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## **AAMC-GSA Statement of Effective Interactions in Financial Aid**

### **Preamble**

In 2006, 86.6 percent of graduating medical students left medical school with debt. Within that cohort, average indebtedness for all students with debt was over \$130,000. Given the various challenges inherent in a medical education, it can be difficult for medical students to efficiently and effectively manage this financial responsibility without assistance. It is crucial for financial aid professionals and lenders to work together in a principled manner to provide the most affordable loans for our nation's next generation of physicians. It is also vital for students to have trust in the counsel of their financial aid officers, typically the best source of information and available resources. To this end, the AAMC endorses the following guidance for the medical school financial aid community in their interactions with their commercial partners.

### **Financial aid professionals will:**

1) Seek to provide the information necessary for their students to acquire the most affordable loans.

Students are responsible for selecting their lenders and loans, and, thereafter, financial aid professionals impartially facilitate the certification of these loans. To ensure that these are well-informed decisions, financial aid professionals provide:

- ▶ Comparisons of loan and lender options, a summary of results, and/or recommendations of preferred lenders;
- ▶ Notifications to students of important dates and deadlines; and
- ▶ Counseling and financial education opportunities to students, commonly in the form of entrance and exit interviews and other financial aid educational forums.

2) Strive for full transparency in their interactions.

To establish and maintain trusting relationships with their students, it is imperative that financial aid professionals fully disclose all institutional and personal-lender arrangements and relationships. Preferred lender lists are one effective tool for directing students to the most favorable loans, and the processes used for developing these lists are established with care to preclude bias. The criteria used to develop these recommendations are made readily available to borrowers.

3) Work to ensure that all interactions with lenders have the best interests of students at their center.

Interactions between lenders and institutions are based on providing the most favorable terms and services for the greatest number of students. However, each loan is evaluated on an individual basis that acknowledges the unique financial situation of each borrower.

Institutions disclose any revenue-sharing or opportunity pool loans, even if acquired funds are used to provide greater benefits to borrowers. Institutions do not profit from these relationships, and all proceeds are directed to student financial assistance. Full disclosure of all relationships between the institution and the lender eliminates the appearance of impropriety.

Financial aid professionals are encouraged to serve, without compensation, on lender advisory boards to ensure that students' interests are represented. These relationships are not contingent upon a commitment for loans or referrals.

4) Act in an ethical and professional manner consistent with well-established industry standards.

The National Association of Student Financial Aid Administrators (NASFAA) has developed a Statement of Ethical Principles (Appendix I) that "provides Financial Aid Professionals with a set of principles that serves as a common foundation for accepted standards of conduct." The AAMC encourages member institutions schools to adopt these principles as AAMC continues to examine "effective interactions" of the medical school financial aid community.

#### **Financial aid administrators and institutions relate to lenders that:**

1) Provide affordable loans and competitive benefits without gimmicks.

To be competitive, preferred lenders will frequently pay loan fees on behalf of the borrower, adjust interest capitalization periods, reduce interest rates during repayment, and/or provide rebates for on-time repayments. The most favorable benefits are universally available, reasonably achievable, never purposefully misleading, and offered regardless of the lender's relationships with institutions. Lenders work to assure that borrower benefits continue if the loan is sold, and they disclose any sale agreements to the institution and the borrower. It is important that lender statements reflect the realistic expectations of borrowers' attaining any advertised benefits.

2) Provide high-quality service.

Paramount to a successful partnership, lenders provide high-quality customer service to both borrowers and their financial aid representatives. To achieve these service goals, lenders:

- ▶ Are accessible to prospective and current borrowers and to financial aid professionals;
- ▶ Respond to inquiries and information requests in a timely and accurate manner;
- ▶ Notify borrowers and financial aid professionals of loan sales and changes in loan benefits or related terms as soon as they are known; and
- ▶ Make changes and corrections in loans as requested by borrowers and/or their financial aid representatives.

3) Are knowledgeable about student loan policies and offer unbiased training and educational opportunities to borrowers and financial aid professionals.

To encourage unbiased financial education, lenders support training activities at the state and/or regional level, or make training available directly to borrowers or financial aid professionals. It is imperative that lenders and their representatives understand and promote institutional, state, and federal policies to provide low-cost student loans.

4) Are trusted partners in their interactions within the medical school financial aid community.

Lenders and their affiliates act in an ethical and professional manner. Their practices are designed to enhance their standing with the Better Business Bureau and their status as a Department of Education “exceptional performer.”

Lenders and their affiliates provide accurate and honest information on their Web sites and in their publications. These resources clearly demonstrate the short and long-term benefits of borrowers’ loan options and the likelihood of borrowers’ achieving these benefits over the life of the loan. The information is easily understood by borrowers and is not purposefully misleading.

Lenders and their partners portray accurately any affiliations with institutions or federal agencies. Approval of financial aid professionals is sought when reporting information related to specific institutions. Corrections to this information should be made immediately, when requested by the institution.

The primary purpose of lender advertising should be informational. Lenders attract borrowers with their costs and benefits, not with marketing ploys. Lender comparisons are performed by impartial parties, and marketing efforts do not purposefully impugn the competition. Lenders encourage borrowers to work in collaboration with institutional financial aid professionals.

Approved: AAMC Council of Deans, September 6, 2007

## Appendix I



### **Statement of Ethical Principles**

The primary goal of the financial aid professional is to help students achieve their educational potential by providing appropriate financial resources. To this end, this Statement provides the Financial Aid Professional with a set of principles that serves as a common foundation for accepted standards of conduct.

The Financial Aid Professional shall:

1. Be committed to removing financial barriers for those who wish to pursue postsecondary learning.
2. Make every effort to assist students with financial need.
3. Be aware of the issues affecting students and advocate their interests at the institutional, state, and federal levels.
4. Support efforts to encourage students, as early as the elementary grades, to aspire to and plan for education beyond high school.
5. Educate students and families through quality consumer information.
6. Respect the dignity and protect the privacy of students, and ensure the confidentiality of student records and personal circumstances.
7. Ensure equity by applying all need analysis formulas consistently across the institution's full population of student financial aid applicants.
8. Provide services that do not discriminate on the basis of race, gender, ethnicity, sexual orientation, religion, disability, age, or economic status.
9. Recognize the need for professional development and continuing education opportunities.
10. Promote the free expression of ideas and opinions, and foster respect for diverse viewpoints within the profession.
11. Commit to the highest level of ethical behavior and refrain from conflict of interest or the perception thereof.
12. Maintain the highest level of professionalism, reflecting a commitment to the goals of the National Association of Student Financial Aid Administrators.