

HOUSE BILL No. 4694

May 15, 2003, Introduced by Reps. Bisbee, McConico, Palsrok, DeRoche, Tobocman, Elkins, Sak, Gielegem, Vagnozzi, Palmer, Minore, Gillard, Brandenburg, Law, Spade, Rivet, Koetje, Amos, Pappageorge, Stahl, Byrum, Gleason and Stewart and referred to the Committee on Commerce.

A bill to provide for the organization, operation, regulation, and supervision of credit unions; to prescribe the powers and duties of credit unions; to prescribe the powers and duties of certain state agencies and officials; to prescribe penalties, civil sanctions, and remedies; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

ARTICLE 1

GENERAL PROVISIONS

Sec. 101. This act shall be known and may be cited as the "credit union act".

Sec. 102. As used in this act:

(a) "Affiliate" means a person, other than an individual or governmental entity, to which any of the following apply:

(i) A credit union directly or indirectly owns or controls a

1 majority of the person's voting shares or other voting ownership
2 interests.

3 (ii) A credit union directly or indirectly owns or controls
4 more than 50% of the number of shares or other ownership
5 interests voted at the most recent election for the election of
6 its directors, trustees, or other individuals who exercise
7 similar functions.

8 (iii) A credit union has the power to directly or indirectly
9 elect a majority of the person's directors, trustees, or other
10 individuals who exercise similar functions.

11 (iv) A majority of a credit union board constitutes a
12 majority of the directors, trustees, or other persons exercising
13 similar functions of the person.

14 (b) "Alien credit union" means a credit union organized under
15 the laws of a country other than the United States.

16 (c) "Bank" means a bank that is organized under the laws of
17 this state, any other state, the District of Columbia, or a
18 territory or protectorate of the United States, or a national
19 banking association chartered by the federal government under the
20 national bank act, chapter 106, 13 Stat. 99, and whose deposits
21 are insured by an agency of the federal government.

22 (d) "Branch" means a place of business, other than the
23 principal place of business, that is owned or leased by a credit
24 union and where the credit union transacts business authorized by
25 the credit union board.

26 (e) "Commissioner" means the commissioner of the office of
27 financial and insurance services in the department of consumer

1 and industry services.

2 (f) "Corporate credit union" means a domestic credit union
3 described in section 302.

4 (g) "Credit union" means a domestic or foreign credit union.

5 (h) "Credit union board" means a board of directors, board of
6 trustees, or other governing body of a credit union.

7 (i) "Credit union service organization" means an organization
8 described in section 407.

9 (j) "Debt management" means that term as defined in section 2
10 of the debt management act, 1975 PA 148, MCL 451.412.

11 (k) "Domestic credit union" means a cooperative, nonprofit
12 entity organized under this act for the purposes of encouraging
13 thrift among its members, providing a variety of financial
14 services to its members, and providing an opportunity for its
15 members to use and control their own money on a democratic basis
16 in order to improve their economic and social condition.

17 (l) "Eligibility record date" means a record date that is 1
18 year or more before the adoption of a plan of conversion by a
19 credit union board and is set forth in a plan of conversion for
20 determining eligible members of a converting credit union.

21 (m) "Emergency" means a condition, event, or occurrence that
22 meets both of the following:

23 (i) It has or may interfere with the conduct of normal
24 business operations, or poses an imminent or existing threat to
25 the safety and security of a person or property, at the principal
26 place of business or 1 or more branches of a credit union.

27 (ii) It is the result of a fire, flood, earthquake,

1 hurricane, tornado, wind, rain, snowstorm, labor dispute or
2 strike, power failure, transportation failure, fuel shortage,
3 interruption of a communication facility, shortage of housing,
4 epidemic or other natural or manmade catastrophe, riot, civil
5 commotion, or any other act of lawlessness or violence.

6 (n) "Federal credit union" means a credit union organized
7 under the laws of the United States.

8 (o) "Field of membership" means that term as established by a
9 credit union board under section 352.

10 (p) "Financial institution" means a credit union, bank,
11 savings bank, or savings and loan association.

12 (q) "Foreign credit union" means a credit union organized
13 under the laws of another state or territory of the United States
14 or a federal credit union.

15 (r) "Insolvent" means a credit union that meets either of the
16 following:

17 (i) It is not able to pay its debts and other obligations,
18 including those related to member shares, as they become due.

19 (ii) Its liabilities exceed its assets.

20 Sec. 103. As used in this act:

21 (a) "Membership share" means a share of the domestic credit
22 union that consists of the balance of the member's funds, held by
23 the domestic credit union in accordance with standards
24 established by the domestic credit union for membership shares.

25 (b) "Mutual savings and loan association" means a savings and
26 loan association that is not authorized by its articles of
27 incorporation to issue capital stock.

1 (c) "Mutual savings bank" means a savings bank that is not
2 authorized by its articles of incorporation to issue capital
3 stock.

4 (d) "Net worth" means the sum of a credit union's undivided
5 earnings and reserves. The term does not include allowances for
6 loan and lease losses accounts.

7 (e) "Officer" means the chairperson of the board, the
8 vice-chairperson of the board, the secretary, the treasurer, the
9 general manager, an individual whose title is "president" or
10 "vice president", an assistant treasurer, or an assistant
11 secretary of a credit union, or any other person specifically
12 designated as an officer of a credit union by the credit union
13 board.

14 (f) "Official" means a member of a credit union board or an
15 officer, member of a credit committee or supervisory committee,
16 or member of any other committee performing functions similar to
17 a credit committee or supervisory committee, of a credit union.

18 (g) "Person" means an individual, corporation, partnership,
19 limited liability company, association, governmental entity, or
20 any other legal entity.

21 (h) "Principal place of business" means the place where a
22 domestic credit union keeps its principal records.

23 (i) "Savings and loan association" means a savings
24 association organized under the laws of this state, a savings and
25 loan association, building and loan association, or homestead
26 association that is organized under the laws of any other state,
27 the District of Columbia, or a territory or protectorate of the

1 United States, or a federal savings association organized under
2 section 5 of the home owners' loan act, chapter 64, 48 Stat. 132,
3 12 U.S.C. 1464, and whose deposits are insured by an agency of
4 the federal government.

5 (j) "Savings bank" means a savings bank organized under the
6 laws of this state, any other state, the District of Columbia, a
7 territory or protectorate of the United States, or of the United
8 States, and whose deposits are insured by an agency of the
9 federal government.

10 (k) "Senior management employee" means a credit union's
11 general manager or an assistant general manager or the chief
12 financial officer of the credit union.

13 (l) "Service center" means a place of business of a credit
14 union, other than the principal place of business or a branch,
15 where the credit union may transact business authorized by the
16 credit union board.

17 (m) "Stock savings and loan association" means a savings and
18 loan association that is authorized by its articles of
19 incorporation to issue capital stock.

20 (n) "Stock savings bank" means a savings bank that is
21 authorized by its articles of incorporation to issue capital
22 stock.

23 Sec. 104. (1) A person shall not use the words "credit
24 union" in its name or title, unless it is 1 of the following:

25 (a) A domestic credit union or a foreign credit union.

26 (b) A credit union trade association.

27 (c) A credit union service organization.

1 (d) An organization that is wholly owned by 1 or more
2 domestic credit unions, foreign credit unions, credit union trade
3 associations, or credit union service organizations.

4 (e) A separate segregated fund established under section 55
5 of the Michigan campaign finance act, 1976 PA 388, MCL 169.255,
6 or a political action committee under federal law.

7 (2) A credit union may not use the word "corporate" or the
8 words "corporate central" immediately before the words "credit
9 union" in its name unless it is a corporate credit union
10 organized under this act, the laws of another state or territory
11 of the United States, or the laws of the United States.

12 Sec. 105. A credit union shall be deemed an institution for
13 savings and, together with all the accumulations therein, shall
14 not be subject to taxation except as to real estate owned. The
15 shares of a credit union shall not be subject to a stock transfer
16 tax when issued by the corporation or when transferred from 1
17 member to another.

18 ARTICLE 2

19 SUPERVISION BY COMMISSIONER

20 PART 1

21 ADMINISTRATION, SUPERVISION, AND ENFORCEMENT

22 Sec. 201. (1) The commissioner shall administer the laws of
23 this state relating to credit unions transacting business in this
24 state and shall supervise domestic credit unions, and foreign
25 credit unions other than federal credit unions transacting
26 business in this state, through the credit union division
27 established in section 202. Each domestic credit union shall

1 report its financial condition as required by the commissioner.

2 (2) The commissioner shall charge an annual operating fee to
3 each domestic credit union. All of the following apply to the
4 annual operating fee:

5 (a) Subject to subdivision (d), the commissioner shall
6 establish a fee amount that is sufficient to defray the estimated
7 expenses of the credit union division of the office of financial
8 and insurance services in performing all credit union
9 examinations and the supervision of domestic credit unions.

10 (b) The commissioner shall invoice each domestic credit union
11 for the fee before July 1 of each year and each domestic credit
12 union shall pay the operating fee before July 16 of that year.

13 (c) The commissioner shall compute the fee based on the total
14 assets of the domestic credit union on December 31 of the
15 previous year as shown on the report of the domestic credit union
16 filed with the commissioner under subsection (1).

17 (d) The amount of the fee is the greater of \$500.00 or the
18 sum of all of the following:

19 (i) A base fee established by the commissioner of not less
20 than \$1.75 or more than \$3.50 per \$1,000.00 of assets up to
21 \$500,000.00.

22 (ii) A fee of 40% of the base fee per \$1,000.00 of assets
23 greater than \$500,000.00 up to \$1,000,000.00.

24 (iii) A fee of 30% of the base fee per \$1,000.00 of assets
25 greater than \$1,000,000.00 up to \$5,000,000.00.

26 (iv) A fee of 20% of the base fee per \$1,000.00 of assets
27 greater than \$5,000,000.00 up to \$10,000,000.00.

1 (v) A fee of 10% of the base fee per \$1,000.00 for all assets
2 greater than \$10,000,000.00.

3 (e) The commissioner shall not require a domestic credit
4 union to pay an operating fee more often than annually.

5 (3) A corporate credit union shall pay an operating fee in
6 the same manner as other domestic credit unions, but the fee
7 shall not exceed \$50,000.00 annually.

8 (4) A credit union fund is created in the state treasury.
9 The commissioner shall deposit all money received by the
10 commissioner from domestic credit unions or foreign credit unions
11 under this section or this act or from the federal government as
12 reimbursement for conducting credit union examinations in the
13 credit union fund. The office of financial and insurance
14 services shall only use money in the fund for expenses incurred
15 in the supervision, examination, and regulation of credit unions
16 under this act. Money in the credit union fund shall not revert
17 to the general fund at the close of the fiscal year but shall
18 remain in the credit union fund.

19 (5) Each domestic credit union shall report its financial
20 condition as required by the commissioner. A domestic credit
21 union that fails to file a report with the commissioner when it
22 is due shall pay a fee of \$100.00 for each day the report is
23 delinquent. The commissioner may waive the fee for cause. If a
24 delinquency continues for 15 days, the commissioner may revoke
25 the domestic credit union's certificate of approval and take
26 possession of the business and property of the domestic credit
27 union and maintain possession until the commissioner permits it

1 to continue business or its affairs are finally liquidated.

2 (6) A domestic credit union that amends its bylaws or
3 certificate of organization shall file the amendment with the
4 commissioner. The commissioner shall not charge a fee for filing
5 an amendment.

6 (7) A domestic credit union shall make all of its accounts,
7 books, and records, in whatever form maintained, available for
8 examination by the commissioner or the commissioner's appointed
9 agent. A domestic credit union shall do all of the following:

10 (a) Provide the commissioner with a current schedule of the
11 hours during which the domestic credit union is open.

12 (b) Designate an individual to provide access to the credit
13 union records and a substitute for that individual.

14 (c) Provide the commissioner with the current name, address,
15 and telephone number of the individual designated in subdivision
16 (b), and of his or her substitute if the individual is absent.

17 (d) If the credit union processes any of its records at any
18 location other than its principal place of business, provide the
19 commissioner with the current name and address of the person that
20 processes the records.

21 (8) As used in subsection (7), "records" includes audit
22 reports and audit working papers described in section 344 unless
23 privileged by law.

24 Sec. 202. The credit union division is created within the
25 office of financial and insurance services.

26 Sec. 203. (1) Any hearing or other proceeding pending
27 before the office of financial and insurance services under

1 former 1925 PA 285 before the effective date of this act is
2 transferred to the office of financial and insurance services
3 under this act, and the office of financial and insurance
4 services shall conduct and determine the proceeding as follows:

5 (a) If the commissioner determines that this act establishes
6 an identical or substantially similar proceeding for the conduct
7 or act that was the basis of the proceeding under former 1925 PA
8 285, the office of financial and insurance services shall conduct
9 and determine the proceeding under this act.

10 (b) If the commissioner determines that this act does not
11 establish an identical or substantially similar proceeding for
12 the conduct or act that was the basis of the proceeding under
13 former 1925 PA 285, the office of financial and insurance
14 services shall conduct and determine the proceeding in the manner
15 described in former 1925 PA 285.

16 (2) The office of financial and insurance services shall
17 retain all of its property, credits, books, correspondence,
18 funds, appropriations, records, files, and other papers acquired
19 or retained under former 1925 PA 285.

20 (3) An order or rule issued by the commissioner under former
21 1925 PA 285 that is in effect on the effective date of this act
22 shall continue in effect until modified, suspended, revoked, or
23 repealed by the commissioner.

24 Sec. 204. The commissioner and the other employees of the
25 office of financial and insurance services are not liable in any
26 civil action for damages for any act done or omitted in good
27 faith in performing the functions of their office under this

1 act.

2 Sec. 205. (1) Except as otherwise provided in this section,
3 any documents, materials, or other information in the control of
4 or possession of the office of financial and insurance services
5 that is furnished by a domestic or foreign credit union, or an
6 employee or representative acting on behalf of a domestic or
7 foreign credit union, or obtained by the commissioner in an
8 investigation or examination under this act, are confidential by
9 law and privileged, are not subject to the freedom of information
10 act, 1976 PA 442, MCL 15.231 to 15.246, are not subject to
11 subpoena, and are not subject to discovery or admissible in
12 evidence in any private civil action.

13 (2) Except as otherwise provided in this section, each of the
14 following documents, materials, or other information, if prepared
15 by or acquired by the office of financial and insurance services
16 or its employees or agents in the conduct of its regulation and
17 supervision of credit unions, are confidential by law and
18 privileged, are not subject to the freedom of information act,
19 1976 PA 442, MCL 15.231 to 15.246, are not subject to subpoena,
20 and are not subject to discovery or admissible in evidence in any
21 private civil action:

22 (a) Records or information relating to or derived from the
23 examination or investigation of a credit union or person under
24 this act.

25 (b) Communications and notes within the office of financial
26 and insurance services, or between the office of financial and
27 insurance services and other state or federal agencies of an

1 advisory nature, to the extent that they cover other than purely
2 factual matters and are preliminary to a final agency
3 determination or policy or action.

4 (c) Transcripts of closed hearings and oral arguments
5 conducted by the office of financial and insurance services.

6 (d) Information that is privileged or related to the
7 business, personal, or financial affairs of any person and is
8 furnished in confidence.

9 (e) Information of a personal nature if public disclosure of
10 the information would constitute a clearly unwarranted invasion
11 of an individual's privacy.

12 (f) Investigatory records relating to a proceeding for the
13 issuance of a cease and desist order or other enforcement action
14 under this act or the granting, withholding, or revocation of any
15 approval, permission, or authority under this act, or any other
16 investigatory records compiled for law enforcement purposes.

17 (g) Records obtained by the office of financial and insurance
18 services from another agency of this state, another state, or the
19 federal government that the office of financial and insurance
20 services has agreed with that agency to keep confidential.

21 (h) Records or parts of records specifically exempted from
22 disclosure by law.

23 (3) A report of an examination of a credit union examination
24 prepared or obtained by the office of financial and insurance
25 services under this act is the sole property of the office of
26 financial and insurance services and any copy provided to the
27 credit union board or any official of a credit union is provided

1 solely for the purpose of management oversight. A credit union,
2 or any person in possession of a report of an examination of a
3 credit union, shall not disclose the report or the contents of
4 the report without the expressed, prior, written consent of the
5 commissioner.

6 (4) The commissioner, and any person who receives documents,
7 materials, or other information while acting under the
8 commissioner's authority, is not permitted or required to testify
9 in any private civil action concerning any confidential
10 documents, materials, or information described in subsection (1)
11 or (2) or reports described in subsection (3).

