NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

National Association of Student Financial Aid Administrators (NASFAA)

Statement of Ethical Principles
And
Code of Conduct
For
Institutional Financial Aid Professionals

Prologue

In April 1999, NASFAA's Board of Directors adopted a 12-point *Statement of Ethical Principles* that has served as a common foundation for accepted standards of conduct for the financial aid professional. Recognizing that the primary goal of the financial aid professional is to help students achieve their educational potential by providing appropriate financial resources, the statement addressed the standards that should be followed by these individuals in conducting their daily responsibilities.

This *Statement of Ethical Principles* was developed by the Association's Task Force on Standards of Excellence after hours of thoughtful discussion about the unique, multi-faceted role that financial aid professionals have at their institutions.

Recognizing that postsecondary educational institutions across the nation differ in their governing and administrative decision-making structures and operating policies and procedures, the Task Force focused its attention upon those general standards of conduct that financial aid professionals should adhere to regardless of their place of employment or how the institution performs its business practices.

In the past, these principles have served as a sound framework to guide financial aid professionals in their everyday conduct. But as business practices, notably in the highly competitive student loan arena, have changed, NASFAA recognizes that as an organization we must go beyond the general concepts enunciated in our statement of ethical principles.

Individuals confronted with these new circumstances therefore are seeking additional and more specific advice from NASFAA regarding how they should respond to this new environment. As such, NASFAA's Board of Directors has adopted this *Code of Conduct for Institutional Financial Aid Professionals* to further clarify its original *Statement of Ethical Principles* and to provide additional guidance on the standards of conduct that should be followed by all members of the Association in conducting their daily responsibilities.

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NASFAA Statement of Ethical Principles

NASFAA's *Statement of Ethical Principles* provides that the primary goal of the institutional financial aid professional is to help students achieve their educational potential by providing appropriate financial resources. To this end, this *Statement* provides that the financial aid professional shall:

Be committed to removing financial barriers for those who wish to pursue postsecondary learning.

Make every effort to assist students with financial need.

Be aware of the issues affecting students and advocate their interests at the institutional, state, and federal levels.

Support efforts to encourage students, as early as the elementary grades, to aspire to and plan for education beyond high school.

Educate students and families through quality consumer information.

Respect the dignity and protect the privacy of students, and ensure the confidentiality of student records and personal circumstances.

Ensure equity by applying all need analysis formulas consistently across the institution's full population of student financial aid applicants.

Provide services that do not discriminate on the basis of race, gender, ethnicity, sexual orientation, religion, disability, age, or economic status.

Recognize the need for professional development and continuing education opportunities.

Promote the free expression of ideas and opinions, and foster respect for diverse viewpoints within the profession.

Commit to the highest level of ethical behavior and refrain from conflict of interest or the perception thereof.

Maintain the highest level of professionalism, reflecting a commitment to the goals of the National Association of Student Financial Aid Administrators.

Task Force on Standards of Excellence
Adopted by Board of Directors, April 1999

The NASFAA Board of Directors recognizes that institutional financial aid professionals do not function in a vacuum. First and foremost, they accept an obligation to their institution, and especially its students and families, to manage and interpret the complexities of the student financial assistance process. They must also work collaboratively with state and federal agencies and with private entities such as student loan providers to promote college access and improve student service. Finally, every student financial aid professional must continually be involved in training and professional development to ensure that he or she can provide efficient service that is in strict compliance with all applicable laws and regulations.

The NASFAA Board of Directors also recognizes that the institutions employing financial aid professionals increasingly are bound under federal and state law, or voluntarily adopted codes of institutional conduct, that bear on the administration of the student financial aid programs in general and the student loan programs in particular. While financial aid professionals cannot dictate institutional conduct, they can – and must – abide by their own professional standards. Ensuring ethical behavior through established standards and guidance is the most important core principle for self-governance in any profession in order to assure the public of the profession's integrity. This is a responsibility we embrace.

In consideration of the complexity of the tasks confronting institutional financial aid professionals, the NASFAA Board of Directors has promulgated this *Code of Conduct* to provide further guidance respecting the *Statement of Ethical Principles*. The *Code* is intended to help guide financial aid professionals in carrying out these obligations, particularly with regard to ensuring transparency in the administration of the student financial aid programs, and to avoid the harm that may arise from actual, potential, or perceived conflicts of interest.

