

IN THE MATTER OF  
FAIRFIELD UNIVERSITY

)  
)  
)  
)  
)

**ASSURANCE OF VOLUNTARY COMPLIANCE**

**WHEREAS**, Richard Blumenthal, Attorney General of the State of Connecticut, caused an investigation (“Investigation”) to be made of various institutions of higher education, including Fairfield University (“Fairfield” or the “School”), relating to practices concerning the business of financial aid and higher education loans. Fairfield cooperated in the Attorney General’s Investigation by voluntarily producing documents and providing information relevant to the Investigation.

**A. FINDINGS OF THE ATTORNEY GENERAL**

**WHEREAS**, based upon the Connecticut Attorney General’s Investigation, the Connecticut Attorney General has made the following findings and was prepared to allege the following:

1. Fairfield University is a residential university located in Fairfield, Connecticut. In order to assist students and families in their efforts to finance their education at Fairfield, the School maintains a Student Financial Assistance Office (“Financial Aid Office”). The Financial Aid Office works on an individual basis with students and their families in determining how to finance their college education. Students and their families rely on the guidance and advice provided to them by the Financial Aid Office with respect to these issues.

2. Depending on the financial need of a student and that of his or her family and the availability of scholarship or grant funds, a student and his or her family might obtain financing from one or more of the following sources, among others:

- a. Federally subsidized and unsubsidized loans under the Federal Family Education Loan Program (“FFELP Loans”);
- b. Loans to parents under the Federal Parent Loan Program (“PLUS Loans”); and
- c. Additional loans from private lenders (“Alternative Loans”).

3. Thousands of banks and other private lenders provide FFELP Loans, PLUS Loans and Alternative Loans and compete aggressively for the student loan business in each category. As such, their students and their parents must evaluate many choices of lenders. In order to assist students in this selection process, Fairfield’s Financial Aid Office creates a “Preferred Lender” list for each category of loans on an annual basis which purports to identify lenders that offer the best benefits to borrowers. On a national level, the substantial majority of student borrowers select their lenders from their school’s Preferred Lender Lists; lenders on the list typically receive in aggregate up to 90% of the loans taken out by the school’s students and their parents. From a lender’s perspective, then, securing a spot on the Preferred Lender list is critical in the competition to secure loan volume.

4. Fairfield represented to its students and their parents that the lenders it places on the Preferred Lender list offered the best package of borrower benefits for borrowers and that it was solely this fact that earned the lenders a spot on the list. In assembling the Preferred Lender list, the Fairfield Financial Aid Office purported to consider the following criteria/borrower benefits (“Criteria”):

- a. Reduced default/origination fees;
- b. Reduced interest rates;
- c. Cash back/rebate programs;
- d. Reasonableness of on-time/late payment criteria;
- e. Efficiency of origination, guarantee and payment of proceeds;
- f. Levels of customer service;
- g. Default procedures;
- h. Reputation of lenders; and
- i. Prior borrower experience.

5. The College Board, Inc. (“College Board”) provides various admissions-related services and products and also is a lender that provides FFELP Loans, PLUS Loans and Alternative Loans to students and their families. The College Board also offers various other services to schools related to the business of financing higher education, including, without limitation, licenses to use various software programs and other products related thereto such as the Financial Aid Strategy Tool, an Institutional Documentation Service, Descriptor PLUS Geodemographic Data Service, Student Search Services, and PowerFAIDS.

6. In March 2005, Fairfield entered into a Software and Data License Agreement with the College Board (“Agreement”) pursuant to which the College Board granted Fairfield licenses for a three (3) year period to use various of its financial aid and admissions-related software products. In addition, the Agreement designated Fairfield as a *Solution Partner* and reflected the College Board’s agreement to discount the contract by \$8,000 annually during the term of the Agreement.<sup>1</sup> As a condition for the College Board’s discount, however, Fairfield was required to agree to, among other things, “maintain the College Board as a preferred lender (sic)” throughout the term of the Agreement.

---

<sup>1</sup> Fairfield refused the discount during for the third year of the contract. As a result, the total discount received by Fairfield was \$16,000.