12 (5) In order to assist in the performance of the
13 commissioner's duties under this act, the commissioner may do any
14 of the following:

15 (a) Use any confidential documents, materials, or other
16 information described in subsection (1) or (2) or reports
17 described in subsection (3) in any regulatory or legal action
18 brought as part of the commissioner's duties.

19 (b) Share confidential documents, materials, or other
20 information subject to subsection (1) or (2) or any other
21 documents, materials, or other information with any other
22 regulator of financial institutions of this state, another state,
23 or the United States, with another agency of this state, or with
24 law enforcement authorities of this state, another state, or the
25 United States, if the recipient agrees to maintain the
26 confidentiality and privileged status of the document, material,
27 or other information.

1 (c) Receive documents, materials, or other information,
2 including otherwise confidential and privileged documents,
3 materials, or other information, from any other regulator of
4 financial institutions of this state, another state, or the
5 United States, from another agency of this state, or from state
6 or federal law enforcement authorities. Any documents,
7 materials, or other information received by or on behalf of the
8 commissioner under this subdivision is subject to subsections
9 (1), (2), and (3).

10 (d) Enter into agreements governing the sharing and use of
11 information consistent with this subsection.

12 (e) Provide documents, materials, or information to the
13 attorney general, or any person specifically authorized by the
14 circuit court for Ingham county.

15 (f) Disclose any confidential documents, materials, or other
16 information subject to subsection (1) or (2), a report subject to
17 subsection (3), or any other documents, materials, or other
18 information if the commissioner determines that disclosure is in
19 the public interest.

20 Sec. 206. The commissioner may promulgate rules or issue
21 orders or declaratory rulings for the enforcement and
22 administration of this act. The commissioner shall promulgate
23 rules and issue orders and declaratory rulings pursuant to the
24 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
25 24.328.

26 Sec. 207. (1) The commissioner or his or her authorized
27 agent shall examine the condition and affairs of each domestic

1 credit union, and may examine the condition and affairs of any
2 subsidiary of a domestic credit union, not less frequently than
3 once every 18 months. The commissioner shall determine whether
4 the domestic credit union transacts its business in the manner
5 prescribed by law and the rules promulgated under law.

6 (2) In connection with an examination under subsection (1),
7 the commissioner or the commissioner's authorized agent may
8 examine under oath a director, officer, agent, or employee of a
9 domestic credit union concerning the affairs and business of the
10 domestic credit union. The commissioner or the commissioner's
11 authorized agent may examine an affiliate of a domestic credit
12 union if necessary to fully disclose the relation between the
13 domestic credit union and the affiliate and the effect of the
14 relation upon the domestic credit union.

15 (3) The commissioner may examine a branch or branches located
16 in this state of a foreign credit union.

17 (4) In an examination under this section, the commissioner
18 may use an examination made under the federal credit union act,
19 chapter 750, 48 Stat. 1216, 12 U.S.C. 1751 to 1795k, any other
20 federal law related to the chartering or insuring of financial
21 institutions, or the law of another state governing the
22 activities of foreign credit unions organized in or regulated by
23 that state. The commissioner may require a credit union to
24 furnish a copy of any report required by a federal or state
25 credit union regulatory agency.

26 (5) The commissioner may examine the fiduciary activities of
27 a domestic credit union in an examination under this section.

1 (6) The commissioner may contract with another state credit
2 union regulatory agency to assist in the conduct of examinations
3 of domestic credit unions with 1 or more branches located in that
4 other state and in examinations of foreign credit unions with 1
5 or more branches located in this state.

6 (7) The contents of a report of examination of a domestic
7 credit union and examination-related documents prepared or
8 obtained under this section remain the property of the
9 commissioner. A person who disseminates all or part of a
10 domestic credit union's report of examination for purposes other
11 than the legitimate business purposes of the domestic credit
12 union or as otherwise authorized by this act violates this act
13 and is subject to the administrative remedies granted the
14 commissioner under sections 210 to 219.

15 Sec. 208. (1) If 1 or more domestic credit unions apply for
16 authority to exercise powers not specifically authorized by this
17 act, the commissioner may by order or declaratory ruling
18 authorize domestic credit unions to exercise those powers if the
19 commissioner finds that those powers are appropriate and
20 necessary to compete with other providers of financial services
21 in this state.

22 (2) In acting under subsection (1), the commissioner shall
23 consider the ability of the domestic credit unions to exercise
24 the additional power in a safe and sound manner, the authority of
25 the domestic credit unions under state or federal law or
26 regulation, the powers of other competing entities providing
27 financial services, and any specific limitations on domestic

1 credit union powers contained in this act or in any other law of
2 this state.

3 (3) The commissioner shall make any declaratory rulings,
4 orders, or findings made under this section available to domestic
5 credit unions.

6 Sec. 209. The commissioner may petition the circuit court
7 for the county of Ingham or the circuit court in the jurisdiction
8 where an examination is being conducted to issue a subpoena on
9 behalf of the commissioner that requires the person subpoenaed to
10 appear and testify under oath to any matter related to the
11 examination and to produce any relevant documents.

12 Sec. 210. (1) If in the opinion of the commissioner a
13 domestic credit union is engaging, has engaged, or is about to
14 engage in an unsafe or unsound practice in conducting the
15 business of the domestic credit union or is violating, has
16 violated, or is about to violate a law or rule, the commissioner
17 may issue and serve upon the domestic credit union a notice of
18 charges. The notice shall contain a statement of the facts
19 constituting the alleged unsafe or unsound practice or violation
20 and shall fix a time and place for a hearing to determine whether
21 an order to cease and desist should issue. The hearing shall be
22 not earlier than 30 days nor later than 60 days after service of
23 the notice unless an earlier or later date is set by the
24 commissioner at the request of the domestic credit union. If the
25 domestic credit union does not appear at the hearing by a duly
26 authorized representative, it has consented to the issuance of a
27 cease and desist order.

1 (2) If a domestic credit union consents to a cease and desist
2 order under subsection (1) or if upon the record made at the
3 hearing under subsection (1) the commissioner finds that an
4 unsafe or unsound practice or violation specified in the notice
5 of charges has occurred, the commissioner may issue and serve
6 upon the domestic credit union an order to cease and desist from
7 the practice or violation. The order may require the domestic
8 credit union and its directors, officers, employees, and agents
9 to cease and desist from the practice or violation and to take
10 affirmative action to correct the conditions resulting from the
11 practice or violation.

12 (3) A cease and desist order issued after a hearing under
13 subsection (2) is effective 30 days after the service of the
14 order upon the domestic credit union. A cease and desist order
15 issued with the consent of the domestic credit union under
16 subsection (2) is effective at the time specified in the order.
17 A cease and desist order is effective and enforceable as provided
18 in the order, except to the extent it is stayed, modified,
19 terminated, or set aside by action of the commissioner or a
20 reviewing court.

21 (4) If the commissioner determines that a foreign credit
22 union branch located in this state is acting in violation of the
23 laws of this state or that the activities of the branch are being
24 conducted in an unsafe and unsound manner, the commissioner may
25 take any enforcement action that would be permitted under this
26 act if the branch were a domestic credit union.

27 (5) If the commissioner determines that a federal credit

1 union is acting in violation of the laws of this state, the
2 commissioner shall notify the national credit union
3 administration and the attorney general.

4 Sec. 211. (1) If the commissioner determines that a
5 violation or threatened violation or an unsafe or unsound
6 practice or practices specified in the notice of charges served
7 upon a domestic credit union under section 210, or the
8 continuation of the violation or practice, is likely to cause
9 insolvency or substantial dissipation of assets or earnings of
10 the domestic credit union, or is likely to otherwise seriously
11 prejudice the interests of its depositors, the commissioner may
12 issue a temporary order requiring the domestic credit union to
13 cease and desist from that violation or practice. The temporary
14 order is effective upon service upon the domestic credit union
15 and is effective and enforceable until a cease and desist order
16 under section 210 is issued and becomes effective or until it is
17 stayed, modified, terminated, or set aside by action of the
18 commissioner or a reviewing court in a proceeding under
19 subsection (2).

20 (2) Within 10 days after a domestic credit union has been
21 served with a temporary cease and desist order under subsection
22 (1), the domestic credit union may apply to the circuit court for
23 the county in which the principal office of the domestic credit
24 union is located for an injunction setting aside, limiting, or
25 suspending the enforcement, operation, or effectiveness of the
26 order pending the completion of the proceedings under section
27 210.

1 Sec. 212. (1) If in the opinion of the commissioner a
2 director or officer of a domestic credit union has committed any
3 violation of law or rule or of a cease and desist order or other
4 order of the commissioner that has become final, or has engaged
5 or participated in any unsafe or unsound practice in connection
6 with the domestic credit union, or has committed or engaged in
7 any act, omission, or practice that constitutes a breach of
8 fiduciary duty as a director or officer and the commissioner
9 determines that the domestic credit union has suffered or will
10 probably suffer substantial financial loss or other damage or
11 that the interests of its members and depositors could be
12 seriously prejudiced by reason of the violation or practice or
13 breach of fiduciary duty, the commissioner may serve upon the
14 director or officer a written notice of intention to remove the
15 person from office.

16 (2) If in the opinion of the commissioner a director,
17 officer, or other person is participating or has participated in
18 the conduct of the affairs of a domestic credit union, and that
19 person has engaged in conduct or practice with respect to the
20 domestic credit union or another business organization that
21 resulted in substantial financial loss or other damage, or is
22 otherwise unfit to participate in the conduct of the affairs of
23 the domestic credit union, the commissioner may serve upon that
24 person a written notice of intention to remove the person from
25 office or to prohibit the person's further participation in any
26 manner in the conduct of the affairs of the domestic credit
27 union.

1 (3) If the commissioner considers it necessary for the
2 protection of a domestic credit union or the interests of its
3 shareholders or depositors that a person served with a notice of
4 intention under subsection (1) or (2) is suspended from office or
5 prohibited from further participation in any manner in the
6 conduct of the affairs of the domestic credit union, the
7 commissioner may serve upon that person a written notice
8 suspending him or her from office or prohibiting him or her from
9 further participation in any manner in the conduct of affairs of
10 the domestic credit union. A suspension or prohibition is
11 effective upon service of the notice and unless stayed by a court
12 in a proceeding under section 213 remains in effect until the
13 administrative proceedings against the domestic credit union are
14 completed and the commissioner dismisses the charges specified in
15 the notice, or until the effective date of the order if an order
16 of suspension or prohibition is issued. The commissioner shall
17 also serve a copy of the notice on the domestic credit union.

18 (4) A notice of intention to remove a person from office or
19 to prohibit participation in the conduct of the affairs of a
20 domestic credit union shall contain a statement of the facts
21 constituting grounds for the removal, and fix a time and place
22 for a hearing. Except as otherwise approved by the commissioner,
23 the hearing shall be held not earlier than 30 days nor later than
24 60 days after the date of service of the notice. The failure of
25 a person to appear at the hearing in person or by a duly
26 authorized representative is consent to the issuance of an order
27 of removal or prohibition. If the person consents, or if after

1 the hearing the commissioner finds that any grounds specified in
2 the notice have been established, the commissioner may issue an
3 order of suspension or removal from office, or prohibition from
4 participation in the conduct of the affairs of the domestic
5 credit union, as appropriate. An order based on the finding of
6 the commissioner is effective on the thirty-first day after
7 service on the domestic credit union and the person concerned.
8 An order by consent is effective at the time specified in the
9 order. An order is effective and enforceable unless it is
10 stayed, modified, terminated, or set aside by the commissioner or
11 a reviewing court.

12 Sec. 213. Within 10 days after the date a person has been
13 suspended from office or prohibited from participation in the
14 conduct of the affairs of any domestic credit union under section
15 212(3), the person may apply to the circuit court for Ingham
16 county or the circuit court for the county where the principal
17 office of the domestic credit union is located for a stay of the
18 suspension or prohibition pending the completion of the
19 administrative proceedings pursuant to the notice served on the
20 person under section 212(1) or (2).

21 Sec. 214. If a person participating in the conduct of the
22 affairs of a domestic credit union is charged in any information,
23 indictment, warrant, or complaint by a county, state, or federal
24 authority with the commission of, or participation in, a felony
25 involving dishonesty or breach of trust, the commissioner may by
26 written notice served on the person suspend the person from
27 office or prohibit the person from further participation in any

1 manner in the conduct of the affairs of the domestic credit
2 union. The commissioner shall also serve a copy of the
3 suspension or prohibition on the domestic credit union. A
4 suspension or prohibition is in effect until the information,
5 indictment, warrant, or complaint is finally disposed of or until
6 terminated by the commissioner. If a judgment of conviction with
7 respect to the offense is entered against the person, and when
8 the judgment is not subject to further appellate review, the
9 commissioner may issue an order removing the person from office
10 or prohibiting the person from further participation in the
11 conduct of the affairs of the domestic credit union without the
12 consent of the commissioner. The person is removed from office
13 as a director or officer of the domestic credit union when a copy
14 of the order is served upon the domestic credit union. A finding
15 of not guilty or other disposition of the charge does not
16 preclude the commissioner from instituting proceedings to suspend
17 or remove the person from office or to prohibit further
18 participation in credit union affairs under section 212(1), (2),
19 or (3).

20 Sec. 215. (1) The commissioner shall conduct an
21 administrative hearing under section 210 or 212 under the
22 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
23 24.328. The commissioner shall close the hearing to the public
24 unless the commissioner, after fully considering the views of the
25 party who is the subject of the hearing, determines that a public
26 hearing is necessary to protect the public interest. After the
27 hearing and within 90 days after notifying the parties that he or

1 she has received the case for final decision, the commissioner
2 shall render a decision that includes findings of fact upon which
3 the decision is predicated and issue and serve upon each party to
4 the proceeding an order consistent with this section.

5 (2) A party to a proceeding or other person required by an
6 order issued under section 210, 211, 212, or 214 to cease and
7 desist from any of the violations or practices stated in the
8 order, or who is suspended, removed, or prohibited from
9 participation in the conduct of the affairs of the domestic
10 credit union by the order, may request a review by a court of
11 competent jurisdiction of an order issued under subsection (1).
12 The party or person must make his or her request by filing a
13 petition for review within 30 days from the date the order is
14 issued. This subsection does not apply to an order issued by
15 consent.

16 (3) If a petition for review is not filed within the time
17 period contained in subsection (2), the commissioner may modify,
18 terminate, or set aside the order at any time with appropriate
19 notice. If a petition for review is filed within the time period
20 contained in subsection (2), the commissioner may modify,
21 terminate, or set aside the order with the permission of the
22 court.

23 (4) Unless otherwise specifically ordered by the court, a
24 proceeding for review under this section does not stay an order
25 issued by the commissioner.

26 Sec. 216. (1) The commissioner may apply to the circuit
27 court of the county in which the principal office of a domestic

1 credit union is located, or to the circuit court for Ingham
2 county, for the enforcement of any effective and outstanding
3 notice or order issued under section 210, 211, 212, 214, or 215,
4 including any temporary cease and desist order issued under
5 section 211(1).

6 (2) Only a court described in subsection (1) has jurisdiction
7 to review, modify, enjoin, or stay the issuance or enforcement of
8 any notice or order issued under section 210, 211, 212, 214, or
9 215 or to review, modify, suspend, terminate, or set aside the
10 notice or order.

11 Sec. 217. (1) A person who is the subject of an outstanding
12 and effective notice or final order for a violation of section
13 212(1), (2), or (3), section 214, or for a violation of any other
14 law of this state that contains a grant of enforcement powers to
15 the commissioner or the office of financial and insurance
16 services, shall not do any of the following:

17 (a) Participate in any manner in the conduct of the affairs
18 of the domestic credit union involved other than voting as an
19 individual member of the domestic credit union.

20 (b) Serve or act as a director, officer, or employee of any
21 domestic credit union.

22 (2) A person who violates subsection (1) is guilty of a
23 misdemeanor punishable by imprisonment for not more than 1 year
24 or a fine of not more than \$5,000.00, or both.

25 (3) A person who willfully or intentionally violates any
26 provision of this act for which specific punishment is not
27 provided under this act is guilty of a misdemeanor and shall be

1 imprisoned for not more than 6 months or shall be fined not less
2 than \$500.00 or more than \$5,000.00, or both.

3 Sec. 218. The commissioner shall serve any order required
4 or authorized under this section or section 210, 211, 212, 214,
5 216, or 219 by first-class mail or in any other manner reasonably
6 calculated to give actual notice.

7 Sec. 219. (1) In connection with a proceeding under section
8 210, 211(1), or 212 concerning a federal credit union, the
9 commissioner shall provide the appropriate federal supervisory
10 authority with notice of intent to institute a proceeding and the
11 grounds for the proceeding.