Code of Conduct for Institutional Financial Aid Professionals

An institutional financial aid professional is expected to always maintain exemplary standards of professional conduct in all aspects of carrying out his or her responsibilities, specifically including all dealings with any entities involved in any manner in student financial aid, regardless of whether such entities are involved in a government sponsored, subsidized, or regulated activity. In doing so, a financial aid professional should:

> Refrain from taking any action for his or her personal benefit.
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> Refrain from taking any action he or she believes is contrary to law, regulation, or the best interests of the students and parents he or she serves.
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> Ensure that the information he or she provides is accurate, unbiased, and does not reflect any preference arising from actual or potential personal gain.
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> Be objective in making decisions and advising his or her institution regarding relationships with any entity involved in any aspect of student financial aid.

Refrain from soliciting or accepting anything of other than nominal value from any entity (other than an institution of higher education or a governmental entity such as the U.S. Department of Education) involved in the making, holding, consolidating or processing of any student loans, including anything of value (including reimbursement of expenses) for serving on an advisory body or as part of a training activity of or sponsored by any such entity.

Disclose to his or her institution, in such manner as his or her institution may prescribe, any involvement with or interest in any entity involved in any aspect of student financial aid.

Adopted by Board of Directors, May 2007

Explanation of the Code of Conduct

As previously noted, financial aid professionals work within vastly differing institutional environments and share decision-making authority regarding financial aid policy, practices, and procedures. NASFAA strongly encourages each financial aid professional to engage his or her institutional colleagues so that there is common understanding regarding the conduct of their respective obligations. To facilitate this exchange, NASFAA has provided the following explanation of the elements of the *Code of Conduct*:

1. **"Refrain from taking any action for his or her personal benefit."**

   While performing one's work in an exemplary fashion should result in "personal benefit" in the form of professional advancement and recognition, this provision obviously relates to actions that are *contrary* to the obligations the individual has to the institution and its students and their parents. This includes the individual, or a member of their family, never accepting cash payments, stocks, club memberships, gifts, entertainment, expense-paid trips, or other forms of inappropriate remuneration from any business entity involved in any aspect of student financial aid. It also relates to actions which, while on balance may be supportive of the financial aid professional's work, are chosen from among alternatives *because* they also benefit the financial aid professional.

2. **"Refrain from taking any action he or she believes is contrary to law, regulation, or the best interests of the students and parents he or she serves."**

   The statement – never taking action contrary to law or regulation – should be self-evident. However, note the use of the term "*believes* to be contrary to law [or] regulation." The financial aid professional works in a complex legal environment. Any doubts as to whether a course of conduct is legally proper should be resolved by referring the matter to the institution's legal advisors for guidance. In addition, the individual should understand and adhere to all institutional policies as well as other local, state or federal requirements that are applicable to his or her conduct or job performance.

3. **"Ensure that the information he or she provides is accurate, unbiased, and does not reflect any preference arising from actual or potential personal gain."**

When providing information, at all times the key should be transparency. Students and parents should be able to fully understand their rights, obligations, and – of paramount importance – their alternatives. Applying these principles to the use of "preferred lender" lists is instructive. If an institution elects to provide such a list, a financial aid professional is expected to demonstrate transparency, completeness, and accuracy of information by ensuring that:

- Students and their parents understand they are not required to use any of the lenders on a "preferred lender" list, are free to select the lender of their choice, and understand the process for selecting a lender and applying for a loan;
- The school will promptly certify any loan from any lender selected by a borrower;
- The process through which "preferred lenders" are selected is fully disclosed;
- Borrowers are provided with consumer information about the loan products offered by entities on a school's "preferred lender" list. Such information must include the disclosure of competitive interest rates, terms, and conditions of federal loans; high quality loan servicing; or additional benefits beyond the standard terms and conditions for such loans.
- The process through which students execute Master Promissory Notes preserves a student's right to select the lender of his or her choice;
- Lenders who are included in a "preferred lender" list disclose agreements to sell their loans to other entities; and
- The selection of lenders for inclusion on a "preferred lender" list is based solely on the best interests of the students and parents who may rely on such a list.

