions made by the corporation's employees. The provisions below are designed to maintain a clear distinction between general corporate support for University activities and relationships related to private student loans.

1. The University will not accept any payment or other benefit from a lender in exchange for inclusion on a preferred lender list.

2. The University may accept and use collateral information materials provided by a lender that describe their products and services only if the loan products have been accepted for inclusion on a UC preferred private student loan list, in order to avoid the perception that the University is endorsing a lender or loan product that is not a UC preferred private student loan product. Such materials and their display or distribution on campus must conform to all relevant campus policies.

Alumni Associations

Officially recognized University of California alumni associations support the University's mission in numerous ways and are subject to the same federal regulations as the University regarding private student loan preferred lender arrangements. For this reason, UC alumni associations may not promote preferred education loan options to UC students or develop their own preferred lender lists outside of the process described elsewhere in this policy.

Once a student has graduated or is no longer an enrolled UC student, preferred lender arrangement regulations no longer apply. UC alumni associations may work with lenders to provide refinancing and consolidation loan products to former University of California students and their families provided that University alumni associations:

- consult with the campus financial aid office about the terms of the lender's products and the quality of their service before entering into or substantially revising any agreement with a lender regarding the provisions of refinancing and consolidation loans;
- conform to all applicable federal and state laws and regulations regarding relationships between school-affiliated organizations and lenders;
- provide potential borrowers with a description of any benefit provided by the lender to the University (including the alumni association) in exchange for the opportunity to market the lender's loan to the borrower; and
- notify the potential borrower that other lenders may offer either better or less-favorable terms, and that neither the University nor the alumni association makes any claim regarding the terms of the lender's loans.

Conflict of Interest

All employees are subject to the University of California Conflict of Interest Code and the Ethics in Government Act. While these codes do not restrict University employees from giving advice to or receiving information from outside entities, they do prohibit University employees from participating in certain decisions affecting an outside entity. The prohibition applies if the University employee has received a gift – including, in general, reimbursement for meals and travel expenses – from that entity in excess of a specified amount. In addition, individuals who are defined under California law as "designated officials" are entirely prohibited from receiving gifts above a specified amount.

Employees are also subject to the University of California Policy and Guidelines Regarding Acceptance of Gifts and Gratuities, which stipulates that “In addition to the requirements of law, University officers and officials must avoid the appearance of favoritism in all of their dealings on behalf of the University. All University officers and employees are expected to act with integrity and good judgment and to recognize that the acceptance of personal gifts from those doing business or seeking to do business with the University, even when lawful, may give rise to legitimate concerns about favoritism depending on the circumstances.”

To avoid any conflict of interest, the following conduct is prohibited:

1. UC campuses must not enter into any *revenue-sharing arrangement* with any lender. For purposes of this statement, the term *revenue-sharing arrangement* means an arrangement between UC and a lender under which a lender provides a private student loan to students attending a UC campus, UC recommends the lender or their loan products and, in exchange, the lender pays a fee or provides other material benefit, including revenue or profit sharing, to the institution.
2. UC employees and agents of the UC system who are employed in the financial aid office, or otherwise have responsibilities that include private student loans, must not solicit or accept any gift from a lender or servicer of federal or private student loans. The term gift may include any gratuity, favor, discount, entertainment, hospitality, loan, or other item having more than a nominal value. The term includes a gift of services, transportation, lodging, or meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement (except for reasonable expenses as specified in paragraph 11 in this code of conduct) after the expense has been incurred. The term *gift* does <u>not</u> include any of the following:
    a. Standard material, activities, or programs on issues related to a loan, default aversion, default prevention, or financial literacy, such as a brochure, a workshop, or training.
    b. Food, refreshments, training, or informational material furnished to a UC employee or agent of the UC system as an integral part of a training session that is designed to improve the products or services of a lender or servicer of loans, provided such training contributes to the professional development of the UC employee or agent of the UC system. Please note that any UC employee required to file the California Fair Political Practices Commission’s (FPPC) Form 700 under the Political Reform Act (PRA) is prohibited from receiving gifts, including food, which exceed an annual limit. The annual limit is published in Form 700 each year and is reported in the Introduction in the Gift Prohibition section. For 2014, the limit is $440 but the amount may be increased in subsequent years based on the CPI. The most recent Form 700 can be found on the FPPC website http://www.fppc.ca.gov/index.php?id=500/.

c. Favorable terms, conditions, and borrower benefits on a private student loan provided to a student employed by the institution if such terms, conditions, or benefits are comparable to those provided to all students of the institution.
d. Entrance and exit counseling services provided to borrowers to meet the institution's responsibilities provided that the institution's staff are in control of the counseling (whether in person or via electronic capabilities) and such counseling does not promote the products or services of any specific lender.
e. Philanthropic contributions to an institution from a lender or servicer that are unrelated to student loans. This includes any contribution to an institution from any lender or servicer that is not made in exchange for any advantage related to private student loans. For example, a UC campus may utilize third-party products that support private loan application, origination and disbursement processing (e.g. ELMNet, OpenNet, ScholarNet and the National Disbursement Network). These products may be made available at no charge to UC or provided at below-market cost, provided that the evaluation and selection process serves the best interests of the borrowers, and no advantage is given to the third-party entity that provides the product(s).

