**Policy 9150: Unfair, Deceptive, or Abusive Acts or Practices**

**Model Policy Revised Date: 05/13/2024**

**General Policy Statement:**

The Consumer Financial Protection Bureau (CFPB), National Credit Union Administration (NCUA), and state agencies have enforcement authority to prevent unfair, deceptive or abusive acts in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service.

The [[CUname]] (Credit Union) will consider the Unfair, Deceptive or Abusive Acts or Practices (UDAAP) in all dealings with consumers, including, but not limited to, the advertising, offering, lending, servicing and collecting of products and services. The Board of Directors is responsible for approving this policy and has delegated to Management the enforcement of the policy.

1. **UNFAIR ACTS OR PRACTICES.**
	1. An act or practice is considered unfair when:

		1. It causes or is likely to cause substantial injury (can be in the form of fees, costs, or emotional impact) to consumers;
		2. The injury is not reasonably avoidable by consumers (transactions without the consumers consent are not reasonably avoidable); and
		3. The injury is not outweighed by countervailing benefits to consumers or to competition.
	2. **Unfair Credit Contract Provisions.** It is an unfair act or practice for the Credit Union to enter into a consumer credit obligation that contains, or to enforce in a consumer credit obligation purchased by the Credit Union, any of the following provisions:

		1. A waiver of the right of notice and the opportunity to be heard in the event of a lawsuit or process thereon;
		2. A waiver or exemption from attachment, execution or other process on real or personal property held, owned by, or due to the consumer, unless the executory waiver applies solely to property subject to a security interest in the loan.
		3. An assignment of wages or other earnings, unless:

			1. The assignment by its terms is revocable at the will of the debtor;
			2. The assignment is a payroll deduction plan or a pre-authorized payment plan, beginning at the time of the transaction, in which the consumer authorizes a series of wage deductions as a method of making each payment; or
			3. The assignment can only be made on earnings the consumer has when the assignment is signed and for the period dated in the assignment. The wage assignment cannot be for future wages.
		4. A security interest in household goods (other than a purchase money transaction).
2. **DECEPTIVE ACTS OR PRACTICES**
	1. An act or practice is considered deceptive when:
		1. The act or practice misleads or is likely to mislead the consumer;
		2. The consumer’s interpretation is reasonable under the circumstances; and
		3. The misleading act or practice is material (material information is information that is likely to impact a consumer’s choice or conduct).
	2. **Unfair or Deceptive Practices Involving Cosigners.** A cosigner on any credit obligation must be informed, in advance of signing the note, that they will be equally responsible for re-payment of the debt.
		1. When a cosigner will be obligated on the debt of a member it is:
			1. A deceptive act or practice for the Credit Union to misrepresent the nature or extent of cosigner liability to any person; and
			2. An unfair act or practice for the Credit Union to obligate a cosigner unless the cosigner is informed prior to becoming obligated of the nature of the cosigner’s liability.
		2. A clear and conspicuous cosigner disclosure statement shall be given in writing to the cosigner prior to becoming obligated. The disclosure statement shall be either a separate document or included in the documents evidencing the consumer credit obligation.
	3. **Unfair Late Charges.** It is an unfair act or practice to levy or collect any delinquency charge on a payment, when the only delinquency is attributable to late fees or delinquency charges assessed on earlier installments, and the payment is otherwise a full payment for the applicable period and is paid on its due date or within an applicable grace period.
3. **ABUSIVE ACTS OR PRACTICES**
	1. An act or practice is abusive when it:
		1. Materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or
		2. Takes unreasonable advantage of;
			1. A consumer’s lack of understanding of the materials risks, costs, or conditions of the product or service and how the product, fees, and/or penalties will change in the future;
			2. A consumer’s inability to protect his or her interests in selecting or using a consumer financial product or service; or
			3. A consumer’s reasonable reliance on a covered person to act in his or her interests.
4. **ADDITIONAL UDAAP CONSIDERATIONS**. The Credit Union understands the risks for providing financial products or services to members that may be considered unfair, deceptive or abusive. When the Credit Union is developing new products or services, internal controls, policies, procedures, disclosures, and training materials, UDAAP will be considered. The Credit Union will also consider these additional factors when assessing UDAAP compliance.
	1. **Complaints**. The Credit Union will continuously monitor to ensure unfair, deceptive, or abusive acts or practices are avoided. To assist with this process, the Credit Union will comply with their Complaint Policy **(See 1230.10 - Complaint Process for Federally-Chartered Credit Unions or 1230.11 - Complaint Process for State-Chartered Credit Unions)** regarding the central processing, identification and remediation of potential trends associated with consumer complaints.
	2. **Marketing**. The Credit Union will ensure that marketing materials are reviewed and using language not deemed to be potentially unfair, deceptive or abusive. The Credit Union will only market products and services that are actually available and will omit language that could misinform consumers regarding the true nature of the product. Additionally, the Credit Union will not omit information that may be necessary to prevent a consumer from being misled (like certain material limitations or conditions from an offer).
	3. **Third Party Oversight**. The Credit Union will comply with (**See Policy 2185**) for due diligence reviews on third parties. As part of that process, the Credit Union will also consider UDAAP and interactions made with consumers on the Credit Union’s behalf.
5. **ANTI-DISCRIMINATION.** The Credit Union understands the importance of adhering to anti-discrimination laws, as outlined in existing policies. The Credit Union also acknowledges that unfair discrimination can be found in situations not specifically addressed by specific fair lending laws. In fact, members can be harmed by discrimination regardless of whether it is intentional. Therefore, the Credit Union will consider the following safeguards to prevent discrimination in all areas of areas of operations and aspects of products and services:

	1. Understand and document any models, algorithms, and decision-making processes used in connection with member products and services.
	2. Conduct demographic research and/or analysis related to marketing efforts of products and services.
	3. Ensure existing policies, procedures, and processes are reviewed, including when new products and services are offered, for discrimination prior to implementing or making changes, and continue to monitor for discrimination after implementation.
	4. Take immediate and corrective action to address any potential UDAAP concerns related to use of products and/or services, including discrimination.
	5. Ensure policies, procedures, and practices do not target or exclude members from products or services, or other different terms and conditions in a discriminatory way.
	6. Train staff to prevent discrimination.