

Consumer Protection Principles

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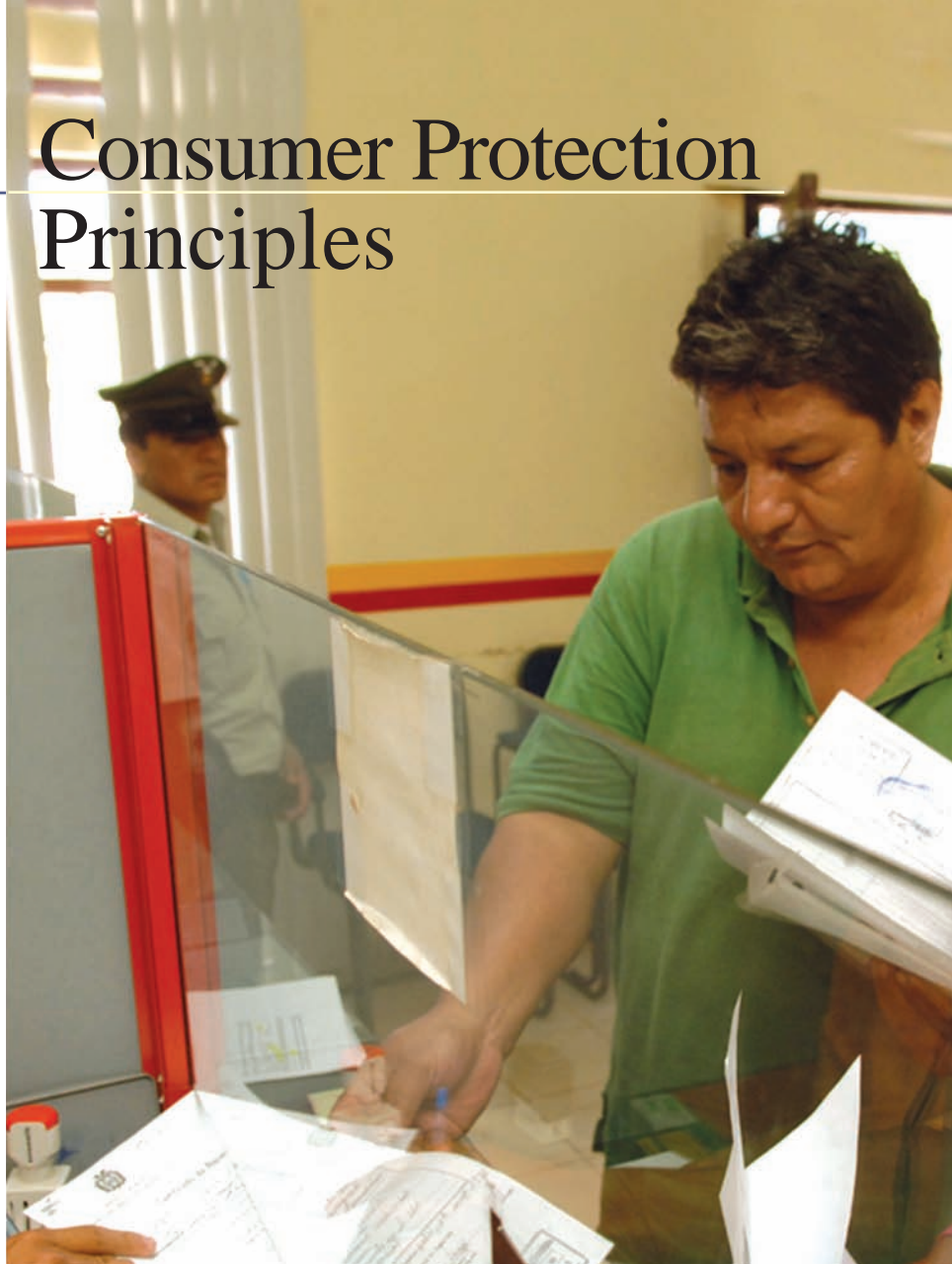
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Credit unions are member-owned and governed institutions that exist for the good of those using their services. The *International Credit Union Consumer Protection Principles* identify standards to safeguard credit union members, enabling them to understand their rights and make informed decisions. While each credit union must comply with local regulatory requirements and prudential standards, the *International Credit Union Consumer Protection Principles* offer a best-practice guide based on World Council of Credit Unions' experience with the development of credit unions worldwide.

Disclosure of Rates and Fees

Credit unions shall make savings and share disclosures clearly in writing and in a form the member or potential member understands. All interest or dividend rates, inclusive of fees and commissions, shall be quoted to members or potential members as the rates earned on an annual basis. Disclosures should be provided before a transaction is complete or an account is opened.

Periodic Statements

Credit unions shall provide statements to all members on at least a quarterly basis. Statements shall include loan and savings balances and the annual percentage rates applicable for dividends and interest received or charged to an account. Any fees or finance charges imposed during the statement period, a description of the fee imposed and beginning and ending dates of the period shall be included in the statement.

Honest and Non-Deceptive Promotions

Any credit union marketing or advertising shall provide consumers with all relevant information to make well-informed decisions. Credit unions should avoid loan promotions and programs that have initial low prices, but later reset at higher rates without fully informing the consumer. If advertisements state an interest or dividend rate, it shall state the rate as an annual percentage rate. For variable-rate accounts, advertising should contain a statement that the rate may change after the account is opened and define the basis for determining variability.

Fair Credit Practices

Credit unions should provide borrowers with accurate, comparable, transparent and complete information about the total cost of loans, including fees or commissions as required under applicable law. This should be provided through an annual percentage rate inclusive of fees and commissions. Credit unions shall:

- Allow borrowers a period of time to withdraw from a transaction without a penalty imposed;
- Never offer members products the members cannot repay or will likely cause the member severe financial hardship;
- Provide loan applicants with written responses as to why loan applications have been rejected. Credit union staff or board members should never accept any compensation from a potential borrower in exchange for granting of a loan; and
- Not charge borrowers fees or penalties for early repayment of a loan.

Dignified Collection Practices

While consistent and persistent collection practices are necessary, credit unions should not directly or indirectly through collection firms seek to collect debts by harassing, physically or verbally abusing or oppressing a person. The following conduct is considered unacceptable:

- Using or threatening the use of violence or other criminal means to harm the physical person, reputation or property of any person; or
- Use of obscene or profane language.

Members' Consent to Share Information

Prior to sharing information about a member with a third party for purposes of selling products or services, a credit union should provide its members with the option of not having their information shared. Credit unions should take precautions to secure members' personal and financial information.

Dispute Resolution Services

In addition to the legal system, credit unions shall provide members with options for filing and resolving complaints against the credit union. These services can be provided either directly by the credit union or through a third party.

Provide Education about Thrift and Wise Use of Credit

In accordance with the *International Operating Principles for Credit Unions*, credit unions should provide members with information and tools on how to accumulate wealth and utilize credit wisely. Credit unions should also consider funding consumer finance advocacy organizations.

Fair and Forthright Conversions

Any credit union that seeks to voluntarily demutualize and cease operating as a cooperative should have at least 30% of its members directly voting on such a conversion and the motion passing with 75% voting in favor. In a voluntary conversion or wind-up of a credit union, any remaining net capital of the credit union should be donated to another cooperative or development agency for the purpose of education on cooperatives or help in starting new cooperatives.