12 (2) A federal credit union, or other party participating in
13 the conduct of the affairs of a federal credit union, that is the
14 subject of any notice or order issued by the commissioner under
15 section 210, 211, 212, 214, or 216, may not raise the requirement
16 of section 218 or subsection (1) for notifying the appropriate
17 federal supervisory authority to attack the validity of that
18 notice or order.

19 Sec. 220. (1) The commissioner may require any report from
20 a domestic credit union that in the commissioner's judgment is
21 necessary to fully inform the commissioner about the condition of
22 the domestic credit union. The commissioner shall give the
23 domestic credit union notice in writing that a report is
24 required, describing the report and the deadline for submission.
25 The commissioner shall deliver the notice to the domestic credit
26 union at least 30 days before the deadline for submission, unless
27 the commissioner determines that a shorter period of time is

1 necessary to protect the public interest.

2 (2) If the domestic credit union fails to deliver to the
3 commissioner a report required under subsection (1) by the
4 deadline for submission, the commissioner may assess an
5 administrative fine against the domestic credit union that does
6 not exceed \$1,000.00 for each day the report is delinquent. An
7 administrative fine assessed under this section shall be paid
8 into the credit union fund created in section 201.

9 Sec. 221. If the commissioner or any person is required to
10 provide a written notice under this act, the commissioner or
11 person may use any delivery method reasonably calculated to give
12 actual notice, including, but not limited to, any of the
13 following:

14 (a) Physical delivery, in person or by first-class mail or
15 other express delivery service.

16 (b) If the recipient of the notice agrees to delivery by that
17 method, electronic delivery, by facsimile, electronic
18 transmission, or other means approved by the commissioner.

19 Sec. 222. (1) Subject to subsection (2), if the
20 commissioner finds that a credit union has violated this act or a
21 rule promulgated under this act, the commissioner may assess a
22 civil fine against the credit union or an official of the credit
23 union of not more than \$1,000.00 for each violation, plus the
24 costs of investigation. Each injury to an individual or other
25 person by a violation of this act or a rule is a separate
26 violation.

27 (2) The commissioner may not assess civil fines under

1 subsection (1) against a credit union or an official of the
2 credit union that in the aggregate are more than \$10,000.00, plus
3 the costs of investigation, for multiple violations of this act
4 or rules promulgated under this act that arise from the same
5 transaction.

6 (3) The attorney general may commence an action to recover a
7 civil fine assessed under subsection (1) or (2) by and in the
8 name of the commissioner. The attorney general shall collect and
9 enforce a civil fine and may utilize summary proceedings.

10 (4) In determining the amount of a fine under subsection (1)
11 or (2), the commissioner shall consider the extent to which the
12 violation was a knowing and willful violation and the extent of
13 the injury suffered because of the violation. If the violation
14 was committed by a credit union, the commissioner shall also
15 consider any corrective action taken by the credit union to
16 ensure that the violation will not be repeated and the record of
17 the credit union in complying with this act.

18 (5) The commissioner shall conduct a proceeding under this
19 section in accordance with the administrative procedures act of
20 1969, 1969 PA 306, MCL 24.201 to 24.328.

21 Sec. 223. (1) The commissioner may by order require a
22 domestic credit union to close its principal place of business or
23 1 or more branches if it appears to the commissioner that the
24 action is required because an emergency exists. The facilities
25 closed shall remain closed until the commissioner by order finds
26 that the emergency is ended. The commissioner shall promptly
27 notify the governor of the issuance of an order under this

1 section.

2 (2) The commissioner may authorize a domestic credit union to
3 close on a day designated by the president of the United States
4 or the governor of this state as a day of national mourning,
5 rejoicing, or other special observance.

6 (3) If the commissioner has not issued and does not issue an
7 order of emergency under subsection (1) and the general manager
8 or other designated officer of a domestic credit union determines
9 that an emergency exists, the officer may close the principal
10 place of business or 1 or more branches of the domestic credit
11 union until he or she finds that the emergency is ended.

12 (4) A domestic credit union closing its principal place of
13 business or 1 or more branches under this section shall give
14 notice to the commissioner, and to any other appropriate
15 governmental entity if required by law.

16 (5) The period during which the principal place of business
17 of a domestic credit union is closed under this section is
18 considered an emergency condition or a legal holiday, and not a
19 banking day, if the status of the closing as a legal holiday,
20 banking day, or a response to an emergency is relevant to any
21 legal obligation of the domestic credit union.

22 (6) This section does not alter any obligations of a domestic
23 credit union to its employees or to the employees of another
24 employer under state or federal law.

25 PART 2

26 RECEIVERS

27 Sec. 231. (1) Except as provided in subsection (2), a

1 domestic credit union shall only be liquidated as provided in
2 this part. A receiver or other liquidating agent shall only be
3 appointed for a domestic credit union or its assets and property
4 under this part.

5 (2) If a federal agency is appointed as receiver of a
6 domestic credit union, the receivership procedures of the federal
7 agency shall govern the receivership.

8 Sec. 232. (1) If a domestic credit union refuses to pay its
9 shares, deposits, or obligations in accordance with the terms
10 under which the shares were received or the deposits or
11 obligations were incurred, becomes insolvent, or refuses to
12 submit its books, papers, and records for inspection by the
13 commissioner, or if it appears to the commissioner that the
14 domestic credit union is in an unsafe or unsound condition, the
15 commissioner may either appoint a conservator under section 241
16 or apply to the circuit court for Ingham county or for the county
17 in which the principal place of business of the domestic credit
18 union is located for the appointment of a receiver for the
19 domestic credit union.

20 (2) In a proceeding for the appointment of a receiver, the
21 court may act upon the application immediately and without notice
22 to any person. If at any time it appears to the court that the
23 claimed reasons for receivership do not exist, the court shall
24 dissolve the receivership and terminate the proceedings.

25 (3) An insuring federal agency may act as receiver without
26 bond. All other receivers, with the exception of an employee of
27 the office of financial and insurance services appointed as

1 receiver in his or her official capacity, shall post a bond in an
2 amount determined by the court.

3 (4) A receiver shall report to the commissioner regarding all
4 matters involving the receivership on a schedule established by
5 the commissioner.

6 (5) If a domestic credit union is closed and placed in
7 receivership, and the insuring federal agency pays or makes
8 available for payment the insured shares and deposit liabilities
9 of the closed domestic credit union, the agency, whether or not
10 it has become receiver of the domestic credit union, is
11 subrogated to all of the rights of the owners of the deposits
12 against the closed domestic credit union in the same manner and
13 to the same extent as subrogation of the agency is provided for
14 under federal law.

15 Sec. 233. (1) Subject to court approval, a receiver
16 appointed under this part shall do all of the following:

17 (a) Take possession of the books, records, and assets of the
18 domestic credit union and collect all debts, dues, and claims
19 belonging to the domestic credit union.

20 (b) Sue and defend, compromise, and settle all claims
21 involving the domestic credit union.

22 (c) Sell all real and personal property of the domestic
23 credit union.

24 (d) Exercise all fiduciary functions of the domestic credit
25 union as of the date of the commencement of the receivership.

26 (e) Pay all administrative expenses of the receivership. The
27 administrative expenses are a first charge on the assets of the

1 domestic credit union and the receiver shall pay those expenses
2 before any final distribution or payment of dividends to
3 creditors or members.

4 (f) Except as provided in this subdivision, pay ratably the
5 debts of the domestic credit union. The receiver may pay any
6 debt that does not exceed \$500.00 in full, but the holder of that
7 debt is not entitled to payment of interest on the debt.

8 (g) After paying or providing for payment of all the
9 administrative expenses and debts under subdivisions (e) and (f),
10 pay ratably to the members of the domestic credit union the
11 balance of the net assets of the domestic credit union, in
12 proportion to the number of shares held and owned by each.

13 (h) Have all the powers of the directors, officers, and
14 members of the domestic credit union necessary to support an
15 action taken on behalf of the domestic credit union.

16 (i) Hold title to the domestic credit union's property,
17 contracts, and rights of action, beginning on the date the
18 domestic credit union is ordered in receivership.

19 (2) Subject to court approval, a receiver may do any of the
20 following:

21 (a) Borrow money as necessary or expedient to aid in the
22 liquidation of the domestic credit union and secure the borrowing
23 by the pledge of or lien, security interest, or mortgage on the
24 assets of the domestic credit union.

25 (b) Employ agents, legal counsel, accountants, appraisers,
26 consultants, and other personnel the receiver considers necessary
27 to assist in the performance of the receiver's duties. With the

1 prior written approval of the commissioner, the receiver may
2 employ personnel of the office of financial and insurance
3 services if the receiver considers the employment to be
4 advantageous or desirable. The expense of employing personnel of
5 the office of financial and insurance services is an
6 administrative expense of the liquidation that is payable to the
7 office of financial and insurance services.

8 (c) Exercise other powers and duties ordered by a circuit
9 court under the laws of this state applicable to the appointment
10 of receivers by the circuit court.

11 Sec. 234. (1) Except as provided in subsection (3), a
12 transfer of or lien on the property or assets of a domestic
13 credit union is voidable by a receiver appointed under this part
14 if the transfer or lien is 1 or more of the following:

15 (a) Made or created within 1 year before the date the
16 domestic credit union is ordered in receivership if the receiving
17 transferee or lien holder was at the time an affiliate, officer,
18 director, or employee of the domestic credit union or an
19 affiliate of the domestic credit union.

20 (b) Made or created on or within 90 days before the date the
21 domestic credit union is ordered in receivership with the intent
22 of giving to a creditor or depositor, or enabling a creditor or
23 depositor to obtain, a greater percentage of the claimant's debt
24 than is given or obtained by another claimant of the same class.

25 (c) Accepted after the domestic credit union is ordered in
26 receivership by a creditor or depositor having reasonable cause
27 to believe that a preference will occur.

1 (d) Voidable by the domestic credit union and the domestic
2 credit union may recover the property transferred or its value
3 from the person to whom it was transferred or from a person who
4 has received it, unless the transferee or recipient was a bona
5 fide holder for value before the date the domestic credit union
6 was ordered in receivership.

7 (2) A person acting on behalf of the domestic credit union,
8 who knowingly has participated in implementing a voidable
9 transfer or lien, and each person receiving property or the
10 benefit of property of the domestic credit union as a result of
11 the voidable transfer or lien, is personally liable to the
12 receiver for the property or benefit received.

13 (3) A receiver appointed under this part shall not void an
14 otherwise voidable transfer under this section if any of the
15 following apply:

16 (a) The transfer or lien does not exceed the value of
17 \$1,000.00.

18 (b) The transfer or lien was received in good faith by a
19 person who gave value and who is not a person described in
20 subsection (1)(a).

21 (c) The transfer of lien was intended by the domestic credit
22 union and the transferee or lien holder as, and in fact
23 substantially was, a contemporaneous exchange for new value given
24 to the domestic credit union.

25 (4) As used in this section, "preference" means a transfer or
26 grant of an interest in the property or assets of the domestic
27 credit union that is either of the following:

1 (a) Made or incurred with the intent to hinder, delay, or
2 defraud an entity to which, on or after the date that the
3 transfer or grant of interest was made, the domestic credit union
4 was or became indebted.

5 (b) Made or incurred for less than a reasonably equivalent
6 value in exchange for the transfer or grant of interest if the
7 domestic credit union was insolvent on the date that the transfer
8 or grant of interest was made or became insolvent as a result of
9 the transfer or grant of interest.

10 Sec. 235. (1) If approved by the court, a receiver
11 appointed under this part may dispose of records of a domestic
12 credit union in receivership that are obsolete and unnecessary to
13 the continued administration of the receivership proceeding and
14 retain the remaining records of the domestic credit union and the
15 receivership for a period of time as ordered by the court.

16 (2) A receiver appointed under this part may devise a method
17 for the effective, efficient, and economical maintenance of the
18 records of the domestic credit union and of the receiver's
19 office, including maintaining those records on any medium
20 approved by the court.

21 (3) A receiver appointed under this part may reserve assets
22 of a liquidated domestic credit union, deposit them in an
23 account, and use them to maintain the records of a liquidated
24 domestic credit union after the closing of the receivership
25 proceeding.

26 PART 3

27 CONSERVATORSHIPS

1 Sec. 241. (1) If any of the grounds under section 232
2 authorizing the appointment of a receiver exist or if the
3 commissioner considers it necessary in order to conserve the
4 assets of a domestic credit union for the benefit of the members
5 and depositors and other creditors of the domestic credit union,
6 the commissioner may appoint a conservator for the domestic
7 credit union and require of the conservator a bond and security
8 as determined by the commissioner.

9 (2) The commissioner may appoint as conservator an employee
10 of the office of financial and insurance services or any other
11 competent and disinterested person. The conservator shall
12 reimburse the office of financial and insurance services out of
13 the assets of the conservatorship for all sums expended by it in
14 connection with the conservatorship as administrative expenses.
15 The conservator shall pay all administrative expenses of the
16 conservatorship out of the assets of the domestic credit union,
17 upon the approval of the commissioner. The administrative
18 expenses are a first charge on the assets of the domestic credit
19 union and the conservator shall pay the administrative expenses
20 in full before any final distribution or payment of dividends to
21 creditors or members.

22 Sec. 242. (1) Under the direction of the commissioner, a
23 conservator appointed under this part shall take possession of
24 the books, records, and assets of the domestic credit union and
25 take any action necessary to conserve the assets of the domestic
26 credit union pending further disposition of its business as
27 provided by law. The conservator has all the rights, powers, and

1 privileges of a receiver appointed under part 2 of this article
2 and is subject to those obligations and penalties to which a
3 receiver is subject that are not inconsistent with this part with
4 respect to conservators.

5 (2) While a conservator remains in possession of the domestic
6 credit union under this part, the rights of all parties with
7 respect to the domestic credit union, subject to the other
8 provisions of this part with respect to conservators, are the
9 same as if a receiver had been appointed under part 2 of this
10 article.

11 (3) A conservator appointed under this part may execute the
12 discharge of any real estate mortgage held as part of the assets
13 of the domestic credit union.

14 Sec. 243. (1) While a domestic credit union is in
15 conservatorship under this part, the commissioner may require the
16 conservator to set aside and make available for withdrawal by
17 members and depositors and payment to other creditors, on a
18 ratable basis, amounts that in the opinion of the commissioner
19 may be used safely for this purpose.

20 (2) The commissioner may permit a conservator appointed under
21 this part to receive shares and deposits.

22 (3) Shares and deposits received while a domestic credit
23 union is in conservatorship under this part are not subject to
24 any limitation as to payment or withdrawal. The conservator
25 shall segregate those shares and deposits and any new assets
26 acquired on account of the shares and deposits and shall not use
27 those shares, deposits, and assets to liquidate any indebtedness

1 of the domestic credit union existing at the time that the
2 conservator was appointed or for any subsequent indebtedness
3 incurred for the purpose of liquidating any indebtedness of the
4 domestic credit union existing at the time the conservator was
5 appointed.

6 (4) Any action taken by a conservator under subsection (3)
7 may not remain in effect for more than 15 days after the date
8 that the conservator returns control of the domestic credit union
9 to the credit union board.

10 (5) A conservator appointed under this part shall keep any
11 shares and deposits received while the domestic credit union is
12 in conservatorship in cash, invested in the direct obligations of
13 the United States, or deposited in depository institutions
14 designated by the commissioner.

15 (6) Before returning control of a domestic credit union to
16 the credit union board, a conservator appointed under this part
17 shall publish a notice, in form approved by the commissioner,
18 stating the date on which the affairs of the domestic credit
19 union will be returned to the credit union board and that the
20 provisions of subsection (3) will not apply after 15 days from
21 that date. The conservator shall send a copy of the notice to
22 every person who purchased shares or deposited money in the
23 domestic credit union after the appointment of the conservator
24 and before the time when control of the domestic credit union is
25 returned to the credit union board.

26 Sec. 244. With the prior approval of the commissioner, a
27 conservator appointed under this part may borrow money necessary

1 respect to the credit union described in subdivision (a).

2 (2) The commissioner may initiate and order an involuntary
3 merger of a distressed credit union with another credit union if
4 both of the following are met:

5 (a) The other credit union agrees to a merger.

6 (b) If the other credit union is a foreign credit union, it
7 is authorized to complete the merger under any state or federal
8 law applicable to it.

9 (3) As used in this section, "distressed credit union" means
10 a domestic credit union that the commissioner determines is
11 insolvent, in danger of insolvency, in an unsafe or unsound
12 condition, or in danger of becoming in an unsafe or unsound
13 condition under subsection (1).