4. **"Be objective in making decisions and advising his or her institution regarding relationships with any entity involved in any aspect of student financial aid."**

Financial aid professionals must always be fair-handed when recommending or entering into a business relationship with any entity offering a product or service related to financial aid. A lender may not be placed on a school's "preferred lender" list in exchange for a prohibited inducement. Placement on a "preferred lender" list, therefore, must not be based on benefits provided to the institution, an employee of the institution, or its students in connection with loans not covered by such list. In the same light, financial aid professionals should not arrange for alternative (i.e., non-federal or "opportunity") loan programs that disadvantage students or parents who do not receive such loans.

Transparency also requires that when a student or parent has communication with what he or she believes to be the institution's financial aid office that is precisely what should occur; no employee or agent of a lender should ever be identified, either directly or by implication, as an employee or agent of the institution.

5. **"Refrain from soliciting or accepting anything of other than nominal value from any entity (other than an institution of higher education or a governmental entity such as the U. S. Department of Education) involved in the making, holding, consolidating or processing of any student loans, including anything of value (including reimbursement of expenses) for serving on an advisory body or as part of a training activity of or sponsored by any such entity."**

The first element in the *Code of Conduct* prohibits the conflict of interest that arises when one acts for personal gain. This fifth element is intended to avoid the *appearance* of conflict of interest that arises when a financial aid professional accepts benefits from a lending institution or similar entity. The fact that the financial aid professional may have no intention to provide an advantage to the lender as a result of the benefit he or she receives, and indeed *does not* provide any such advantage, is not the point. The benefit received by the financial aid professional creates an *appearance* that he or she may not be impartial, and may not be acting solely in the best interests of the students and parents he or she serves. In our profession such an appearance can do great harm, and it must be strictly avoided.

The term "nominal value" leaves some room for interpretation. This is intentional: many states and institutions have laws and policies that regulate such activities, and it is common for such laws and policies to define with specificity what is meant here by "nominal value." As a general guide, and subject to more restrictive laws and policies, a total retail value of not more than $10 should be considered reasonable.

The last component of this element of the *Code* deals with reimbursement for travel and expenses incurred when serving on lender advisory boards or attending lender-sponsored training activities. There is certainly value in providing lenders with the unique expertise and perspective that only financial aid professionals can provide, but receiving any remuneration for such service, even if only in the form of reimbursement for expenses, creates the *appearance* of conflict that must be avoided. The same principle applies to reimbursement for lender-sponsored training activities. Professional development is a key component of being an effective financial aid professional, and attending lender-sponsored training programs can be a valuable way of obtaining the most current information. Again, however, receiving any remuneration for such attendance from a source other than his or her institution, even in the form of reimbursement for expenses, creates the same impermissible *appearance* of conflict of interest, and must be avoided.

6. "**Disclose to his or her institution in such manner as his or her institution may prescribe any involvement with or interest in any entity involved in any aspect of student financial aid.**"

   The same principle of transparency, or avoiding the *appearance* of conflict of interest, drives this element of the *Code*. Every institution has a written policy on disclosure of *potential* conflicts of interest, and a process of determining whether an employee's involvement creates an *actual* conflict of interest or the *appearance* of a conflict. It is the obligation of the financial aid professional to strictly abide by the requirements of his or her institution's conflict of interest policy, particularly with regard to any activities, involvement, investment, or interest in any financial aid-related entity. Institutional conflict of interest policies typically describe the nature of investments that require disclosure and review, generally excluding interests held by mutual funds or below a certain minimum value. As a practical matter, financial aid professionals should avoid any investment in or financial relationships with lenders and similar entities.

These principles should apply throughout the administration of the programs for which the financial aid professional is responsible, including Direct Loans, FFELP, and loans originated under the School as Lender program.

There should never be any difference between "ethical" and "best" practices. The ethical practice *is* the best practice. As an organization, NASFAA unequivocally supports the principles and practices described in this Statement. When a practice or policy arises that appears in conflict with these principles, it is the obligation of the financial aid professional to bring this to the attention of those responsible within his or her institution, and to seek a resolution consistent with these principles.

Questions regarding the principles and practices described in this statement should be directed to:

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