

Introduction to Credit Union Ethics



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Introduction

Welcome to CUNA's "Introduction to Credit Union Ethics" Training on Demand course! Ethics are an important component of your personal and professional life. They define how and why you behave the way you do in certain circumstances. As a credit union employee, you are in the unique situation of upholding long-standing ethical principles surrounding the credit union motto, "Not for profit, not for charity, but for service." These principles dictate how you interact with members, as well as how your credit union interacts with you as an employee. However, these principles must mesh with your personal ethical beliefs in order to be truly effective.

This course broadly describes how you can embody strong organizational ethics in positive ways that do not compromise you, your credit union, or the services you provide to members. Of course, it's also essential that you know and uphold the unique ethical policies in place at your credit union. Be sure to familiarize yourself with these policies!



Objectives

Upon completion of this course, you should be able to:

- Define ethics and explain why strong personal and organizational ethics are essential to a credit union's mission.
- Identify and describe the ethical and legal principles that govern a credit union's relationship with its employees.
- Understand the primary ethical obligations all credit union employees are expected to uphold.
- Describe best practices for communicating ethical standards to all of a credit union's stakeholders.

Defining "Ethics"

Webster's *New Collegiate Dictionary* defines ethics as "the discipline dealing with what is good and bad and with moral duty and obligation," as well as "a set of moral principles or values." However, ethics are more than just an academic concept. They also involve interpreting situations, evaluating your options for handling those situations, and choosing to act in ways that uphold your beliefs of right and wrong. Each individual's personal ethics are unique; each has his or her own concepts of right and wrong.

How, then, is it possible for an organization to function ethically? Many organizations develop ethical codes that outline behavior and decision making for employees and for the organization as a whole. These codes make a statement about the value and character of the organization and, when applied appropriately, they provide employees with a framework for making practical ethical decisions in everyday situations.

Why Are Ethics Important?

Unfortunately, in the high-pressure financial marketplace, ethics are not always a topmost concern, and organizational codes of ethics sometimes become just framed pieces of paper hanging on lobby walls. The savings and loan debacle of the 1980s is a good example of what can happen when the desire to make a profit outweighs the obligation to behave ethically. The deregulation of the savings and loan industry led opportunistic operators to engage in behavior that was first unethical and, eventually, illegal. This behavior affected not only the victims of these organizations, but also all American taxpayers, who were left to foot the bill for a government bailout.

Similarly, the worldwide recession that began in late 2007 was largely the result of profit-seeking at the expense of ethics. In the months and years before the recession, many mortgage-loan originators approved subprime mortgages based on how much they would earn in fees, not on whether the loans would improve their borrowers' lives. Perhaps unsurprisingly, many of these borrowers ended up defaulting on their loans and losing their homes.

As these examples illustrate, ethical codes are only as good as the people who are charged with upholding them. People and organizations who sacrifice ethics for short-term gains not only harm their customers and communities, but they also miss out on the long-term, bottom-line strength that comes from the goodwill and trust earned by ethical behavior.

Ethics and Credit Union Principles

The principles of voluntary and open membership, democratic member control, education, and concern for the community have always formed the basis by which credit unions put their values into practice.

These and other guiding principles of credit unions can be summarized as follows:

- **Voluntary and open membership:** Credit unions are cooperative, voluntary organizations. They are open to all people who are willing and able to use their services and accept the responsibilities of membership. People of all genders, social classes, races, and political and religious affiliations are welcome at a credit union.
- **Democratic member control:** Credit unions are democratically controlled by their members, who are involved in setting policies and making decisions. The elected representatives who govern a credit union are accountable to members. The cooperative structure of a credit union determines its voting practices and democratic organization.
- **Member economic participation:** Members equitably contribute and democratically control the capital of their credit union. Some of that capital is the common property of the cooperative. Members sometimes receive limited compensation for capital subscribed as a condition of membership, and they allocate surpluses for developing the credit union, establishing reserves, proportionally benefiting members, and supporting approved activities.
- **Autonomy and independence:** Credit unions are autonomous self-help organizations controlled by their members. If members enter into agreements with other organizations or the government, or if they raise capital from outside sources, they do so in a way that ensures democratic member control and maintains this autonomy.
- **Education, training, and information:** Credit unions provide education and training to