



ACADEMY *of* ART  
UNIVERSITY

FOUNDED IN SAN FRANCISCO 1929  
BY ARTISTS FOR ARTISTS

Institutional Code of Conduct  
for Educational Loans

## Introduction

Section 487 (a) (25) (A) of the Higher Educational Act (HEA) requires all schools to develop and enforce a code of conduct governing educational loan activities. Educational loan activities at the Academy of Art University (AAU) are those associated with any loan made under the Federal Direct Loan Program or any private educational loan.

A private educational loan is any loan that is not made or guaranteed under Title IV of the HEA and is issued to a borrower expressly for postsecondary educational expenses.

All of the following individual entities associated with the Academy of Art University must comply with this code of conduct governing educational loan activities:

- An employee
- A Director or Officer
- A trustee
- A contract employee
- Any agent – such as the alumni board or other organization directly or indirectly associated with or authorized or employed by AAU.

## Revenue – Sharing Arrangements

The AAU offices, employees, or agents will not solicit or accept a fee, revenue – or profit sharing, or other material benefit provided by a private lender that issues loans to or on behalf of our students in exchange for the AAU recommending the lender or lender’s educational loan products.

## Gifts

### **Impermissible Activities**

An officer, employee, or agent of AAU who is employed in the financial aid office or who otherwise has direct responsibilities with respect to federal and private educational loans must not solicit or accept any gift from a private or direct loans educational loan lender, lender servicer, or guarantor. See exceptions below under “Permissible Activities.”

### *Gifts to Family Members or Others*

A gift to a family member of AAU officer, employee, or agent, or a gift to an individual based on that individuals’ relationship with an officer, employee, or agent of AAU is not permissible if **either** of the following applies:

- The gift is given with the knowledge and acquiescence of the institution’s officer, employee, or agent, **or**
- The officer, employee, or agent has reason to believe the gift was given because of that person’s official position with the institution.

### Gift Definition

A gift means any gratuity, favor, discount, entertainment (including expenses for shows, sporting events, or alcoholic beverages), hospitality (including private parties of select training or conference attendees), loan, or other item having a monetary value of more than a nominal amount. A gift includes services, transportation, lodging, or meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

### **Permissible Activities**

AAU, a AAU employee, or a member of an organization affiliated with AAU may accept items of a nominal value from a private or direct loan educational loan lender, lender servicer, or guarantor that are offered as a form of generalized marketing or advertising or to create good will.

**A “nominal” amount is undefined in federal law or the USDE’s inducement regulations.**

Examples of permissible gifts include, but are not limited to, the following:

- Pens or pencils
- Notepads
- Sticky-notes
- Rulers
- Calculators
- Small tote bags
- Other individual office supply items

An employee of AAU may also accept items of value from a lender, lender servicer, or guarantor that are also offered to the general public.

### **Philanthropic Gifts/Contributions to the Institution**

### **Impermissible Activities**

AAU must not accept philanthropic contributions from a lender, lender servicer, or guarantor that are related to the educational loans provided by the lender, lender servicer, or guarantor to AAU, or that are made in exchange for any advantage related to educational loans. In addition:

- AAU or its affiliated organizations(s) must not accept scholarships or grants from a private loan lender or guarantor in exchange for private loan applications or application referrals, a specified volume or dollar amount of private loans made or guaranteed, or placement of a lender on the institution’s private preferred lender list.

- AAU or its affiliated organization(s) must not accept financial aid funds under any Title IV, State, or private program from a guarantor based on an agreement to use the guarantee agency for processing loans, or to provide a specified volume of loans using the agency's guarantee.

### **Packaging of Private Loans**

#### **Permissible Activities**

AAU may package private educational loans in a student's financial aid award under any one of the following conditions:

- The borrower is ineligible for additional funding
- The borrower has exhausted the limits of his or her eligibility for Title IV loans (Federal Stafford, and, as applicable, Parent PLUS)
- The borrower has not filled out a Free Application for Federal Student Aid (FAFSA)
- The borrower does not desire, or refuses to apply for, a Title IV loan (including a parent PLUS loan)

The packaging of private educational loans will be clearly and conspicuously disclosed to the borrower, in a manner that distinguishes them from loans made under Title IV of the HEA, prior to the borrower's acceptance of the financial aid package.

