

Statement on AAPLs Code of Ethics and Principles Associated with its Enforcement

December 2014

Purpose of AAPLs Code of Ethics

The American Association of Private Lenders has been committed to a framework of common principles and standards of practice since AAPLs inception, in 2009. This commitment was formalized as the Association's first formal Code of Ethics. This Code has been modified and adapted as the profession(s) and laws have changed. However, the Code has been maintained as an inspirational document that defines what we aspire to do in our professional practices. The Code does not contain solutions to specific situations or problems but is designed to provide guidance to members and certified individuals as they make professional decisions. The Code of Ethics reflects what we value as professionals and establishes expectations based on principals of duty, fairness, and responsibility. The AAPL Code of Ethics is intended to ensure the welfare of the consumer and to protect the reputation and integrity of the private lending profession.

Commitment to Enforcing the AAPL Code of Ethics

In part, the AAPL Code of Ethics was established to inspire members to achieve and maintain the highest level of competence and to behave in ways that would maintain the highest standards of integrity and ethical principles. This behavior is not intended to be discretionary, but is expected of all members and certificate holders. AAPL is committed to the enforcement of its Code of Ethics. Self-regulation is important in order to build trust and respect for the professions, and enforcing the Code provides additional incentive for individuals to choose to do the right thing.

Filing a Complaint

The Ethics Committee is a semi-autonomous, impartial adjudicative body within the Association that has been charged with administering and enforcing the Code of Ethics. AAPL has established a complaint process that is easy to understand and is clearly outlined in the Committee's document titled *Practices and Procedures of Ethics Committee*. This information is easily accessible to individuals via the AAPL website or by contacting the AAPL office for assistance.

The process for adjudication of complaints has been designed to ensure fairness and to allow for due process. Individuals accused of violating the Code of Ethics (respondents) are provided the opportunity to respond to the allegations against them and to seek further review of, and appeal, adverse decisions. This right to due process is an important reason that the Ethics Committee will not accept anonymous complaints or agree to keep confidential and not disclose the identity of the individual filing the complaint (complainant) to the person complained against. The complainant may be biased and the respondent needs to know the identity of the complainant in order to present and support a claim of bias. Additionally, it is less likely that frivolous or malicious complaints will be filed if the complainant is known. Finally it is much easier for the Ethics Committee to determine the veracity and credibility of evidence submitted if the source of that evidence is known.

Adjudication and Findings

The Ethics Committee will only consider the evidence provided by complainants and respondents to reach its decision. No information about the complaint is provided to any individuals, organizations, or agencies while it is being adjudicated. If the Ethics Committee determines that there was insufficient evidence to support a finding that a Code violation occurred, the respondent and the complainant will be notified of the committee's determination as a Final Decision, and the matter will be considered closed. If the individual is found to be in violation, the Ethics Committee will specify which Code of Ethics were violated and determine a sanction.

Sanctions and Disclosure

The sanction imposed by the Ethics Committee may be private or public. While public sanctions may be controversial, they do provide a significant penalty for the breach of ethical behavior and may serve as a way to educate all members and perhaps rehabilitate the individual in violation. Sanctions also demonstrate to other AAPL members that the Code of Ethics is important and the Association is willing to enforce its standards. Sanctions include a reprimand (private), censure (public reprimand), or suspension or revocation of membership and/or certification for a period of years, up to life.

Final Comments

The importance of an ethical code for a profession cannot be underestimated. The AAPL Code of Ethics serves as a framework and focused guide for professionals in support of day-to-day decision-making regarding professional conduct. With the active participation of members and certificate holders, the Ethics Committee works to enforce AAPLs Code of Ethics. The Code of Ethics and its enforcement results in respect for the professions and positive outcomes for individuals who benefit from the work of private lenders, hard money lenders, and all service providers.