14 ARTICLE 3

15 DOMESTIC CREDIT UNION ORGANIZATION AND STRUCTURE

16 PART 1

17 FORMATION AND OPERATION

18 Sec. 301. (1) Seven individuals, a majority of whom are
19 residents of this state and all of whom are within the proposed
20 field of membership of the domestic credit union, may file an
21 application to organize a domestic credit union under this act.
22 This subsection does not apply to the organization of a corporate
23 credit union.

24 (2) A domestic credit union is organized in the following
25 manner:

26 (a) The applicants shall file an application in the form
27 prescribed by the commissioner. The application shall contain

1 all of the following information:

2 (i) The name and all proposed trade names of the domestic
3 credit union.

4 (ii) The location of the principal place of business and any
5 initial branches of the domestic credit union.

6 (iii) The names and addresses of the applicants and the
7 number of shares subscribed by each.

8 (iv) The par value of the shares of the domestic credit
9 union. The par value of a share shall not exceed \$100.00.

10 (v) The proposed field of membership.

11 (vi) Any other information required by the commissioner.

12 (b) The applicants shall deliver the application to the
13 commissioner, with an application fee in an amount established by
14 the commissioner.

15 (c) Within 60 days after receipt of an application or the
16 last amendment or supplement to the application, the commissioner
17 shall do all of the following:

18 (i) Examine the information contained in the application and
19 conduct any investigation the commissioner considers necessary
20 pertaining to the organization of the new domestic credit union.

21 (ii) Determine whether the organization of the proposed
22 domestic credit union will benefit its members.

23 (iii) Determine whether a federal agency authorized to insure
24 share and deposit accounts has issued a firm commitment to
25 provide that insurance for the domestic credit union.

26 (iv) Determine whether organization of the domestic credit
27 union is consistent with the purposes of this act.

1 (d) The commissioner approves or disapproves of the
2 organization of the domestic credit union.

3 (e) If the commissioner approves, he or she issues a
4 certificate of approval.

5 (3) The decision to approve or disapprove of the organization
6 of a domestic credit union under subsection (2) is discretionary
7 with the commissioner. The commissioner shall notify the
8 applicants of his or her decision. If the commissioner approves,
9 he or she shall issue a certificate of organization and approved
10 bylaws of the domestic credit union. If all of the organizers
11 sign the certificate of organization and adopt the bylaws and
12 return the certificate of organization and bylaws to the
13 commissioner, the commissioner shall issue the certificate of
14 approval authorizing the commencement of business. If the
15 commissioner disapproves, he or she shall state the reasons for
16 the decision and the applicant may request a hearing to
17 reconsider the decision before the commissioner within 30 days
18 after the mailing of a copy of the decision to the applicants.
19 Within 10 days after receipt of a request for a hearing to
20 reconsider, the commissioner shall set a date for the hearing
21 that is within 60 days after the date the request was received.
22 If the commissioner does not approve the organization of the
23 domestic credit union after the hearing to reconsider, the
24 applicants may file an appeal of the commissioner's decision in
25 the circuit court for the county stated in the application as the
26 location of the principal office of the domestic credit union or
27 in the circuit court for Ingham county within 30 days after the

1 date of mailing by certified mail of a copy of the decision to
2 the applicants. If the applicants appeal to the circuit court,
3 the commissioner shall retain the exhibits introduced at the
4 hearing and shall forward them to the circuit court. The
5 applicants shall pay the cost of preparation of the
6 stenographer's record of the hearing to reconsider.

7 (4) If a certificate of approval authorizing a domestic
8 credit union to commence business is issued under subsection (2),
9 the domestic credit union is organized for purposes of this act.

10 (5) The commissioner shall retain the original certificate of
11 organization and the original bylaws. The commissioner shall
12 deliver the certificate of approval and a copy of the approved
13 bylaws to the domestic credit union.

14 (6) The commissioner shall prescribe the form of the
15 certificate of organization and the bylaws and shall furnish them
16 upon request to a domestic credit union or a person who is
17 considering organization of a domestic credit union.

18 Sec. 302. Two or more credit unions may file an application
19 to organize a corporate credit union in this state whose field of
20 membership is composed primarily of credit unions.

21 Sec. 303. If approved by a majority of the members present
22 at a duly constituted annual or special meeting of the members,
23 the membership may amend the certificate of organization or
24 bylaws of a domestic credit union or delegate authority to the
25 credit union board, or rescind the authority of the credit union
26 board, to amend the certificate of organization or bylaws. Any
27 proposed action to amend the certificate of organization or the

1 bylaws or to delegate authority to amend the certificate of
2 organization or bylaws to the credit union board shall be stated
3 in a notice of the meeting. An amendment to the certificate of
4 organization or bylaws is not effective unless it is approved by
5 the commissioner.

6 Sec. 304. (1) A domestic credit union may change the
7 location of its principal place of business within this state if
8 it provides the commissioner with written notice at least 30 days
9 before the change of location.

10 (2) A domestic credit union shall file the address of the
11 principal place of business and the name of the treasurer and
12 general manager of the credit union with the commissioner on a
13 form prescribed by the commissioner. If the address of the
14 principal place of business or the name of the treasurer changes,
15 the credit union shall immediately file written notice of the
16 change with the commissioner.

17 (3) A domestic credit union may establish and maintain
18 branches. The credit union shall provide written notice to the
19 commissioner of the location of a branch before establishing the
20 branch.

21 (4) A domestic credit union and 1 or more domestic or foreign
22 credit unions or other financial organizations may establish and
23 maintain service centers. One or more of the financial
24 organizations that establish a service center may operate the
25 service center, or the financial organizations organizing the
26 service center may contract with another person to operate the
27 service center. A domestic credit union may refer to a service

1 center as a branch.

2 (5) Subject to all of the following, a domestic credit union
3 may adopt or change 1 or more trade names:

4 (a) The domestic credit union shall give written notice of
5 the proposed trade name to the commissioner at least 30 days
6 before using the trade name.

7 (b) The commissioner may deny a domestic credit union the
8 right to use a given trade name or terminate a credit union's
9 right to use a trade name if he or she determines that another
10 entity has superior rights to the name in the credit union's
11 trade area or that the name is confusingly similar to a name or
12 trade name used by another credit union or other entity in the
13 credit union's trade area.

14 (c) A domestic credit union using 1 or more trade names shall
15 clearly and conspicuously disclose the legal name of the credit
16 union in all signs, advertising, mailings, and similar materials
17 and use the legal name of the credit union in all legal
18 documents, certificates of deposit, signature cards, loan
19 agreements, account statements, checks, drafts, and other similar
20 documents.

21 (d) A trade name may not contain the phrase "credit union".

22 Sec. 305. (1) A domestic credit union shall maintain its
23 books and records at its principal place of business filed with
24 the commissioner under section 304 and make the books and records
25 available for examination by the commissioner or his or her
26 authorized agent, except as follows:

27 (a) A credit union may maintain specified books and records

1 at a location in this state other than its principal place of
2 business if it gives notice to the commissioner of the location
3 of the specified books and records and can produce those books
4 and records at its principal place of business within 3 business
5 days after a request from the commissioner to examine them.

6 (b) Except as required by other applicable law, a credit
7 union may store records that are more than 3 years old at an
8 off-site facility or on alternative storage media if the records
9 are available for examination by the commissioner or his or her
10 appointed agent.

11 (c) A domestic credit union may maintain records specific to
12 a branch located outside of this state at that branch if the
13 credit union can make the originals of those records available to
14 the commissioner within this state within 3 business days after a
15 request from the commissioner to examine them. If a law
16 applicable in the state where the branch is located prohibits the
17 removal of the original records from that state, the credit union
18 shall notify the commissioner of that law and provide copies of
19 the records to the commissioner.

20 (2) If a domestic credit union does not make its books and
21 records available to the commissioner or his or her authorized
22 agent in the manner described in subsection (1), the commissioner
23 may obtain an order from the circuit court of the county in which
24 the credit union is located requiring the credit union to produce
25 the books and records for examination.

26 Sec. 306. A domestic credit union may conduct its business
27 solely by mail or through electronic communication without having

1 a physical location where members may transact business with the
2 credit union. A domestic credit union conducting business under
3 this section shall maintain a principal place of business in this
4 state.

5 PART 2

6 DISSOLUTION

7 Sec. 331. (1) A domestic credit union may voluntarily
8 dissolve under subsection (2) or be involuntarily dissolved under
9 subsection (3).

10 (2) A domestic credit union may voluntarily dissolve if all
11 of the following are met:

12 (a) At least 30 days before the vote described in subdivision

13 (b), the credit union board mails a notice to each member of the
14 domestic credit union that it is considering dissolution. The
15 credit union board shall not include the notice with any other
16 mailing sent to the member. The notice shall include all of the
17 following:

18 (i) A brief explanation of why the board is considering
19 dissolution.

20 (ii) A brief summary of the major positive and negative
21 effects of the proposed dissolution.

22 (iii) A request for written comments on the proposed
23 dissolution.

24 (b) By an affirmative vote of 2/3 of all of the directors
25 entitled to vote, the credit union board approves of a plan of
26 dissolution and submits the plan and any member comments to the
27 commissioner for preliminary review.

1 (c) Before the vote of the members under subdivision (g), the
2 commissioner reviews the dissolution plan and any member comments
3 on the dissolution plan and grants preliminary approval. The
4 commissioner shall grant preliminary approval of the dissolution
5 plan only if the commissioner is satisfied of all of the
6 following:

7 (i) The dissolution plan adequately discloses to the members
8 information concerning the advantages and disadvantages of the
9 proposed dissolution.

10 (ii) The dissolution does not circumvent a pending
11 supervisory action that is initiated by the commissioner or
12 another regulatory agency because of a concern over the safety
13 and soundness of the domestic credit union.

14 (iii) The dissolution plan does not provide any official of
15 the domestic credit union with any remuneration or other economic
16 benefit in connection with the dissolution of the domestic credit
17 union.

18 (d) If the commissioner grants preliminary approval under
19 subdivision (c), the credit union board shall call a special
20 meeting of the members to vote on the dissolution plan and mail
21 to each member notice of the meeting and proposed dissolution 90
22 days and 60 days before the date of the special meeting. Each
23 notice shall include all of the following:

24 (i) A summary of the positive and negative effects of the
25 proposed dissolution.

26 (ii) A statement that the directors will not receive any
27 remuneration or other economic benefit in connection with the

1 dissolution of the domestic credit union.

2 (iii) A statement that any interested person may obtain more
3 detailed information about the dissolution from the domestic
4 credit union at its principal place of business or by any method
5 approved in advance by the commissioner.

6 (iv) A statement that the credit union board may
7 substantively amend the proposed plan of dissolution before the
8 special meeting based on comments from regulatory authorities or
9 any other reason and that the credit union board may terminate
10 the proposed plan of dissolution.

11 (v) Instructions for obtaining a copy of the dissolution
12 plan.

13 (vi) The date of the special meeting and a statement that the
14 vote on the dissolution will close on that date.

15 (vii) Any other information required by the commissioner.

16 (e) Thirty days before the special meeting of the members,
17 the credit union board mails a notice of the meeting and proposed
18 dissolution. The notice shall include all of the information
19 described in subdivision (d) for the 90-day and 60-day notices
20 and shall include the date, time, and place of the special member
21 meeting, a ballot and postage-paid return envelope, and a summary
22 of the methods permitted for casting votes.

23 (f) If the plan of dissolution is substantively amended by
24 the credit union board, at least 30 days before the vote of the
25 members on the plan the credit union board shall mail a notice to
26 each member. The notice shall contain the information concerning
27 the amended plan of dissolution that is described in subdivision

1 (d) for a notice under that subdivision.

2 (g) At a special meeting of members, the members by a 2/3
3 vote of members voting to approve of the dissolution and the plan
4 of dissolution. A member may vote in person or by mail. With
5 the prior approval of the commissioner, a domestic credit union
6 may accept member votes by an alternative method that is
7 reasonably calculated to ensure each member has an opportunity to
8 vote.

9 (h) The domestic credit union files with the commissioner all
10 of the following:

11 (i) Certified copies of records of all proceedings held by
12 the credit union board and members of the domestic credit union.

13 (ii) Copies of member comments submitted to the domestic
14 credit union under subdivision (a)(iii).

15 (iii) If that consent or approval is required, a certified
16 copy of the consent or approval of a federal regulatory
17 authority.

18 (i) If subdivisions (a) through (h) are met and the
19 commissioner determines that the notices to members were
20 accurate, timely, and not misleading and that conduct of the vote
21 on the dissolution plan was fair and lawful, the commissioner
22 shall approve the dissolution and the credit union board may
23 implement the dissolution plan.

24 (3) The commissioner may involuntarily dissolve a domestic
25 credit union in the following manner:

26 (a) If the commissioner determines that a domestic credit
27 union is insolvent or revokes the domestic credit union's

1 certificate of organization under section 201, the commissioner
2 may dissolve the domestic credit union and either take immediate
3 possession or control of the assets of the domestic credit union
4 or appoint a receiver under subdivision (b).

5 (b) If the commissioner dissolves a domestic credit union
6 under subdivision (a), the commissioner may appoint a person as
7 receiver for the domestic credit union. The commissioner may
8 require the person to provide a surety bond in an amount
9 determined by the commissioner and may require the person to
10 comply with other terms and conditions to serve as the receiver.
11 A receiver appointed under this subdivision shall take possession
12 or control of the assets of the domestic credit union.

13 (c) If the commissioner dissolves a domestic credit union
14 under subdivision (a), the commissioner or a receiver appointed
15 under subdivision (b) shall liquidate the domestic credit union.
16 Subject to any applicable law, the commissioner or receiver may
17 handle the liquidation in the manner that he or she determines
18 will yield the best price for assets and result in the least
19 disruption in service to members. The commissioner or the
20 receiver has the authority to sue and be sued to enforce the
21 debts and obligations owed to the domestic credit union and to
22 perform any act necessary to wind up the affairs of the domestic
23 credit union.

24 (d) The commissioner may issue any orders or declaratory
25 rulings he or she considers proper for the purpose of winding up
26 the affairs of a domestic credit union dissolved under this
27 subsection.

PART 3

OFFICERS, OFFICIALS, AND DIRECTORS

1
2
3 Sec. 341. (1) The organizers shall hold an organizational
4 meeting of a domestic credit union organized under this act. The
5 organizational meeting of the domestic credit union is the first
6 annual meeting of the members required under section 351.

7 (2) Each member of the credit union board of a domestic
8 credit union shall be a member of the domestic credit union. The
9 bylaws shall establish the number of directors, but a credit
10 union board must consist of 5 or more individuals. A director
11 shall hold office for the term established in the bylaws and
12 until a successor takes office.

13 (3) If the bylaws of a domestic credit union provide for a
14 credit committee or a supervisory committee, that committee shall
15 consist of 3 or more individuals and may have alternate committee
16 members, as established in the bylaws, each of whom is a member
17 of the domestic credit union. The bylaws shall provide whether
18 the credit union board may appoint or the members may elect
19 committee members and their terms of office and the duties of the
20 committee. Except as provided in section 345, a current
21 director, officer, loan officer, credit committee member, or
22 other employee of the domestic credit union shall not serve on
23 the supervisory committee.

24 (4) If the bylaws of a domestic credit union do not provide
25 for a credit committee or a supervisory committee, the credit
26 union board shall perform the duties of the credit committee or
27 the supervisory committee or delegate those duties as it

1 considers advisable.

2 (5) A corporate credit union shall have at least 1 member of
3 the credit union board, the supervisory committee, if any, and
4 the credit committee, if any, who is a resident of this state.

5 (6) A domestic credit union shall provide the commissioner
6 with a record of the names and addresses of the members of the
7 credit union board and the members of the credit and supervisory
8 committees, if any, within 30 days after their election.

9 (7) If the commissioner considers it appropriate, the
10 commissioner may call a meeting of the credit union board, for
11 any purpose, by giving a notice of the time, place, and purpose
12 of the meeting at least 3 days prior to the meeting to the
13 directors. The commissioner shall deliver the notice to their
14 last known addresses as shown by the books of the domestic credit
15 union.

16 (8) Each individual elected or appointed to serve as a
17 director, credit committee member, or supervisory committee
18 member of a domestic credit union shall meet all of the following
19 criteria:

20 (a) He or she is a member of the domestic credit union, in
21 good standing according to reasonable criteria established by the
22 credit union board.

23 (b) He or she is acceptable as a bonding risk by a bonding
24 company licensed to do business in this state.

25 (c) He or she has not been removed as a director, officer, or
26 employee of a financial institution by a federal regulator, a
27 state regulator other than the commissioner, or a court of

1 competent jurisdiction.

