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ASSOCIATION OF AMERICAN UNIVERSITIES

AAU ISSUES STATEMENT OF PRINCIPLES
ON RELATIONSHIPS WITH STUDENT LOAN PROVIDERS

The Association of American Universities (www.aau.edu) today issued to its member universities a statement of principles on the relationships among universities, their financial aid offices, and the companies that provide loans to students and their families to finance college. The purpose of the principles, said AAU President Robert M. Berdahl, is “to help guide campus leaders as they review these relationships in the wake of recent developments.”

Berdahl added, “The only purpose of the student loan programs is to help students and their families finance college. Unfortunately, recent investigations in New York and other states have uncovered instances of individual wrongdoing as well as a number of practices that have raised questions about whether lenders are able to gain unfair advantage in obtaining the business of institutions and students. As institutions seek to ensure that their implementation of the federal loan program always puts the interests of students first, these principles offer them a framework for the measures they are considering.”

AAU is an association of 62 leading public and private research universities, 60 of which are in the U.S. The presidents and chancellors of its member universities agreed to the principles issued today at a regular meeting that took place in Washington earlier this week. (See http://www.aau.edu/aau/members.html for a list of AAU universities.)

The principles focus on the need to maintain integrity in the student loan program, put the interests of students first, and provide students and families with greater information and transparency.

The text of the document, entitled, “Statement of Guiding Principles Regarding Institutional Relationships with Student Loan Providers,” follows:

Preamble

The purpose of the federal student loan program is to provide the best possible terms for students and parents who borrow to help finance higher education. Private student loans are an important additional resource for many students. Students and families must receive trustworthy, reliable guidance from institutions about financial aid.
The first priority in institutional dealings with student loan providers should be the best interests of student borrowers. Institutions should exercise sound judgment in their application of these principles to particular situations that arise.

**Key Guiding Principles**

1) Institutional integrity and the appearance of integrity are essential in processes that identify and recommend student-loan providers.

2) Decisions by colleges and universities with respect to student lenders should be based on an assessment of student borrowers' best interests.

3) Colleges and universities should inform students and parents that they may select the lender of their choice, and should not penalize students and parents for selecting a lender not on a preferred lender list.

4) Colleges and universities should disclose the criteria for recommending student lenders.

5) Institutional personnel involved in or responsible for administration of student financial aid programs should not accept any personal benefit from a lender.

6) Colleges and universities should take steps to ensure that a) lender representatives dealing with students and parents disclose their affiliation and not assert or imply that they are employees of the institution, and b) no lender representative, in the course of permissibly serving the institution, promotes a particular lender's loan product.

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*The Association of American Universities ([www.aau.edu](http://www.aau.edu)) is an association of 62 leading public and private research universities in the United States and Canada organized to develop and implement effective national and institutional policies supporting research and scholarship, graduate, professional, and undergraduate education, and public service in research universities. AAU universities award over one-half of all U.S. doctoral degrees and 55 percent of those in the sciences and engineering.*