### **Choice of Lender**

#### **Impermissible Activities**

AAU's financial aid office will not use its (private loans) preferred lender list (PLL) to:

- Require a prospective borrower to use a lender on our PLL
- Deny or otherwise impede a borrower's choice of lender
- Assign a first-time borrower's loan to a particular lender through award packaging or other methods
- Cause unnecessary certification delays for borrowers who use a lender that is not listed on our PLL

### **Consulting and Contractual Arrangements**

#### **Impermissible Activities**

An officer, employee, or agent of AAU who is employed in the financial aid office or who otherwise has direct responsibilities with respect to educational loans will not accept from any lender or its affiliate any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or other contract to provide

services to or on behalf of the lender. A prohibited financial benefit includes the opportunity to purchase stock on other than free market terms.

### **Loan Counseling**

#### **Impermissible Activities**

AAU may request and accept assistance from a lender or guarantor in conducting in-person, initial (i.e., entrance) and exit loan counseling for our students, provided:

- AAU's staff are in control of the counseling
- The lender or guarantor does not promote a specific lender's products or services. A guarantor may promote benefits provided under other federal and state programs that the guarantor administers.

AAU may also request and accept materials, presentations, or on-line loan counseling resources from a lender or guarantor. The materials must disclose the identity of the entity that assisted in preparing or providing the materials, and must not be used to promote the lender's or guarantor's educational loan or other products. A guarantor's materials may promote benefits provided under other federal and state programs that the guarantor administers.

### **Meals, Refreshments, and Receptions**

#### **Impermissible Activities**

See the definition of "Gift" for information about cases when meals, refreshments, or other hospitality is considered a prohibited gift.

#### **Permissible Activities**

AAU's employees, affiliated organizations, and agents may accept from any lender or guarantor food and refreshments that are reasonable in cost and are offered as an integral part of a training session or conference that is designed to contribute to the professional development of AAU's employees or agents. The food and refreshment sponsored by the lender or guarantor must be offered to all who attend the training session or conference.

AAU's employees may attend a lender-or guarantor-sponsored reception for which food and refreshments are provided, so long as the reception is a general gathering that is held in conjunction with a training session or conference and is open to all attendees. These events provide attendees with the opportunity for information-sharing on the training being conducted.

AAU's employees who participate in the planning of a student aid related training session or conference will ensure that food and refreshments sponsored by a lender or guarantor is reasonable in cost by applying the "prudent person test." In other words, the cost per

person for the sponsored event must not exceed the cost that would be incurred by the prudent person under the circumstances at the time the decision was made to incur the cost. The burden of proof will be, in part, on conference managers to show that costs are consistent with the normal per-person cost of the event.

### **Opportunity Pools**

#### **Definition**

An opportunity pool means an educational loan made by a private lender to a borrower that AAU guarantees in any manner or that involves the AAU directly or indirectly paying points, premiums, additional interest, or other financial support to the lender for the purpose of that lender extending credit to the borrower.

#### **Impermissible Activities**

The AAU will not solicit or accept from any lender an opportunity pool to be used for private educational loans in exchange for concessions or promises to the lender that The AAU will deliver a specified number of loans or loan volume.

#### **Permissible Activities**

The AAU may solicit or accept from any lender an opportunity pool to be used for private educational loans, if it is **not** provided in exchange for a promise that The AAU will deliver to the lender a specified number of loans or loan volume.

### **Preferred Lender Arrangements**

#### **Definition**

A preferred lender arrangement is an arrangement or agreement between AAU or an organization affiliated with AAU and a lender that provides educational loans to our borrowers in which AAU promotes, or endorses the lender's educational loan product.

The identity of any private lender with whom AAU or any of its affiliated organizations have a preferred lender arrangement will be displayed on all information and documentation related to the lender's loans.

#### **Preferred Lender Lists (PLL)**

A preferred lender list (PLL) is a list of private lenders which AAU recommends.

#### **Impermissible Activities**

AAU's private loan PLL will not include less than three unaffiliated lenders. For this purpose, a lender is affiliated with another lender if any of the following applies:

- The lenders are under the ownership or control of the same entity or individuals

- The lenders are wholly or partly owned subsidiaries of the same parent company
- The directors, trustees, or general partners, or individuals exercising similar functions, of one of the lenders constitute a majority of the persons holding similar positions with the other lender.

AAU's private PLL will not include lenders that have offered, or have offered in response to our solicitation, financial or other benefit to AAU in exchange for inclusion on the PLL, or a promise that AAU or its students will send a certain number of loan applications to the lender.