2 (d) The commissioner has not removed him or her as a
3 director, officer, or employee of a credit union, financial
4 institution, or other legal entity pursuant to the commissioner's
5 enforcement powers under any law of this state.

6 (e) He or she has not been convicted within the preceding 20
7 years of a crime involving dishonesty or breach of trust.

8 (f) He or she is not habitually negligent in paying his or
9 her financial obligations as determined by criteria reasonably
10 established by the credit union board.

11 (g) He or she has not been convicted by a court of competent
12 jurisdiction of a violation, or found in violation by a court of
13 competent jurisdiction or the commissioner, of any law of this
14 state enforced or administered by the commissioner.

15 (9) If an individual no longer meets any of the requirements
16 of subsection (8) while serving as a director, credit committee
17 member, or supervisory committee member of a domestic credit
18 union, he or she is immediately removed from that office without
19 further action of the members or credit union board and the
20 domestic credit union shall appoint or elect a replacement to
21 fill the vacancy in the manner described in the bylaws.

22 Sec. 342. (1) At its first meeting, the credit union board
23 shall elect from the credit union board members a chairperson,
24 vice-chairperson, treasurer, and secretary. An individual may
25 serve as both treasurer and secretary. A credit union may refer
26 to these officers by different titles. The credit union shall
27 establish the duties of all of the officers of the credit union

1 in its bylaws.

2 (2) A credit union board has general management of the
3 affairs of the domestic credit union. The credit union board has
4 the authority and responsibility for the general direction of the
5 business affairs, funds, and records of the domestic credit union
6 and is responsible for maintaining its safety and soundness. The
7 duties of the credit union board include, but are not limited to,
8 the duties described in subsection (3) or (4).

9 (3) The credit union board shall perform all of the following
10 duties, which the credit union board may not delegate to another
11 person or committee:

12 (a) Except as provided in section 345(3), filling a vacancy
13 on the board until a successor is elected by the members.

14 (b) Establishing the maximum individual shareholdings of
15 members.

16 (c) Establishing the maximum amount of secured and unsecured
17 loans made by the domestic credit union, subject to any
18 limitations under the bylaws of the domestic credit union adopted
19 and approved by the commissioner.

20 (d) Employing a general manager and fixing his or her
21 compensation.

22 (e) Approving an annual operating budget.

23 (f) Acquiring, selling, or encumbering real property.

24 (g) Appointing special committees as the board deems
25 necessary.

26 (h) Borrowing money under section 401(2)(j).

27 (i) Fixing the amount of the surety bonds for all officers

1 and employees handling money.

2 (j) Determining the par value of shares under section 301.

3 (k) Recommending changes in the bylaws to the members.

4 (l) Specifying forms and procedures for applications for
5 membership and set criteria for use in determining whether to
6 accept an applicant into membership.

7 (m) Adopting investment policies.

8 (n) Adopting other policies necessary for the operation of
9 the domestic credit union.

10 (o) Establishing the titles of the officers holding the
11 positions described in this section. The credit union board
12 shall not establish any misleading titles for officers.

13 (p) Meeting at least once every 62 days and at least 9 times
14 each calendar year, in person or by means of electronic
15 communication devices that enable all participants in a meeting
16 to communicate simultaneously with each other.

17 (q) Performing any other duties required by the members.

18 (4) A credit union board shall perform, or delegate to the
19 general manager of the domestic credit union according to
20 guidelines established by the credit union board that may include
21 the authority to further delegate 1 or more duties, all of the
22 following duties:

23 (a) Approving, disapproving, or otherwise acting on
24 applications for membership.

25 (b) Determining the interest rates on loans and on deposits.

26 (c) Hiring employees other than the general manager and
27 fixing their compensation.

1 (d) Making and selling investments according to investment
2 policies adopted by the board.

3 (e) Designating 1 or more depositories for funds.

4 (f) Establishing procedures to implement policies of the
5 credit union board.

6 (g) Establishing internal controls as necessary.

7 (h) Determining the amount of dividends after providing for
8 any required reserves.

9 (5) A credit union board may do any of the following:

10 (a) By resolution, designate a general manager and define his
11 or her duties.

12 (b) Appoint an executive committee that consists of not fewer
13 than 3 directors. An executive committee may act on any matter
14 specifically authorized by the board.

15 (c) Remove a director by a 2/3 vote of the credit union
16 board, for cause or for any reason set forth in the bylaws. In
17 addition to removal under section 341(9), the domestic credit
18 union's bylaws may also provide for immediate removal of a
19 director from that office without further action of the members
20 or credit union board if 1 or more events specified in the bylaws
21 occur.

22 (d) If the domestic credit union does not have a supervisory
23 committee, remove a credit committee member by a 2/3 vote of the
24 credit union board.

25 (e) If there is no supervisory committee, suspend a member of
26 the credit union board by a 2/3 vote of the credit union board.
27 If a member of the credit union board is suspended under this

1 subdivision or section 345(2), the remaining directors shall
2 report the suspension and the cause for the suspension to the
3 commissioner within 3 days and shall call a special members'
4 meeting that shall take place not less than 7 or more than 45
5 days after the suspension. At the special members' meeting, the
6 remaining directors shall report the cause for the suspension,
7 the suspended director has the right to be heard, and the members
8 shall decide whether to sustain or reverse the action of the
9 supervisory committee or the credit union board. If the members
10 sustain the action, they shall replace the suspended board member
11 at the special members' meeting. If a supervisory committee
12 suspends a majority of the credit union board under section
13 345(2), the remaining board members have general management of
14 the affairs of the domestic credit union until the suspended
15 board members are reinstated or replaced at the special members'
16 meeting.

17 (f) Suspend or remove a member of the supervisory committee
18 for failure to perform his or her duties in accordance with this
19 act, the certificate of organization, or the bylaws by a 2/3 vote
20 of the credit union board.

21 (g) By a majority vote, suspend or remove any officer from
22 his or her duties as an officer.

23 (6) A member of the credit union board or of the credit or
24 supervisory committee, if any, shall not receive compensation for
25 his or her service as a board or committee member.

26 (7) If a loan made to or cosigned, endorsed, or guaranteed by
27 a director or a member of the supervisory, credit, or other

1 committee is more than 2 months delinquent, the individual is
2 automatically removed from his or her position as director or
3 committee member and he or she is ineligible to serve as a
4 director or committee member for 2 years. The commissioner may
5 waive the application of this provision in a given situation if
6 the commissioner determines that it is in the best interests of
7 the domestic credit union to do so.

8 (8) A majority of the credit union board constitutes a quorum
9 for the transaction of business.

10 (9) Unless specifically prohibited by the bylaws, if this act
11 requires or allows a credit union board to take an action at a
12 meeting, the board may take that action without a meeting if a
13 consent in writing setting forth the action taken is signed by
14 all of the directors entitled to vote on that matter. A written
15 consent under this subsection shall contain 1 or more written
16 approvals, each of which sets forth the action taken and bears
17 the signature of 1 or more directors. The directors shall
18 deliver their signed approvals to the secretary, and he or she
19 shall file them in the corporate records of the domestic credit
20 union. An action taken by written consent under this subsection
21 is effective when all the directors have approved the consent
22 unless the consent specifies a different effective date. A
23 consent signed by all the directors has the same effect as a
24 unanimous vote, and the domestic credit union may represent that
25 the action was approved by a unanimous vote in any document filed
26 with the commissioner under this act.

27 (10) A director when elected or appointed shall take and

1 subscribe an oath that he or she will diligently and honestly
2 perform the duties of the office and will not knowingly violate,
3 or permit to be violated, any provisions of this act. The
4 secretary shall file the oaths in the corporate records of the
5 domestic credit union.

6 Sec. 343. If 1 or more directors of a domestic credit union
7 board are suspended or removed under this act, a majority of the
8 remaining members of the board, including any replacement
9 directors, constitute a quorum of the credit union board. If all
10 of the directors of a domestic credit union are suspended or
11 removed under this act, the commissioner shall appoint
12 individuals to serve temporarily as directors until the
13 suspensions or removals are terminated or until their successors
14 are elected and take office.

15 Sec. 344. (1) A domestic credit union with assets of
16 \$5,000,000.00 or more as of the end of the last calendar year
17 shall obtain at least an annual audit, conducted by a certified
18 public accountant or other professionally qualified individual,
19 who may be self-employed or employed by another person. A
20 domestic credit union with assets of less than \$5,000,000.00 as
21 of the end of the last calendar year shall do 1 of the
22 following:

23 (a) If the credit union board does not proceed under
24 subdivision (b), obtain at least an annual audit, conducted by a
25 certified public accountant or other professionally qualified
26 individual, who may be self-employed or employed by another
27 person.

1 (b) If the domestic credit union has a supervisory committee,
2 the credit union board may authorize the supervisory committee to
3 conduct an annual audit of the domestic credit union.

4 (2) If a domestic credit union has a supervisory committee,
5 the supervisory committee shall conduct or direct those
6 supplementary audits, examinations, and verifications of members'
7 accounts that it considers necessary or that the commissioner or
8 the credit union board requires and submit reports of any
9 supplementary audits to the credit union board.

10 (3) The supervisory committee or other auditor shall submit a
11 written report of each annual audit to the credit union board.
12 The domestic credit union shall provide a copy of the written
13 report or a written summary of that report to any member who
14 makes a written request, within 30 days after receipt of the
15 request.

16 (4) An individual who is independent of a domestic credit
17 union shall perform an audit of the domestic credit union under
18 this section. An individual is not independent if any of the
19 following apply at any time during the period covered by the
20 audit or the period of the professional engagement or at the time
21 the written audit report is presented:

22 (a) Unless the individual is a member of the supervisory
23 committee and that committee is performing the audit under
24 subsection (1), the individual performing the audit is an
25 official or employee of the domestic credit union.

26 (b) The individual performing the comprehensive audit has a
27 material direct or indirect financial interest in any closely

1 held business investment with an official or employee of the
2 domestic credit union.

3 (c) A situation, condition, or relationship exists that, in
4 the opinion of the commissioner, prevents the individual
5 performing the audit from performing the audit in an objective
6 and independent manner.

7 (5) A supervisory committee or individual performing an audit
8 under this section shall prepare and retain documentation
9 sufficient to demonstrate that the audit was performed in
10 accordance with the requirements of this section. The audit
11 working papers shall include at least all of the following:

12 (a) The planning of the audit.

13 (b) The nature, timing, and extent of the auditing procedures
14 performed.

15 (c) The conclusions and recommendations reached by the
16 auditor from the information obtained by him or her.

17 (6) As used in this section:

18 (a) "Audit" means a comprehensive review of the internal
19 policies, procedures, and controls of the domestic credit union
20 and its compliance with them that is sufficient for the auditor
21 to reach a reasonable conclusion that the financial statements of
22 the domestic credit union fairly and accurately represent the
23 condition of the domestic credit union.

24 (b) "Professionally qualified individual" means an individual
25 who is self-employed, employed by another person, or employed by
26 an organization, whose usual and customary occupation includes
27 performing audits of businesses or other organizations and

1 reporting audit findings to the board of the organization and
2 authorized third parties and whose education and experience
3 levels are similar to other individuals engaged in auditing as a
4 usual and customary occupation.

5 Sec. 345. (1) A domestic credit union may have a
6 supervisory committee. If authorized by the bylaws, 1 director
7 who is not an officer of the domestic credit union may serve as a
8 member of the supervisory committee. Otherwise, a director may
9 not serve as a member of the supervisory committee.

10 (2) If a domestic credit union has a supervisory committee,
11 the supervisory committee may do any of the following:

12 (a) By majority vote, call a special meeting of the members
13 to consider any matter submitted to the special meeting of the
14 members by the committee.

15 (b) By a unanimous vote, suspend any member of the credit
16 committee and report the suspension and the reason for the
17 suspension to the credit union board. At its next meeting, the
18 credit union board shall vote on whether to remove or reinstate
19 the suspended credit committee member. A 2/3 vote of the credit
20 union board is required to remove the suspended credit committee
21 member.

22 (c) By a unanimous vote, suspend a member of the credit union
23 board for cause.

24 (d) Access any credit union records.

25 (3) If a domestic credit union has a supervisory committee
26 and the members elect the committee, the committee shall fill
27 vacancies on the committee until the next meeting of the

1 members. If a domestic credit union has a supervisory committee
2 and the credit union board appoints the committee, the credit
3 union board shall fill vacancies on the supervisory committee.

4 PART 4

5 MEMBERS

6 Sec. 351. (1) A domestic credit union shall hold an annual
7 meeting of the members each calendar year in the manner indicated
8 in the bylaws. The members shall elect the credit union board at
9 the annual meeting.

10 (2) A domestic credit union may hold a special meeting of the
11 members in the manner indicated in the bylaws.

12 (3) At any meeting of the members, a member with 1 or more
13 shares has 1 vote on any matter submitted to the members. A
14 member may not vote by proxy. A member who is not a natural
15 person may vote through an agent with authority to vote on that
16 member's behalf.

17 (4) The members of a domestic credit union may remove a
18 member of the credit union board or a credit or supervisory
19 committee member elected by the members of the domestic credit
20 union from office but only at a special meeting of the members
21 called for that purpose.

22 Sec. 352. (1) The membership of a domestic credit union is
23 comprised of each person that organized the domestic credit
24 union, and each person that meets all of the following:

25 (a) The person belongs to a group of persons that is within
26 the domestic credit union's field of membership.

27 (b) The person is accepted by the domestic credit union as a

1 member.

2 (c) The person pays any entrance or membership fee required
3 by the domestic credit union.

4 (d) The person pays for 1 or more shares, including a
5 membership share if the domestic credit union requires ownership
6 of a membership share.

7 (e) The person complies with any other requirement for
8 membership contained in the domestic credit union's bylaws.

9 (2) The credit union board of a domestic credit union shall
10 establish the field of membership for a domestic credit union.
11 The field of membership shall consist of 1 or more groups of
12 persons, where the persons within any 1 group, but not all
13 groups, in the field of membership share a common bond. The
14 credit union board may identify and approve 1 or more groups of
15 persons, and their immediate family members, whose common bond is
16 based on any of the following:

17 (a) Occupation.

18 (b) Association.

19 (c) Residence, employment, religious participation, or school
20 enrollment within 1 or more geographical areas.

21 (d) Any other criteria established by the commissioner by
22 order or declaratory ruling.

23 (3) A credit union board that establishes or revises the
24 field of membership of the domestic credit union shall submit the
25 new or revised field of membership to the commissioner for
26 approval on an application form provided by the commissioner.
27 The commissioner shall promptly notify an applicant when he or

1 she determines that an application is complete and the date of
2 that determination.

3 (4) The commissioner has 60 days after the date of
4 determination described in subsection (3) to approve or
5 disapprove of a revised field of membership. The commissioner
6 may disapprove of an application only on the basis of safety and
7 soundness of the domestic credit union. If the commissioner does
8 not approve or disapprove of the application, or extend the
9 60-day period under subsection (5), within that 60-day period,
10 the application is considered approved as of the day after the
11 60-day period.

12 (5) The commissioner may extend the 60-day period described
13 in subsection (4) for 1 or more additional 30-day periods for
14 administrative reasons if the commissioner delivers notice of
15 each 30-day extension in writing to the domestic credit union
16 before the 60-day period and any prior 30-day extensions expire.
17 An extension notice shall explain the reason for the extension.
18 If the commissioner does not approve or disapprove of the
19 application, or grant an additional 30-day extension, within a
20 30-day extension period, the application is considered approved
21 as of the day after the 30-day extension period. The
22 commissioner may grant any number of 30-day extensions, but the
23 domestic credit union may treat any extension after the third
24 30-day extension as a disapproval of the application and may
25 pursue any administrative or legal remedies available for a
26 disapproval.

27 (6) If authorized in the bylaws of the domestic credit union,

1 a member that is no longer in the field of membership of the
2 domestic credit union because the field of membership is revised
3 under this section, or the member leaves the field of membership,
4 may continue as a member, on the same basis as any other member,
5 or on a different basis if the bylaws establish a different basis
6 for that continued membership.

7 (7) A domestic credit union shall respond to an application
8 for membership within 30 calendar days after receiving it. If
9 the domestic credit union determines that there is a sound
10 business reason for the action, a domestic credit union may deny
11 membership to any applicant for membership.

12 (8) If the domestic credit union elects, a single account
13 jointly owned by 2 or more individuals may serve as the basis for
14 membership of any of those individual owners who are otherwise
15 eligible for membership and the account contains at least 1 share
16 for each of them.