7. In 2005, after the effective date of the Agreement, Fairfield listed the College Board on the Preferred Lender list during the term of the Agreement for both FFELP Loans and PLUS Loans. Having satisfied the requirements of the Agreement, Fairfield was entitled to receive the discount pursuant to the Agreement. Over the life of the Agreement, Fairfield accepted \$16,000 in discounts from the College Board.

8. Subsequent to its agreeing to place the College Board on the Preferred Lender list, Fairfield, in September 2005, commenced a competitive bid process by issuing a Request for Proposal (“RFP”) to nine (9) lenders seeking information concerning the lenders’ educational finance products and services. All nine (9) of the lenders contacted by Fairfield responded to the RFP, including the College Board. Notwithstanding their prior contractual commitment to include the College Board on the Preferred Lender list, Fairfield purports that the College Board was selected as a preferred lender due to the fact that it demonstrated itself through the RFP process to be one of four lenders that offered superior borrower benefits to students.

9. In February 2006, AMS, a lending affiliate of Sallie Mae, sponsored a client focus group meeting to discuss client concerns relating to AMS’ student loan programs (“AMS Trip”). The meeting took place in Amelia Island, Florida over a period of three days. The Director of Fairfield’s Financial Aid Office attended that meeting and all of his travel and accommodation expenses were paid for by AMS. At the time of that meeting, AMS was a preferred lender at Fairfield.

10. Fairfield did not disclose to its students or their families that it received the above-referenced discounts from the College Board or that it was required by the

Agreement to place the College Board on its Preferred Lender list(s) as a condition for receiving the discounts.

**WHEREAS**, based on the findings of the Investigation, the Connecticut Attorney General and the Commissioner of the Department of Consumer Protection (“DCP Commissioner”) believe that certain practices of Fairfield may constitute a violation of existing law and public policy concerning the business of financial aid or higher education loans and thus may violate the Connecticut Unfair Trade Practices Act (“CUTPA”), Conn. Gen. Stat. §§42-110a et seq.

**WHEREAS**, Fairfield denies the above allegations.

**WHEREAS**, the Connecticut Attorney General, the DCP Commissioner and Fairfield have entered into this Assurance without any complaint having been filed or any adjudication of any issue of fact or law herein and without this Assurance constituting any admission by, any evidence against, or any estoppel against Fairfield or any other parties being released with respect to such issues.

**WHEREAS**, the Connecticut Attorney General and the DCP Commissioner find that the relief and agreements contained in this Assurance are appropriate and in the public interest and the best interests of Fairfield’s students, and are willing to accept this Assurance as a resolution of the Investigation. The Connecticut Attorney General, the DCP Commissioner and Fairfield wish to enter into this Assurance to resolve all issues related to the Investigation.

**WHEREAS**, pursuant to this Assurance, Fairfield has agreed to alter its practices with respect to education loans, to adopt a Financial Aid Code of Conduct, attached

hereto as **Schedule A**, and to make a contribution to a scholarship fund agreed upon with the Connecticut Attorney General, all as more fully set forth below.

**NOW THEREFORE**, the Attorney General, the DCP Commissioner and Fairfield University hereby enter into this Assurance and hereby agree as follows:

**B. COMPLIANCE REFORM**

1. By no later than September 1, 2007, Fairfield shall adopt the Financial Aid Code of Conduct, attached hereto as **Schedule A** ("Code of Conduct"). Fairfield shall provide written notice to the Attorney General and the DCP Commissioner confirming the adoption of the Code of Conduct within five (5) business days of its adoption. For a period of five years, Fairfield shall not amend the Code of Conduct without the written consent of the Attorney General, in his sole discretion, or unless otherwise required by law.

2. Within five (5) business days of the adoption of the Code of Conduct, and thereafter on no less than an annual basis for at least five years, Fairfield shall provide a copy of the Code of Conduct to all of its current officers, trustees, directors and Agents (as that term is defined in the Code of Conduct) and to all of its employees who are involved in financial aid or the business of higher education loans.

3. Fairfield shall post on its website a copy of the Code of Conduct. Additionally, a copy of the Code of Conduct shall be provided promptly and free of charge to any student, prospective student and their respective families upon request.

