



GUIDANCE ON PREFERRED LENDER LISTS FOR MSFAA MEMBERS

The Statement of Professional Ethics adopted by the membership of the Michigan Student Financial Aid Association has, at its core, the expectation that its members will act in the best interest of the students we serve. The following guidance is provided to assist members of MSFAA in meeting this expectation when providing guidance on educational borrowing options and lender choice.

Current options available to families in the federal and private educational loan markets require that guidance be provided to assist students and their families in evaluating the options available and making an informed choice about the educational financing. When providing our constituents with information the following standards should be observed:

- Important distinctions exist between private educational loan products and federally guaranteed loans the most important being the student benefits in the federal programs. Information provided should always encourage students to evaluate the advantages of the federal programs and utilize the federal programs when it is in their best interest to do so.
- Program choice within the federal loan programs is, by statute, an institutional decision. The basis for that institutional decision should be available to students upon request.
- Schools participating in the Federal Family Education Loan Program should provide guidance to students about lender selection to narrow the lender options from thousands to a select few. An informed choice by the borrower can impact student success in financing his/her education and successfully repaying his/her loan.
- Given the lack of federal oversight in the private educational loan market and the wide selection of loan products, institutional guidance for students and their families about lender selection is a service that is critically needed and should be provided by the Financial Aid Office. Failure to provide such guidance will result in many students selecting a lender based solely on aggressive advertising and marketing techniques, instead of a thoughtful review of loan options and features.
- Criteria important to evaluate in the lender selection process for both FFEL and private loans should be disclosed and may include such items as interest rates, loan fees, borrower benefits, customer service, responsiveness to institutions needs and processing requirements, sale of loans, collection performance, and other criteria deemed to be important by the institution for its students and its own administrative efficiency.
- The number of lenders recommended or evaluated is less important than the transparency of the information provided and the assurance that lender selection is the student's right and the student's responsibility and as such will be respected by the institution and processed in a timely manner.

Adopted by the MSFAA Executive Council
June 18, 2007