



NASFAA's Statement of Ethical Principles and Code of Conduct for Institutional Financial Aid Professionals



NASFAA Mission Statement

The National Association of Student Financial Aid Administrators (NASFAA) promotes the professional preparation, effectiveness, support, and diversity of persons and organizations involved in the administration of student financial aid, and facilitates communication throughout its community. NASFAA encourages and promotes programs that remove financial barriers to ensure student access to postsecondary education.

*Association Governance and Membership Committee
Adopted by the Board of Directors, May 2005*



NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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

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

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:

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4. "Be objective in making decisions and advising his or

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 ethics@nasfaa.org.

May 24, 2007