**C. MONETARY RELIEF**

1. By no later than September 1, 2007, Fairfield shall make a contribution in the amount of \$28,000 to the General University Scholarship Fund. The payment is intended in part as a disgorgement of all financial benefits received by Fairfield pursuant to the College Board Agreement, including the value of the AMS Trip, and in part as a gesture of Fairfield's commitment to continuing to ensure the integrity of the financial aid process and to ensuring open access to financing for higher education. Fairfield shall provide written notice to the Attorney General and the DCP Commissioner documenting its contribution to the scholarship fund within five (5) business days of the contribution.

**D. GENERAL PROVISIONS**

1. If Fairfield commits a material breach of any of the obligations described herein, the Attorney General may in his sole discretion terminate the Assurance upon written notice to Fairfield. In such event, any statute of limitations or other time-related defense applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the execution date of the Assurance and the Assurance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting, or prosecuting any investigation, action, or proceeding, however denominated, related to the Investigation, including, without limitation, any statements, documents, or other materials provided for purposes of settlement negotiations.

2. The Assurance and any dispute related thereto shall be subject to the exclusive jurisdiction of the superior court for the judicial district of Hartford.

3. Subject to Fairfield's compliance with its obligations described in this Assurance, the Attorney General and the DCP Commissioner agree, covenant and acknowledge that they will not initiate, maintain or otherwise bring any complaints, claims, causes of action or other legal proceedings, either civil, in law or equity, against Fairfield based upon the facts discovered or allegations raised in the Investigation. The Attorney General may make such application as appropriate to enforce or interpret the provisions of this Assurance (including the Code of Conduct), or in the alternative, maintain any actions for such other and further relief as the Attorney General may determine is proper and necessary for the enforcement of this Assurance.

4. No failure or delay by the Attorney General or the DCP Commissioner in exercising any right, power, or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided herein shall be cumulative.

5. Fairfield enters into this Assurance voluntarily and represents and warrants that it is represented by legal counsel, that it is fully advised of its legal rights in this matter, and that the person signing below is fully authorized to act on its behalf.

6. This Assurance may be changed, amended, or modified only by a writing signed by all parties hereto.

7. This Assurance and the Code of Conduct together constitute the entire agreement between the Attorney General, the DCP Commissioner and Fairfield, and supersede any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of the Assurance.

8. The Assurance and its provisions shall be effective and binding only when it is signed by all parties.

9. The Assurance may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument.

10. Nothing contained herein shall be construed as relieving Fairfield of its obligation to comply with all state and federal laws, regulations, or rules, nor shall any of the provisions of the Assurance be deemed permission to engage in any act or practice prohibited by such laws, regulations, or rules.

11. Unless otherwise provided, all notices as required by the Assurance shall be provided as follows:

To the Attorney General:

Richard Blumenthal, Attorney General  
Office of the Connecticut Attorney General  
Attn: Antitrust Department  
55 Elm Street  
PO Box 120  
Hartford, CT 06141-0120  
Tel. (860) 808-5318  
Fax. (860) 808-5387

To the DCP Commissioner:

Jerry Farrell, Jr., Commissioner  
Department of Consumer Protection  
165 Capitol Avenue  
Hartford CT 06106

To Fairfield:

Robert Nicola  
Owens, Schine & Nicola, P.C.  
799 Silver Lane  
PO Box 753  
Trumbull, CT 06611-0753  
Tel. (203) 375-0600  
Fax. (203) 375-5003

12. Nothing in the Assurance shall be construed to prevent any person from pursuing any right or remedy at law which they may have against Fairfield.

13. If any portion or part of this Assurance is held invalid, unenforceable or void for any reason whatsoever, that portion shall be severed from the remainder of the Assurance and shall not affect the validity or enforceability of the remaining portions of the Assurance.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**WHEREFORE**, the signatures evidencing assent to this agreement have been affixed hereto on the dates set forth below.

Dated: August \_\_, 2007

**JERRY FARRELL, Jr.**  
Commissioner, Department of Consumer  
Protection

By: \_\_\_\_\_

Dated: August \_\_, 2007

**RICHARD BLUMENTHAL**  
Attorney General of the State of Connecticut

By: \_\_\_\_\_

Dated: August \_\_, 2007

**FAIRFIELD UNIVERSITY**

By: \_\_\_\_\_  
Jeffrey P. Von Arx, S.J.  
President