17 (9) If the individual was a member of the domestic credit
18 union at the time of his or her death, a domestic credit union
19 may accept the estate of an individual as a member.

20 Sec. 353. (1) Except as provided in this part, ownership of
21 a membership share is a condition of membership in a domestic
22 credit union. Except as provided in this section, a member may
23 own only 1 membership share.

24 (2) A domestic credit union may accept and maintain deposits
25 under section 401(2)(x) without the depositor subscribing to or
26 paying for a share in the domestic credit union.

27 (3) If it is comprised for the most part of the same general

1 group as the membership of the domestic credit union, a domestic
2 credit union may accept a legal entity as a member of a domestic
3 credit union.

4 (4) If the domestic credit union elects, a single account
5 jointly owned by 2 or more individuals may serve as the basis for
6 membership of any of those individual owners who are otherwise
7 eligible for membership if the account contains at least 1 share
8 for each of them.

9 (5) If an individual was a member of the domestic credit
10 union at the time of his or her death, a domestic credit union
11 may accept the estate of the individual as a member.

12 Sec. 354. (1) A domestic credit union may accept a trust as
13 a member if any of the settlors living at the time of application
14 are eligible for membership, or if none of the settlors are
15 living at the time of application and 1 or more beneficiaries are
16 eligible for membership.

17 (2) An account owned by 1 or more individuals may be titled
18 or retitled in the name of a trust and not in the name of the
19 individuals if all of the following are met:

20 (a) The trust is eligible for membership in the domestic
21 credit union under subsection (1).

22 (b) Each owner consents in writing to titling or retitling
23 the account in the name of the trust.

24 (c) Any beneficiaries listed on the account are removed as
25 beneficiaries by the owners.

26 (d) The account is not an account that provides tax deferrals
27 or any other tax benefit under state or federal law.

1 (3) If an account is retitled in the name of a trust under
2 subsection (2), the membership of any individual or individuals
3 who had owned all or an interest in the account is terminated
4 unless he or she is a member based on ownership of another
5 account, or he or she qualifies for, applies for, and is accepted
6 into membership.

7 Sec. 355. A domestic credit union may allow a member to
8 designate an account upon which his or her membership is based as
9 inactive. If the account is the basis for the membership of more
10 than 1 individual, each individual must agree to the
11 designation. While an account is inactive, the member involved
12 shall retain his or her membership but is not entitled to any of
13 the privileges of membership. While an account is inactive, the
14 domestic credit union shall not charge any fees to the account.
15 The member who designated an account as inactive may remove the
16 designation of inactive at any time. If the inactive designation
17 is not removed within 5 years, the domestic credit union shall
18 deliver all money or other property in the account to the
19 department of treasury under the uniform unclaimed property act,
20 1995 PA 29, MCL 567.221 to 567.265, and terminate any membership
21 based on the account.

22 Sec. 356. A domestic credit union may issue shares to and
23 receive deposits from a minor. The minor may withdraw the
24 deposits or shares and any dividends or interest on the deposits
25 or shares. A deposit, investment in a share, or withdrawal under
26 this section by a minor is valid and enforceable and the minor is
27 considered an adult with respect to that deposit, investment, or

1 withdrawal.

2 Sec. 357. (1) A credit union board may terminate the
3 membership of, or terminate some or all services to, a member who
4 does any of the following:

5 (a) Causes a loss to the domestic credit union.

6 (b) Commits fraud against the domestic credit union or
7 violates any law on the premises of the domestic credit union.

8 (2) Pending action by the credit union board at its next
9 regularly scheduled meeting, a domestic credit union may
10 immediately suspend any credit union services to a member who
11 does any of the following:

12 (a) Causes a loss to the domestic credit union.

13 (b) Commits fraud or another misdeed against the domestic
14 credit union or against a person on the premises of the domestic
15 credit union.

16 (3) A member may withdraw from a domestic credit union at any
17 time, but the domestic credit union may require a notice of
18 withdrawal from the withdrawing member as a condition of
19 withdrawal.

20 (4) When money becomes available, and after deducting all
21 amounts owed to the domestic credit union by the member, a
22 domestic credit union shall pay a person whose membership is
23 terminated or who is a withdrawing member any amounts paid on
24 shares or as deposits of the member and any dividends or interest
25 accrued on the share or deposit before the date of payment.

26 (5) Unless the withdrawal of a member occurs on a maturity
27 date or within 7 days after a maturity date, a domestic credit

1 union may require that a withdrawing member give a 60-day notice
2 of intention to withdraw shares or a 30-day notice of intention
3 to withdraw deposits. A domestic credit union that requires a
4 notice of intention to withdraw may wait until the expiration of
5 the applicable notice period before complying with subsection
6 (4). A domestic credit union may waive an applicable notice
7 period for a specific member or account in writing.

8 (6) After a termination or withdrawal under this section, the
9 former member has no rights in the domestic credit union, but the
10 termination or withdrawal does not release the former member from
11 any remaining liability to the domestic credit union.

12 PART 5

13 CAPITAL

14 Sec. 361. (1) The capital of a domestic credit union
15 consists of the payments that have been made to it by the members
16 for shares. If authorized by the bylaws, a domestic credit union
17 may charge an entrance fee.

18 (2) The commissioner may by order or declaratory ruling allow
19 a domestic credit union to utilize 1 or more forms of secondary
20 capital other than capital stock. The order or declaratory
21 ruling must include disclosure requirements concerning the
22 conditions for return of the secondary capital and its
23 liquidation priority.

24 (3) Unless otherwise provided by law or by agreement between
25 the member and the domestic credit union, a member of a domestic
26 credit union is not liable for the acts, debts, or obligations of
27 the domestic credit union.

1 (4) Except as provided in this subsection or where prohibited
2 by applicable state or federal law or otherwise agreed by
3 contract, a domestic credit union has a lien on any share of a
4 member, or any deposit account from which a member may withdraw
5 for his or her own benefit without the consent of another person,
6 for any obligation owed to the domestic credit union by that
7 member or for any loan cosigned or guaranteed by that member. A
8 domestic credit union does not have a lien on any individual
9 retirement account or other account permitting tax deferrals or
10 providing other tax benefits under state or federal law. A
11 domestic credit union may refuse to allow a withdrawal from any
12 account on which it has a lien if the member is delinquent in any
13 outstanding obligation to the domestic credit union at the time
14 of the withdrawal.

15 Sec. 362. A credit union board may declare and pay a
16 dividend on shares from current or accumulated net earnings, or
17 both, but only after providing for required reserves, accrued and
18 unpaid expenses, and established loan and lease losses. A
19 domestic credit union may pay a dividend on partial or full
20 shares and may pay the dividend at differing levels and at
21 differing intervals based on the type of share accounts owned by
22 a member, the liquidation priority of the share accounts, and the
23 balances of the member's share accounts. A domestic credit union
24 may determine the rate and amount of a dividend before the end of
25 the dividend period involved. A domestic credit union shall not
26 pay a dividend if payment would result in the insolvency of the
27 domestic credit union.

1 Sec. 363. (1) If a deceased individual who resided in
2 another state or country owns a share or deposit account in a
3 domestic credit union, the credit union may pay all or part of
4 the balance of the account to the special or general
5 administrator or executor appointed in the state or country where
6 the account holder resided at the time of death if the
7 administrator or executor provides both of the following to the
8 credit union:

9 (a) Authenticated copies of the letter or order of
10 appointment authorizing him or her to collect, receive, and
11 remove assets of the estate of the decedent.

12 (b) An affidavit by the administrator or executor that he or
13 she is the representative of the estate of the decedent, that no
14 proceeding is pending in any state with respect to the question
15 of domicile of the decedent, and that to his or her knowledge and
16 belief no letters or orders of appointment are outstanding in
17 this state, no proceeding is pending in this state for the
18 appointment of a fiduciary for the estate in this state, and
19 there are no creditors of the estate in this state.

20 (2) A credit union that makes a payment to an administrator
21 or executor under this section after receiving the affidavit and
22 authenticated copies described in subsection (1) is released and
23 discharged from liability to the same extent as if the credit
24 union made the payment to a legally qualified resident executor
25 or administrator, and is not required to see to the application
26 or disposition of the payment.

27

PART 6

1 MERGER, CONSOLIDATION, CONVERSION

2 Sec. 371. (1) Two or more domestic credit unions may merge
3 into 1 of the credit unions, or into a newly formed domestic
4 credit union, if all of the following are met:

5 (a) The credit union board of each constituent credit union
6 by majority vote adopts a plan of merger that includes all of the
7 following:

8 (i) The name of each constituent credit union and the name of
9 the surviving credit union.

10 (ii) The terms and conditions of the proposed merger,
11 including the manner and basis of converting the member shares in
12 each constituent credit union into member shares in the surviving
13 credit union, or into cash or other property, or into a
14 combination of shares, cash, or other property.

15 (iii) A statement of any amendment to the certificate of
16 organization of the surviving credit union affected by the merger
17 or a statement that no changes are to be made in the certificate
18 of organization of the surviving credit union.

19 (iv) Any other provisions concerning the proposed merger that
20 the constituent credit unions consider necessary or desirable.

21 (b) If the credit union board of each constituent credit
22 union adopts the plan of merger, the constituent credit unions
23 submit the plan of merger to the commissioner. Each constituent
24 credit union shall submit the time and place of the meeting of
25 the credit union board at which it approved the plan, the vote of
26 the directors on approving the plan, and a copy of the resolution
27 of the credit union board approving the plan to the commissioner

1 with the plan of merger.

2 (c) Subject to subsection (6), the members of each
3 constituent credit union except the surviving credit union
4 approve the plan of merger, at a special membership meeting
5 called for that purpose or by mail ballot. If the vote is held
6 at a special membership meeting, the credit union board shall
7 provide each member with written notice of the meeting that
8 states the purpose of the meeting, at least 10 days and not more
9 than 30 days before the meeting. The plan of merger is approved
10 if a majority of the members of the constituent credit union who
11 vote on the merger vote in favor of the merger.

12 (d) If the membership of a constituent credit union approves
13 of a plan of merger under subdivision (c), the credit union shall
14 notify the commissioner that the plan of merger is approved, the
15 vote by which the members approved the plan, and a copy of the
16 meeting notice if the plan was approved at a special membership
17 meeting or the ballot and mailing date and closing date if the
18 plan was approved by mail ballot of the members.

19 (e) The commissioner grants final approval of the plan of
20 merger. The commissioner shall grant final approval of the plan
21 if all of the requirements of subdivisions (a) to (d) are met.

22 (2) One or more domestic credit unions may merge with 1 or
23 more foreign credit unions if both of the following are
24 satisfied:

25 (a) The merger is permitted by the law of the jurisdiction
26 under whose law each foreign constituent credit union is
27 organized and each foreign constituent credit union complies with

1 that law in effecting the merger.

2 (b) Each domestic constituent credit union complies with
3 subsection (1).

4 (3) If a plan of merger under subsection (1) or (2) is
5 approved, each constituent credit union shall execute and file a
6 certificate of merger with the commissioner that contains all of
7 the following:

8 (a) The statements required in subsection (1)(a)(i) and
9 (iii).

10 (b) A statement that the plan of merger has been approved by
11 the members of the constituent credit unions required to vote
12 under subsection (1)(c).

13 (c) A statement of any trade names the surviving credit union
14 will use in this state if the commissioner approves. The
15 statement shall specify each new trade name of the surviving
16 credit union, each current trade name the surviving entity
17 retains, and each trade name transferred to the surviving entity
18 from another constituent credit union.

19 (d) The effective date of the merger, if later than the date
20 the certificate of merger is filed. The commissioner shall not
21 accept a certificate of merger and the merger is not effective if
22 an effective date is specified that is more than 90 days after
23 the date of filing.

24 (4) When a merger takes effect, all of the following apply:

25 (a) Every other constituent credit union merges into the
26 surviving credit union and the separate existence of every
27 constituent credit union except the surviving credit union

1 ceases.

2 (b) All property, debts, causes of action, and other
3 interests of, belonging to, or due to each constituent credit
4 union are vested in the surviving credit union without further
5 act or deed and without reversion or impairment.

6 (c) The surviving credit union has all of the liabilities of
7 each constituent credit union.

8 (d) A proceeding pending against any constituent credit union
9 may be continued as if the merger had not occurred or the
10 surviving credit union may be substituted in the proceeding for
11 the constituent credit union if the existence of the constituent
12 credit union ceased.

13 (e) The certificate of organization of the surviving credit
14 union is amended to the extent provided in the certificate of
15 merger.

16 (f) The membership shares in each constituent credit union
17 are converted into membership shares in the surviving credit
18 union, cash, or other property as provided in the plan of
19 merger. If a person is a member of more than 1 of the
20 constituent credit unions, the person is entitled to only 1
21 membership in the surviving credit union.

22 (g) The surviving credit union is liable for, and is subject
23 to service of process in a proceeding in this state for the
24 enforcement of, any obligation of a domestic constituent credit
25 union.

26 (5) If the surviving credit union in a merger under
27 subsection (2) is a foreign credit union, and the surviving

1 credit union transacts business in this state, it shall comply
2 with the provisions of this act concerning foreign credit
3 unions.

4 (6) The commissioner may waive the membership vote described
5 in subsection (1)(c) for a constituent credit union if he or she
6 determines that it is in the best interests of the membership of
7 the constituent credit union or that the constituent credit union
8 is insolvent or in imminent danger of becoming insolvent.

9 (7) Credit unions with different fields of membership may
10 merge under this section.

11 Sec. 372. (1) A domestic credit union may convert into a
12 foreign credit union under this section if all of the following
13 are met:

14 (a) At least 30 days before voting on a plan of conversion
15 under subdivision (b), the credit union board gives written
16 notice to the credit union's members that it is considering a
17 conversion. The credit union board shall mail the notice to the
18 credit union's members and shall not include any other mailing
19 with the notice. The notice shall include all of the following:

20 (i) A brief statement of why the credit union board is
21 considering the conversion.

22 (ii) A brief statement of the major positive and negative
23 effects of the proposed conversion.

24 (iii) A request for members' written comments on the proposed
25 conversion.

26 (b) The credit union board approves of a plan of conversion
27 and files the plan of conversion with the commissioner. An

1 affirmative vote of 2/3 of the entire credit union board is
2 required to approve a plan of conversion.

3 (c) The commissioner grants preliminary approval of the plan
4 of conversion approved by the credit union board. The
5 commissioner shall review the contents of the plan and member
6 comments on the plan and grant preliminary approval of the plan
7 if the commissioner is satisfied of all of the following:

8 (i) The conversion plan discloses to the members information
9 concerning the advantages and disadvantages of the proposed
10 conversion and contains a statement indicating any material
11 differences in powers of the converted credit union.

12 (ii) The conversion is not intended to circumvent a pending
13 supervisory action initiated by the commissioner or another
14 regulatory agency because of a concern over the safety and
15 soundness of the credit union.

16 (iii) The converted credit union is likely to be economically
17 viable.

18 (d) If the commissioner grants preliminary approval under
19 subdivision (c), the members of the credit union approve of the
20 plan of conversion by a 2/3 vote of the members voting on the
21 plan. Subject to subsection (2), a member may vote at a special
22 meeting called to vote on the plan of conversion or by mail
23 ballot. Before the vote, the credit union board shall call a
24 special meeting of the members to provide information on the
25 plan. At least 14 days before the meeting, the credit union
26 board shall mail to each member a notice of the meeting and a
27 ballot with a postage paid return envelope. The notice shall

1 state the date, at least 15 days following the meeting, by which
2 the member must return the ballot and the methods permitted for
3 casting a vote, describe briefly the reasons for and the major
4 positive and negative effects of the conversion, and state how
5 members may obtain copies of the conversion plan. The credit
6 union board shall count the votes cast by members upon the
7 expiration of the time given to the members to return their
8 ballots.

9 (e) The credit union files with the commissioner copies of
10 member comments submitted to the credit union under subdivision
11 (a)(iii) and certified copies of records of all proceedings held
12 by the credit union board and members of the credit union.

13 (f) If required by the laws of the applicable jurisdiction,
14 the credit union files with the commissioner a certified copy of
15 the consent or approval of the appropriate regulatory authority
16 with jurisdiction over foreign credit unions chartered by that
17 authority.

18 (2) If the commissioner approves of the method before the
19 vote, the credit union board may establish an alternative method
20 for accepting votes from members of a converting domestic credit
21 union on the plan of conversion under subsection (1)(d) if the
22 alternative method is reasonably calculated to ensure each member
23 has an opportunity to vote.

24 (3) If all of the conditions required by this section are met
25 and the commissioner determines that any notices to members were
26 accurate, timely, and not misleading, and that conduct of the
27 vote on the conversion plan was fair and lawful, the commissioner

1 shall approve the conversion and the conversion is effective.