3. A gift to an immediate family member of a UC employee or agent of the UC system may be also prohibited if:
   a. The donor of the gift and the family member have no established working, social, or similar relationship that would make the gift appropriate to the family member, or
   b. There is evidence to suggest that the donor of the gift had a purpose to influence the UC employee or agent. This could include that the donor is involved in an action or decision of the UC in which the UC employee or agent will participate, or could include a donor who has a contract with the UC or seeks a contract with the UC.
4. A UC employee or agent of the UC system who is employed in the financial aid office of the institution or who otherwise has responsibilities that include private student loans must not accept from any lender or affiliate of any lender any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation for any type of consulting arrangement or other contract to provide services to a lender or on behalf of a lender relating to private education loans. This does <u>not</u> prohibit:
   a. A UC employee or agent of the UC system who is not employed in the institution's financial aid office and who does not otherwise have responsibilities with respect to private student loans from performing paid or unpaid service on a board of directors of a lender or servicer of student loans.
   b. A UC employee or agent of the UC system who is not employed in the institution's financial aid office, but who has responsibilities that include private student loans, from performing paid or unpaid service on a board of directors of a lender or servicer, provided that the individual

recuse himself or herself from participating in any decision of said board regarding the provisioning or servicing of student loans at UC.

   c. An officer, employee, or contractor of a lender or servicer of student loans from serving on any board of directors within the UC System or UC Alumni Associations, provided that the individual recuse himself or herself from any decision regarding the provisioning or servicing of student loans at UC.

5. A UC employee may not direct a borrower to a particular lender by assigning a first-time borrower, through award packaging or other methods, to a particular private lender or loan product.
6. No individual or UC campus may promote or appear to promote any private loan product or lender that has not been selected for inclusion on a UC private student loan list.
7. A UC campus may not refuse to certify or intentionally delay the certification of any loan based on the borrower's selection of a particular lender. However, student borrowers who select lenders that do not have an electronic interface with the campus might experience a longer processing time due to the manual nature of the process and such a delay would not be considered a code of conduct violation.
8. In order to provide loans to populations of students that are not being adequately served by UC's preferred loan lists, a campus may be permitted to enter into a risk-share or recourse contractual relationship with a private lender provided that the funds for those loans are **never** provided in exchange for concessions or promises to the lender of a specified number or volume of private student loans, or in exchange for being put on a preferred lender list. The terms *risk-share or recourse loans*, as used here, refers to arrangements between schools and lenders wherein the school acts as a partial guarantor to offset the risk of borrower default.
   A campus that seeks to enter into a risk-share or recourse relationship with a lender must make a request to the UCOP Director, Student Financial Support, and provide evidence that student enrollment or financial access is being negatively impacted by the inability of prospective or continuing students to secure private student loans.

   Once approval is granted, UCOP will work with the campus to conduct a Request for Information or a Proposal process that reflects the requirements of the desired loan program and complies with all relevant policies.

9. The institution must not request or accept from any lender any assistance with call center staffing or financial aid office staffing. However, it is permissible to request or accept assistance from a lender for:
   a. Professional development training for financial aid administrators.
   b. Educational counseling materials, financial literacy materials, or debt management materials to borrowers, provided that such materials disclose to borrowers the identification of any lender that assisted in preparing or providing such materials.

   c. Staffing services on a short-term, nonrecurring basis to assist the institution with financial aid-related functions during emergencies, including State-declared or Federally-declared natural disasters, and other localized disasters and emergencies identified by the Secretary.

10. A UC employee or employee of a UC-affiliated institution who has job responsibilities that directly or indirectly involve the development of UC private student loan lists, or who communicates with students about their education loan options, must not fail to disclose any potential financial interest in a lender and report the offer of a gift from a lender to his or her supervisor or other appropriate University official. The appropriate official will make a determination as to whether the individual has a potential or perceived conflict based on the financial interest or gift and will determine the proper course of action. No conflict of interest concerns attach to gifts of nominal value such as pens, key chains, and other inexpensive novelties. No gifts of more than a nominal value can be accepted.
11. Any UC financial aid office employee or any UC employee who otherwise has responsibilities with respect to private student loans or other forms of student financial aid and who serves on an advisory board, commission, or group established by a lender or group of lenders, must not receive anything of value from the lender or group of lenders except that the employee may be reimbursed for reasonable expenses incurred in serving on such an advisory board, commission or group. The term *reasonable expenses*, as used here, means that the expenses meet the standards of and are paid in accordance with applicable Federal cost principles for reimbursement as stated in section 200.474 of The Federal Register's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as ruled by the Management and Budget Office (OMB) on December 26, 2013. Because UC's Travel Regulations Policy BFB-G-28 (http://policy.ucop.edu/doc/3420365) meets the Federal cost principles as outlined in OMB's Uniform Guidance, it is appropriate to follow the UC policy. Reimbursements for reasonable expenses, as specified in this paragraph, are permissible and stand as an exception to the gift restrictions stated in paragraph number 2 of this code of conduct. The U.S. Department of Education (ED) is tasked with creating a form for institutions to use to report annually to ED all expense reimbursements received from lenders, and the reimbursements must not exceed those allowed in UC policy. Regulations require that reporting occur annually once ED issues the required forms and reporting instructions.