AAU will not deny or impede a borrower's choice of a lender or cause unnecessary loan processing delays for a borrower who chooses a lender that is not included on AAU's private preferred lender list.

### **Preferred Lender List Alternatives**

#### **Permissible Activities**

AAU is not required to maintain a preferred lender list for private loans, and may provide no information to educational loan borrowers about lenders. Other acceptable alternatives to a preferred lender list appear below.

AAU financial aid office may employ the following alternatives to a preferred lender list. These alternatives are not considered a preferred lender list or preferred lending arrangement.

- If AAU is unable to identify at least three unaffiliated lenders that will make loans to its students or parents sufficient to meet the requirements of a preferred lender list, we may provide the names of all of the lenders that have indicated that they would provide loans to our students and their parents. In providing this information, AAU will make it clear that we do not endorse the lenders, and provide a clear statement that the borrower may choose to use any lender that will make private loans to the borrower for attendance at AAU.
- AAU may provide a comprehensive list of lenders that have made loans to our students or parents in the past three to five years (or some other period) and that have indicated that they would continue to make loans to our students. AAU will **not provide any additional information about the lender**, including, for example, the percentage of loans made to our students by a particular lender. AAU will make it clear that **we do not endorse the lenders**, and provide a clear statement that the **borrower can choose to use any private lender** that will make loans to the borrower for attendance at AAU.

If AAU initially meets the preferred private lender list requirement of including a minimum of three unaffiliated lenders, we may be later notified that one or more of those lenders has decided to discontinue making loans to our students and parents.

### **Publications**

#### **Impermissible Activities**

AAU will not permit a private lender to use our name, emblem, mascot, logo, other words, pictures or symbols readily identified with AAU in the marketing of private educational loans to our students or parents in a way that implies that AAU endorses the lender's private educational loans.

#### **Permissible Activities**

AAU may request and accept, free of charge, student aid outreach, financial literacy, debt management, default prevention, or default aversion materials and publications from a private lender, or guarantor. AAU may also request and accept initial (i.e., entrance) and exit loan counseling materials, presentations, or on-line resources from any lender or guarantor. The materials must disclose the identity of the entity that assisted in preparing or providing the materials, and must not be used to promote the lender's or guarantor's educational loan or other products. A guarantor's materials may promote benefits provided under other federal and state programs that the guarantor administers.

### **Staffing Assistance**

#### **Impermissible Activities**

AAU will not permit a private lender to staff our financial aid offices or call center under any circumstances.

### **State Education Grants, Scholarships, and Financial Aid Funds**

#### **Permissible Activities**

AAU may request and accept from any lender or guarantor standard materials, activities, and programs, including workshops and training, that are designed to improve the lender or guarantor's services or contribute to the professional development of AAU financial aid office staff, on student aid outreach, financial literacy, debt management, default prevention, and educational counseling. The lender or guarantor that provides any materials to AAU must disclose its identity in the materials that it assists in preparing or providing, and the lender's or guarantor's materials must not promote its student loan or other products. A guarantor may promote benefits provided under other Federal or State programs the guarantor administers.

## **Technology**

### **Impermissible Activities**

AAU will not accept from a private lender, either of the following at below market rental or purchase cost;

- Computer hardware
- Computer software that is unrelated to educational loan processing or financial aid

### **Permissible Activities**

AAU may accept, free of charge, any of the following from a lender or a guarantor;

- Financial aid related software
- Loan processing data transmission services
- A toll-free telephone number to obtain information about educational loans

## **Training**

### **Impermissible Activities**

AAU will not accept payment of training or conference registration, travel, or lodging costs from any lender or guarantor.

### **Permissible Activities**

AAU may request and accept, free of charge, from any lender or guarantor standard materials, activities, and programs, including workshops and training, that are designed to improve the lender or guarantor's services or contribute to the professional development of AAU financial aid office staff relative to financial aid administration, student aid outreach, financial literacy, debt management, default prevention, and educational counseling.

## **Travel and Lodging**

### **Impermissible Activities**

An officer, employee, or agent of AAU who is employed in the financial aid office or who otherwise has educational loan responsibilities will not request or accept lodging or travel costs from a lender or lender servicer, or a guarantor, except as provided below.

**Permissible Activities**

An officer, employee, or agent of AAU who is employed in the financial aid office or who otherwise has educational loan responsibilities and who serves on a guarantor advisory council may accept reimbursement for reasonable expenses incurred for service on the guarantor's advisory council. See "Advisory Councils" for more information about permissible activities.