2 Sec. 373. (1) A domestic credit union may convert into a
3 mutual savings bank or mutual savings association if all of the
4 following are met:

5 (a) At least 30 days before voting on a plan of conversion
6 under subdivision (b), the credit union board gives written
7 notice to the credit union's members that it is considering a
8 conversion. The credit union board shall mail the notice to the
9 credit union's members and shall not include any other mailing
10 with the notice. The notice shall include all of the following:

11 (i) A brief statement of why the credit union board is
12 considering the conversion.

13 (ii) A brief statement of the major positive and negative
14 effects of the proposed conversion.

15 (iii) A request for members' written comments on the proposed
16 conversion.

17 (b) The credit union board approves of a plan of conversion
18 and files the plan of conversion with the commissioner. An
19 affirmative vote of 2/3 of the entire credit union board is
20 required to approve a plan of conversion.

21 (c) The commissioner grants preliminary approval of the plan
22 of conversion approved by the credit union board. The
23 commissioner shall review the contents of the plan and member
24 comments on the plan and grant preliminary approval of the plan
25 if the commissioner is satisfied of all of the following:

26 (i) The conversion plan discloses to the members information
27 concerning the advantages and disadvantages of the proposed

1 conversion and contains a statement indicating any material
2 differences in powers between a credit union and a mutual savings
3 bank or mutual savings association.

4 (ii) The conversion is not intended to circumvent a pending
5 supervisory action initiated by the commissioner or another
6 regulatory agency because of a concern over the safety and
7 soundness of the credit union.

8 (iii) The conversion plan does not provide any official of
9 the converting credit union with any remuneration or other
10 economic benefit in connection with the conversion.

11 (iv) After conversion, the mutual savings bank or mutual
12 savings association is likely to be economically viable.

13 (d) If the commissioner grants preliminary approval under
14 subdivision (c), the credit union board shall call a special
15 meeting of the members to vote on the conversion plan and mail to
16 each member notice of the meeting and proposed conversion 90 days
17 and 60 days before the date of the special meeting. Each notice
18 shall include all of the following:

19 (i) A summary of the positive and negative effects of the
20 proposed conversion.

21 (ii) A statement that the directors will not receive any
22 remuneration or other economic benefit in connection with the
23 conversion of the domestic credit union.

24 (iii) A statement that any interested person may obtain more
25 detailed information about the conversion from the domestic
26 credit union at its principal place of business, or by any method
27 approved in advance by the commissioner.

1 (iv) A statement that the credit union board may
2 substantively amend the proposed plan of conversion before the
3 special meeting based on comments from regulatory authorities or
4 any other reason and that the credit union board may terminate
5 the proposed plan of conversion.

6 (v) Instructions for obtaining a copy of the conversion
7 plan.

8 (vi) The date of the special meeting and a statement that the
9 vote on the conversion will close on that date.

10 (vii) Any other information required by the commissioner.

11 (e) Thirty days before the special meeting of the members,
12 the credit union board mails a notice of the meeting and proposed
13 conversion. The notice shall include all of the information
14 described in subdivision (d) for the 90-day and 60-day notices
15 and shall include the date, time, and place of the special member
16 meeting, a ballot and postage-paid return envelope, and a summary
17 of the methods permitted for casting votes.

18 (f) If the plan of conversion is substantively amended by the
19 credit union board, at least 30 days before the vote of the
20 members on the plan the credit union board shall mail a notice to
21 each member. The notice shall contain the information concerning
22 the amended plan of conversion described in subdivision (d) for a
23 notice under that subdivision.

24 (g) At a special meeting of members, the members by a 2/3
25 vote of members voting to approve of the conversion and the plan
26 of conversion. A member may vote in person or by mail. With the
27 prior approval of the commissioner, a domestic credit union may

1 accept member votes by an alternative method that is reasonably
2 calculated to ensure each member has an opportunity to vote.

3 (h) The domestic credit union files with the commissioner all
4 of the following:

5 (i) Certified copies of records of all proceedings held by
6 the credit union board and members of the domestic credit union.

7 (ii) Copies of member comments submitted to the domestic
8 credit union under subdivision (a)(iii).

9 (iii) If that consent or approval is required, a certified
10 copy of the consent or approval of any state or federal
11 regulatory authority with jurisdiction over the mutual savings
12 bank or mutual savings association after the conversion and, if a
13 holding company is to be formed in connection with the
14 conversion, the regulations of the federal reserve board of
15 governors or of the office of thrift supervision applicable to
16 holding companies.

17 (iv) Verification that deposits in the converted mutual
18 savings bank or mutual savings association qualify for federal
19 insurance.

20 (2) If the requirements of this section are met and the
21 commissioner determines that the notices to members were
22 accurate, timely, and not misleading, and that conduct of the
23 vote on the conversion plan was fair and lawful, the commissioner
24 shall approve the conversion and the conversion is effective.

25 (3) Except as otherwise required by the commissioner, this
26 section does not apply to a domestic credit union that submitted
27 to the commissioner a plan of conversion into a mutual savings

1 bank or mutual savings association before the effective date of
2 this act.

3 Sec. 374. (1) A domestic credit union may convert into a
4 bank, stock savings bank, or stock savings and loan association
5 if all of the following are met:

6 (a) At least 30 days before voting on a plan of conversion
7 under subdivision (b), the credit union board gives written
8 notice to the credit union's members that it is considering a
9 conversion. The credit union board shall mail the notice to the
10 credit union's members and shall not include any other mailing
11 with the notice. The notice shall include all of the following:

12 (i) A brief statement of why the credit union board is
13 considering the conversion.

14 (ii) A brief statement of the major positive and negative
15 effects of the proposed conversion.

16 (iii) A complete and accurate description of the differences
17 between a credit union and a bank, stock savings bank, or stock
18 savings and loan association, as appropriate.

19 (iv) A request for members' written comments on the proposed
20 conversion.

21 (b) By an affirmative vote of 2/3 of the entire credit union
22 board, the credit union board approves of a plan of conversion
23 and files the plan of conversion with the commissioner. The
24 conversion plan shall include all of the following:

25 (i) The member eligibility record date and the subscription
26 offering priority established in connection with any proposed
27 stock offering.

1 (ii) A business plan, including a detailed discussion of how
2 the capital acquired in the conversion will be used, expected
3 earnings for at least a 3-year period following the conversion,
4 and a justification for any proposed stock repurchases.

5 (iii) A full appraisal report, prepared by an independent
6 appraiser, of the value of the credit union and the pricing of
7 the stock to be sold in the conversion transaction.

8 (iv) A legal opinion that any proposed stock offering
9 complies with state and federal law.

10 (v) Copies of notices to be provided to members under
11 subdivisions (d) and (e).

12 (c) The commissioner grants preliminary approval of the plan
13 of conversion approved by the credit union board. The
14 commissioner shall review the contents of the plan and member
15 comments on the plan and grant preliminary approval of the plan
16 if the commissioner is satisfied of all of the following:

17 (i) The conversion plan discloses to the members information
18 concerning the advantages and disadvantages of the proposed
19 conversion, contains a complete and accurate description of the
20 differences between a credit union and a bank, stock savings
21 bank, or stock savings and loan association, as appropriate, and
22 contains a statement indicating any material differences in
23 powers between a credit union and a bank, stock savings bank, or
24 stock savings and loan association, as appropriate.

25 (ii) The conversion is not intended to circumvent a pending
26 supervisory action initiated by the commissioner or another
27 regulatory agency because of a concern over the safety and

1 soundness of the credit union.

2 (iii) The conversion plan does not provide any official of
3 the converting credit union with any remuneration or other
4 economic benefit in connection with the conversion.

5 (iv) The conversion plan does not permit the converting
6 credit union to loan funds or otherwise extend credit to any
7 person to purchase the capital stock of the bank, stock savings
8 bank, or stock savings and loan association.

9 (v) After conversion, the bank, stock savings bank, or stock
10 savings and loan association is likely to be economically
11 viable.

12 (d) If the commissioner grants preliminary approval under
13 subdivision (c), the credit union board shall call a special
14 meeting of the members to vote on the conversion plan and mail to
15 each member notice of the meeting and proposed conversion 90 days
16 and 60 days before the date of the special meeting. Each notice
17 shall include all of the following:

18 (i) A summary of the positive and negative effects of the
19 proposed conversion.

20 (ii) A statement that the directors will not receive any
21 remuneration or other economic benefit in connection with the
22 conversion of the domestic credit union.

23 (iii) A statement that any interested person may obtain more
24 detailed information about the conversion from the domestic
25 credit union at its principal place of business, or by any method
26 approved in advance by the commissioner.

27 (iv) If the conversion plan includes a distribution of a

1 portion of the credit union's net worth to members, a statement
2 describing the amount of the distribution, the form of the
3 distribution, and eligibility requirements to receive a
4 distribution.

5 (v) The par value and approximate number of shares of capital
6 stock to be issued and sold under the proposed plan of
7 conversion.

8 (vi) A statement that savings and share account holders will
9 continue to hold accounts in the converted bank, stock savings
10 bank, or stock savings and loan association identical as to
11 dollar amount and general terms, and that their accounts will
12 continue to be insured.

13 (vii) A statement that borrowers' loans will be unaffected by
14 conversion, and that the amount, rate, maturity, security, and
15 other conditions will remain contractually fixed as they existed
16 before conversion.

17 (viii) A statement that the credit union board may
18 substantively amend the proposed plan of conversion before the
19 special meeting based on comments from regulatory authorities or
20 any other reason and that the credit union board may terminate
21 the proposed plan of conversion.

22 (ix) Instructions for obtaining a copy of the conversion
23 plan.

24 (x) The date of the special meeting and a statement that the
25 vote on the conversion will close on that date.

26 (xi) Any other information required by the commissioner.

27 (e) Thirty days before the special meeting of the members,

1 the credit union board mails a notice of the meeting and proposed
2 conversion to the members. The notice shall include all of the
3 information described in subdivision (d) for the 90-day and
4 60-day notices and shall include the date, time, and place of the
5 special member meeting, a ballot and postage-paid return
6 envelope, and a summary of the methods permitted for casting
7 votes.

8 (f) If the plan of conversion is substantively amended by the
9 credit union board, at least 30 days before the vote of the
10 members on the plan the credit union board shall mail a notice to
11 each member. The notice shall contain the information concerning
12 the amended plan of conversion described in subdivision (d) for a
13 notice under that subdivision.

14 (g) At a special meeting of members, the members by a 2/3
15 vote of members voting to approve of the conversion and the plan
16 of conversion. A member may vote in person or by mail. With the
17 prior approval of the commissioner, a domestic credit union may
18 accept member votes by an alternative method that is reasonably
19 calculated to ensure each member has an opportunity to vote.

20 (h) The domestic credit union files with the commissioner all
21 of the following:

22 (i) Certified copies of records of all proceedings held by
23 the credit union board and members of the domestic credit union.

24 (ii) Copies of member comments submitted to the domestic
25 credit union under subdivision (a)(iii).

26 (iii) If that consent or approval is required, a certified
27 copy of the consent or approval of any state or federal

1 regulatory authority with jurisdiction over the bank, stock
2 savings bank, or stock savings and loan association after the
3 conversion and, if a holding company is to be formed in
4 connection with the conversion, the regulations of the federal
5 reserve board of governors or of the office of thrift supervision
6 applicable to holding companies.

7 (iv) Verification that deposits in the converted bank, stock
8 savings bank, or stock savings and loan association qualify for
9 federal insurance.

10 (2) If the requirements of this section and the regulations
11 of the federal agency providing federal deposit insurance
12 regarding mutual-to-stock conversions are met, and the
13 commissioner determines that the notices to members were
14 accurate, timely, and not misleading, and that conduct of the
15 vote on the conversion plan was fair and lawful, the commissioner
16 shall approve the conversion and the conversion is effective.

17 Sec. 375. (1) Except as provided in subsection (2), if a
18 conversion becomes effective under section 372, 373, or 374, the
19 converted entity is a continuation of the converting credit union
20 and all the property and interests in property and every cause of
21 action, right, privilege, interest, and asset of the converting
22 credit union is immediately and without any conveyance, transfer,
23 or other action vested in the converted organization. Every
24 right, obligation, and relationship of the converting credit
25 union to or in respect to any person, estate, creditor, member,
26 depositor, trust, trustee, collective bargaining agreement, or
27 beneficiary of any trust or fiduciary function continue

1 unimpaired. The converted organization shall continue to hold
2 all the rights, obligations, relationships, and trusts, and the
3 duties and liabilities connected with them, and shall execute and
4 perform each and every trust and relationship in the same manner
5 as if the credit union had not converted. The conversion does
6 not release the converted organization from its obligations to
7 pay and discharge all the liabilities created by law or incurred
8 by the converting credit union before the conversion, or any tax
9 imposed by the laws of this state up to the day of the conversion
10 in proportion to the time that has elapsed since the last
11 preceding tax payment, or any assessment, penalty, or forfeiture
12 imposed or incurred under the laws of this state before the date
13 of the conversion.

14 (2) Within 1 year after the conversion, the commissioner may
15 for good cause require a converting credit union to divest itself
16 of an asset that does not conform to the legal requirements
17 relative to assets acquired and held by the converted
18 organization.

19 (3) If a converting credit union was appointed in a fiduciary
20 capacity by a court or governmental tribunal, agency, or officer,
21 the converted organization shall file an affidavit with the
22 appointing authority setting forth the fact of conversion, the
23 name and address of the converted organization, and the amount of
24 its capital and surplus. A converted organization acting as a
25 fiduciary by appointment of a court is subject to removal by a
26 court of competent jurisdiction.

27 Sec. 376. (1) A foreign credit union may convert to a

1 domestic credit union if all of the following are met:

2 (a) The foreign credit union complies with the applicable law
3 under which it is chartered for a conversion under that law.

4 (b) The credit union board files a certificate of
5 organization with the commissioner, approved and executed in
6 triplicate by a majority of the credit union board.

7 (c) After executing the certificate of organization, a
8 majority of the directors adopt bylaws for the governance of the
9 credit union consistent with this act and execute any other
10 agreements or documents and take any other action required to
11 complete the conversion.

12 (d) After an examination of the credit union and the
13 proceedings of the directors and members concerning the
14 conversion, the commissioner approves of the certificate of
15 organization filed under subdivision (b).

16 (e) If the commissioner approves the certificate of
17 organization, the commissioner shall notify the applicants of the
18 commissioner's decision and shall immediately issue a certificate
19 of approval attached to the duplicate certificate of organization
20 and return it to the credit union. The certificate shall
21 indicate that the conversion complies with the laws of this state
22 and that after conversion the credit union and all its members,
23 officers, and employees have the same rights, powers, and
24 privileges and are subject to the same duties, liabilities, and
25 obligations that apply to domestic credit unions under this act.

26 (2) The credit union shall pay the expenses of the
27 examination described in subsection (1)(d), in an amount

1 established by the commissioner. The amount paid for the
2 examination is not refundable.

3 (3) If the commissioner approves a conversion, the credit
4 union shall pay an operating fee determined under section 201, on
5 a prorated basis for the operating fee period in which the
6 conversion becomes effective. The date that the conversion
7 becomes effective is the basis for calculating the proration.

8 (4) If a conversion becomes effective under this section, the
9 converted domestic credit union is a continuation of the
10 converting foreign credit union and all the property and
11 interests in property and every cause of action, right,
12 privilege, interest, and asset of the converting foreign credit
13 union is immediately and without any conveyance, transfer, or
14 other action vested in the converted domestic credit union.
15 Every right, obligation, and relationship of the converting
16 foreign credit union to or in respect to any person, estate,
17 creditor, member, depositor, trust, trustee, collective
18 bargaining agreement, or beneficiary of any trust or fiduciary
19 function continue unimpaired. The converted domestic credit
20 union shall continue to hold all the rights, obligations,
21 relationships, and trusts, and the duties and liabilities
22 connected with them, and shall execute and perform each and every
23 trust and relationship in the same manner as if it had after the
24 conversion assumed the trust or relationship and obligations and
25 liabilities connected with the trust or relationship.

26 (5) Any directors of the foreign credit union converting to a
27 domestic credit union under this section that meet the criteria

1 described in section 341(8) may continue as directors of the
2 domestic credit union.

