

**STUDENT LOANS: CODE OF CONDUCT AND STUDENT BILL OF RIGHTS
ADOPTED BY EAST TENNESSEE STATE UNIVERSITY
EFFECTIVE JUNE 15, 2007**

CODE OF CONDUCT

Remuneration prohibited to institutional employees:

Institutions shall ensure that no officer, trustee, director, employee or agent accepts anything of more than nominal value from a “lender” on his or her own behalf or on behalf of another, including any payment or reimbursement by the lender to an institutional employee for lodging, meals or travel to conferences or training seminars.

EXCEPTIONS:

- Allows institutional officers, trustees, directors, employees or agents to conduct non-institutional business with lenders or to receive reimbursement for conferences or training related solely to non-institutional business.
- Allows institutions to hold memberships in nonprofit professional associations.

Limits institutional employees’ participation on lenders’ advisory boards:

Institutions shall forbid any officer, trustee, director, employee or agent from receiving remuneration or expense-reimbursement for serving as a member of a lender’s advisory board.

EXCEPTIONS:

- Allows participation on advisory boards unrelated in any way to higher education loans.
- Allows institutional officers, trustees, directors, employees or agents who are uninvolved in the financial aid office to serve on the board of directors of a publicly traded or privately held company.

Prohibits certain remuneration to the institution:

Institutions may not accept on their own behalf anything of value from any lender in exchange for any advantage or consideration provided to the lender related to its education loan activity. The prohibition includes:

- (i) “revenue sharing” by a lender with an institution;
- (ii) An institution’s receipt of computer hardware at below-market prices; and

- (iii) Printing services at below-market prices.

EXCEPTION: Institutions may accept assistance as contemplated in 34 C.F.R. section 682.200(b)(5)(i), which permits lenders to provide assistance to an institution that is comparable to the assistance provided by the U. S. Department of Education to institutions in the Direct Loan Program.

Conditions for use of preferred lender lists:

In the event that an institution promulgates a list of preferred or recommended lenders, then:

- (a) Every brochure, web page or other document that sets forth the preferred lender list must clearly disclose the process by which the institution selected lenders for the list, including the criteria used and their relative importance;
- (b) Every brochure, web page or other document that sets forth the preferred lender list or identifies any lender as being on the list must state in the same font and manner as the predominant text in the document that students and parents have a right to select the lender of their choice, are not required to use any lenders on the preferred lender list, and will suffer no penalty for choosing a lender on the list.
- (c) The institution's decision to include a lender on any preferred lender list and its decisions as to where on the list the lender's name appears shall be determined solely based on the best interests of students and parents without regard to the institution's pecuniary interests;
- (d) The preferred lender list shall be reviewed at least annually;
- (e) No lender shall be placed on any preferred lender list unless it provides assurance that advertised benefits upon repayment will continue to inure to the benefit of borrowers regardless of whether it sells the loans;
- (f) No lender that, to the institution's knowledge after reasonable inquiry, has an agreement to sell its loans to another unaffiliated lender shall be included on a preferred lender list unless such agreement is disclosed in the same font and manner as the predominant text in the document in which the list appears;
- (g) No lender shall be placed on a preferred lender list or in a favored placement on such a list for one type of loan in exchange for benefits provided to the institution or its students in connection with a different type of loan.

Prohibits lenders from staffing an institution's financial aid offices:

Institutions may not allow a lender's employees or agents to be identified to students, prospective students or their parents as employees or agents of the institution.

No employee or agent of a lender may staff an institution's financial aid office at any time.

Conditions form of execution of master promissory notes:

The institution may not link or otherwise direct potential borrowers to any electronic master promissory note or other loan agreement in an electronic format that incorporates any preferred lender list or similar device into the electronic medium, including any drop-down menus of possible lenders for the student to select. Students must be presented with the opportunity to enter the code or name for any lender that offers the relevant loan product.

Conditions on school-as-lender participants:

If an institution participates in the school-as-lender program, it may not treat school-as-lender loans differently than loans originated by another lender; and all Code of Conduct provisions apply equally to school-as-lender loans as if the loans were provided by another lender.

Prohibition of Opportunity Loans:

An institution may not arrange with lenders to provide Opportunity Loans if provision of Opportunity Loans prejudices another borrower, except that an institution may offer loans to international students, at fair market rates, who would be otherwise unable to secure a domestic loan.

STUDENT BILL OF RIGHTS FOR STUDENT LOANS

Students have the right:

- To unbiased advice about loans and lenders from schools' financial aid offices.
- To choose the lender, even if the lender is not included on the school's preferred lender list.
- To know what criteria a school uses to select preferred lenders.
- To know whether the preferred lenders are paying the school or financial aid officers.
- To know what benefits or rate discounts lenders offer, and whether those benefits or discounts will be made immediately available, or only after a certain number of consecutive timely payments.
- To know if a lender has agreed to sell its loans to another lender.
- To know whether borrower benefits and discounts will continue if the loan is sold.
- To know the interest rate for the loan before borrowing.
- To exhaust federal borrowing options before turning to higher cost private loans.