3 PART 7

4 ADMINISTRATION

5 Sec. 381. Except as otherwise required by law, a director,
6 officer, member of a committee, or employee of a domestic credit
7 union shall not disclose any confidential information related to
8 the conduct of the business of the domestic credit union that he
9 or she has a duty not to disclose, including, but not limited to,
10 personnel matters, matters involving actual or potential
11 litigation or real estate transactions, or other matters related
12 to strategic business endeavors of the domestic credit union, and
13 shall not disclose any information concerning transactions
14 between the domestic credit union and either its members or other
15 persons. This subsection does not apply to any disclosure
16 necessary to the conduct of the business of the domestic credit
17 union.

18 Sec. 382. A domestic credit union shall use the calendar
19 year as its fiscal year.

20 Sec. 383. (1) An official of a domestic credit union shall
21 discharge the duties of his or her position in good faith and
22 with that degree of diligence, care, and skill that an ordinarily
23 prudent person would exercise under similar circumstances in a
24 like position. In discharging his or her duties, an official may
25 rely upon the opinion of legal counsel for the domestic credit
26 union, upon the report of an independent appraiser selected with
27 reasonable care by the board or by an officer of the domestic

1 credit union, or upon financial statements of the domestic credit
2 union represented to him or her to be correct by the general
3 manager or the officer of the domestic credit union having charge
4 of its records, or as stated in a written report by an
5 independent public or certified public accountant or firm of
6 accountants fairly to reflect the financial condition of the
7 domestic credit union.

8 (2) A domestic credit union may indemnify a person who was or
9 is a party or is threatened to be made a party to a threatened,
10 pending, or completed action, suit, or proceeding, whether civil,
11 criminal, administrative, or investigative and whether formal or
12 informal, other than an action by or on behalf of the domestic
13 credit union, because he or she is or was an official, employee,
14 or agent of the domestic credit union or is or was serving at the
15 request of the domestic credit union as an official, employee, or
16 agent of 1 or more domestic credit unions or other profit or
17 nonprofit enterprises, for attorney fees, judgments, penalties,
18 fines, amounts paid in settlement, and other expenses actually
19 and reasonably incurred by him or her in connection with the
20 action, suit, or proceeding. A domestic credit union may only
21 indemnify a person under this subsection if the person acted in
22 good faith and in a manner he or she reasonably believed to be in
23 or not opposed to the best interests of the domestic credit union
24 or its members, and with respect to a criminal action or
25 proceeding, if the person had no reasonable cause to believe his
26 or her conduct was unlawful. The termination of any action,
27 suit, or proceeding by judgment, order, settlement, or

1 conviction, or a plea of nolo contendere or its equivalent, does
2 not of itself create a presumption that the person did not act in
3 good faith and in a manner that he or she reasonably believed to
4 be in or not opposed to the best interests of the domestic credit
5 union or its members and with respect to a criminal action or
6 proceeding, had reasonable cause to believe that his or her
7 conduct was unlawful.

8 (3) A domestic credit union may indemnify a person who was or
9 is a party to or is threatened to be made a party to a
10 threatened, pending, or completed action or suit, by or on behalf
11 of the domestic credit union to procure a judgment in its favor
12 by reason of the fact that he or she is or was an official,
13 employee, or agent of the domestic credit union or is or was
14 serving at the request of the domestic credit union as an
15 official, employee, or agent of 1 or more domestic credit unions
16 or other profit or nonprofit enterprises, for actual and
17 reasonable attorney fees, amounts paid in settlement incurred by
18 the person in connection with the action or suit, and other
19 expenses. A domestic credit union may only indemnify a person
20 under this subsection if the person acted in good faith and in a
21 manner the person reasonably believed to be in or not opposed to
22 the best interests of the domestic credit union or its members
23 and a domestic credit union shall not indemnify a person for a
24 claim, issue, or matter in which the person has been found liable
25 to the domestic credit union unless and only to the extent that
26 the court in which the action or suit was brought has determined
27 upon application that, despite the adjudication of liability but

1 in view of all circumstances of the case, the person is fairly
2 and reasonably entitled to indemnification for the expenses that
3 the court considers proper.

4 (4) To the extent that an official, employee, or agent of a
5 domestic credit union is successful on the merits or otherwise in
6 defense of an action, suit, or proceeding described in subsection
7 (8), or in defense of any claim, issue, or matter in the action,
8 suit, or proceeding, the domestic credit union shall indemnify
9 the person for actual and reasonable attorney fees and other
10 expenses incurred by him or her in connection with the action,
11 suit, or proceeding and any action, suit, or proceeding brought
12 to enforce the mandatory indemnification provided in this
13 subsection.

14 (5) Unless ordered by a court, a domestic credit union shall
15 indemnify a person under subsection (2) or (3) only for the
16 action, suit, or proceeding specified by the domestic credit
17 union in the determination described in this subsection and only
18 if the domestic credit union obtains from 1 of the following a
19 determination that indemnification of the person is proper in the
20 circumstances because he or she has met the applicable standard
21 of conduct set forth in subsection (2) or (3):

22 (a) The credit union board, by a majority vote of a quorum of
23 the board consisting of directors who are or were not parties to
24 the action, suit, or proceeding.

25 (b) If a quorum described in subdivision (a) is not
26 obtainable, a committee of directors that consists of 2 or more
27 directors who are or were not parties to the action, by majority

1 vote.

2 (c) Independent legal counsel in a written opinion.

3 (d) The members.

4 (6) If a person is entitled to indemnification under
5 subsection (2) or (3) for a portion of attorney fees, judgments,
6 penalties, fines, amounts paid in settlement, and other expenses,
7 but not for the total amount of the expenses, the domestic credit
8 union may indemnify the person for the portion of the attorney
9 fees, judgments, penalties, fines, amounts paid in settlement, or
10 other expenses for which the person is entitled to
11 indemnification.

12 (7) A domestic credit union may pay expenses incurred by a
13 person in defending a civil or criminal action, suit, or
14 proceeding described in subsection (2) or (3) before the final
15 disposition of the action, suit, or proceeding if the domestic
16 credit union receives an unlimited, general, secured, or
17 unsecured guarantee by or on behalf of the person to repay the
18 expenses if it is ultimately determined that the person is not
19 entitled indemnification from the domestic credit union.

20 (8) An indemnification or advance of expenses provided under
21 subsections (2) to (7) is not exclusive of other rights to which
22 a person seeking indemnification or advancement of expenses is
23 entitled under the bylaws or an agreement. The total amount of
24 expenses advanced or indemnified from all sources combined shall
25 not exceed the amount of actual expenses incurred by the person
26 seeking the indemnification or advance of expenses. An
27 indemnification provided under subsections (2) to (7) continues

1 after the person ceases to be an official, employee, or agent and
2 inures to the benefit of the heirs, executors, and administrators
3 of the person.

4 (9) As used in subsections (2) to (8), "domestic credit
5 union" includes all other credit unions that become related to a
6 domestic credit union by a consolidation or merger and the
7 resulting or continuing credit union. A person who is or was an
8 official, employee, or agent of a domestic credit union that is
9 consolidated or merged into the domestic credit union or is or
10 was serving at the request of a credit union that is consolidated
11 or merged into the domestic credit union as an official, partner,
12 trustee, employee, or agent of 1 or more other credit unions, or
13 other profit or nonprofit enterprises is in the same position
14 under this section with respect to the resulting or continuing
15 credit union as he or she would if he or she had served the
16 resulting or continuing credit union in the same capacity.

17 Sec. 384. (1) Unless the matter involves setting dividends,
18 loan rates, or fees for services or other general policy
19 applicable to all members of the domestic credit union, a
20 director, committee member, officer, or employee of a domestic
21 credit union shall not in any manner, directly or indirectly,
22 participate in the deliberation or board action on any matter
23 that affects his or her pecuniary interest or the pecuniary
24 interest of an entity other than the domestic credit union in
25 which he or she is interested.

26 (2) If 1 or more directors are disqualified from
27 participating in a matter before the credit union board pursuant

1 to subsection (1), the remaining qualified directors present at
2 the meeting, if constituting a quorum with the disqualified
3 directors, may by majority vote exercise all the powers of the
4 board with respect to the matter under consideration. If all of
5 the directors are disqualified, the members of the domestic
6 credit union shall act on the matter.

7 (3) If 1 or more committee members are disqualified from
8 participating in a matter before the committee pursuant to
9 subsection (1), the remaining qualified committee members, if
10 constituting a quorum with the disqualified committee members,
11 may by majority vote exercise all the powers of the committee
12 with respect to the matter under consideration. If all of the
13 committee members are disqualified, the credit union board shall
14 act on the matter.

15 (4) As used in this section, an individual is "interested" in
16 an entity if he or she meets any of the following:

17 (a) Serves as a director, officer, or employee of the
18 entity.

19 (b) Has a business or deposit relationship with the entity.

20 (c) Has an ownership interest in the entity that is more than
21 a 10% equity interest.

22 (d) Has a business, financial, or familial relationship with
23 an individual who he or she knows has a pecuniary interest in the
24 entity.

25 Sec. 385. (1) A domestic credit union may refuse to make a
26 payment from an account to a person claiming an interest in the
27 account if the domestic credit union is uncertain under the

1 agreement governing the account of who is entitled to receive
2 that payment or if the domestic credit union has actual knowledge
3 of a dispute between any account owners, beneficiaries with
4 present vested rights in the account, or other persons concerning
5 their respective ownership to the money in the account, the
6 proposed withdrawal, or any previous withdrawals from the
7 account.

8 (2) If a domestic credit union refuses to make a payment
9 under subsection (1), the domestic credit union may notify the
10 account owners, beneficiaries with present vested rights in the
11 account, and other persons claiming an interest in the account in
12 writing of the basis for its refusal and may refuse to make the
13 payment until all interested parties consent in writing to the
14 requested payment or a court with jurisdiction orders the
15 domestic credit union to make the payment. The domestic credit
16 union is not liable for any damages resulting from an action
17 taken under this subsection.

18 Sec. 386. (1) A domestic credit union shall establish and
19 maintain reserves in an amount that qualifies the domestic credit
20 union for insurance of its accounts under federal law and meets
21 any requirement of the commissioner.

22 (2) A domestic credit union shall establish an allowance for
23 loan and lease losses account based on its reasonably foreseeable
24 loan and lease losses and shall maintain the account in
25 accordance with generally accepted accounting principles. A
26 domestic credit union shall charge a loan or lease or any portion
27 of a loan or lease to the allowance for loan and lease losses

1 account if any of the following occur:

2 (a) The credit union board considers the loan or lease or any
3 portion of a loan or lease uncollectible.

4 (b) The loan or lease is 12 or more contractual payments
5 delinquent, the borrower has not made a contractual payment in
6 the past 90 days, and the domestic credit union has not
7 instituted judicial proceedings to collect the loan or lease.

8 (c) The commissioner orders the domestic credit union to
9 charge the loan or lease or any portion of a loan or lease to the
10 allowance for loan and lease losses account.

11 (3) A domestic credit union shall establish special reserves
12 to protect the interests of members if required by rule of the
13 commissioner or if the credit union board or the commissioner
14 decide that a special reserve is necessary to protect the
15 interests of the members concerning a specific event.

16 (4) This section applies to a corporate credit union only to
17 the extent the commissioner determines is necessary to protect
18 the interests of the members and other share and deposit account
19 holders of the corporate credit union.

20 Sec. 387. (1) A domestic credit union that is not a
21 corporate credit union shall apply for and maintain insurance of
22 member share accounts and member deposit accounts from an agency
23 of the federal government that provides that insurance.

24 (2) A credit union that is denied a commitment for insurance
25 of its share and deposit accounts by the insuring federal agency
26 or that is given notice by the insuring federal agency of the
27 agency's intent to terminate insurance of the credit union's

1 shares and deposits shall either dissolve, merge with another
2 credit union that is insured by an agency of the federal
3 government, or apply in writing to the commissioner within 30
4 days after the denial or notice for additional time to obtain an
5 insurance commitment.

6 (3) The commissioner shall grant a credit union described in
7 subsection (2) 1 or more additional periods of time to obtain or
8 reinstate an insurance commitment if the commissioner receives
9 satisfactory evidence that the credit union has made or is making
10 a substantial effort to meet the conditions required by the
11 insuring federal agency for issuance of an insurance commitment.

12 (4) A credit union may contract with an insurance carrier
13 licensed to do business in this state for insurance of the
14 balances of its accounts that exceed the amount insured by the
15 insuring federal agency.

16 ARTICLE 4

17 DOMESTIC CREDIT UNION POWERS

18 PART 1

19 GENERAL PROVISIONS

20 Sec. 401. (1) A domestic credit union has the powers
21 described in this section, specified or implied by this act, and
22 specified in any other law of this state.

23 (2) A domestic credit union has all of the following powers:

24 (a) Enter into contracts.

25 (b) Sue and be sued.

26 (c) Adopt and alter a seal.

27 (d) Individually or jointly with other credit unions,

1 purchase, lease, or otherwise acquire and hold tangible personal
2 property necessary or incidental to its operations. A domestic
3 credit union shall depreciate or appreciate personal property in
4 the manner and at the rates the commissioner prescribes by order
5 or declaratory ruling.

6 (e) Sell, convey, lease, or otherwise dispose of, or assign,
7 pledge, or create a security interest in, all or part of its
8 tangible personal property, including property obtained as a
9 result of a default of an obligation owed to the domestic credit
10 union. A domestic credit union may finance the sale of its
11 personal property to a person at a rate of interest that does not
12 exceed the rate of interest permitted by the credit reform act,
13 1995 PA 162, MCL 445.1851 to 445.1864, for loans to its members
14 for the purchase of equivalent property.

15 (f) Incur and pay necessary and incidental operating
16 expenses.

17 (g) Receive the funds of its members either as payment on
18 shares or as deposits. Subject to the limitation on payment of
19 dividends in section 362, a domestic credit union may have 1 or
20 more classes of share or deposit accounts in the classifications
21 and form, under the terms and conditions and with liquidation
22 priorities authorized by the credit union board, unless otherwise
23 prescribed by law. A domestic credit union shall provide for the
24 transfer and withdrawal of funds from accounts by the means and
25 through the payment systems that the credit union board
26 determines best serve the convenience and needs of its members.

27 (h) Charge fees in connection with shares, savings,

1 extensions of credit, and other services by contract or
2 agreement.

3 (i) Make secured or unsecured loans to any member, at fixed
4 or variable interest rates, and take and hold any real or
5 personal property as security. In establishing an interest rate,
6 the domestic credit union may consider the collateral provided,
7 the creditworthiness of the borrower, the duration of the loan,
8 and any other factor reasonably determined by the domestic credit
9 union to affect the interest rate.

10 (j) Borrow funds from any source. Funds borrowed under this
11 subdivision are not deposits. The domestic credit union may
12 secure a loan described in this subdivision with a pledge of some
13 or all of the domestic credit union's assets.

14 (k) Make loans to a trade association of which it is a
15 member.

16 (l) Provide debt counseling and other financial counseling
17 services to its members. If the counseling includes debt
18 management for a member and the member is delinquent in any
19 indebtedness owed to the domestic credit union, the domestic
20 credit union shall not charge that member, directly or
21 indirectly, a fee for providing the counseling services.

22 (m) Disburse loan proceeds as the borrower directs.

23 (n) Act as trustee or custodian of and administer, for
24 individuals or as part of an employer group plan, retirement
25 accounts or other accounts that permit tax deferrals or provide
26 other tax benefits under federal or state law.

27 (o) Act as agent for its members and depositors in the

1 purchase, sale, or other disposition of securities, interests in
2 mutual funds, and interests or participations in any other type
3 of investment, if the purchase, sale, or other disposition is
4 done solely for the accounts of its members and depositors and is
5 done on a nonrecourse basis.

6 (p) Discount, sell, convey, or otherwise dispose of, or
7 assign, pledge, or create a security interest in, all or part of
8 its intangible personal property.

9 (q) Purchase any of the assets of another domestic credit
10 union, or with the approval of the commissioner assume any of the
11 liabilities of another domestic credit union.

12 (r) Make deposits in, loan to, or under section 431 invest in
13 banks, savings banks, savings and loan associations, trust
14 companies, and other domestic credit unions, or purchase shares
15 of mutual savings and loan associations and other domestic credit
16 unions. A domestic credit union may also make deposits in, loans
17 to, or under section 431 purchase shares of a corporate credit
18 union and invest funds as provided in section 431.

19 (s) Join, make deposits in or loans to, or purchase shares of
20 any federal reserve bank, federal home loan bank, or central
21 liquidity facility established under federal or state law.

22 (t) Hold membership in associations and organizations
23 controlled by or fostering the interests of credit unions or in a
24 central liquidity facility organized under federal or state law.

25 (u) If approved by the credit union board and not
26 inconsistent with this act, engage in activities and programs of
27 the federal government, a state, a territory of the United

1 States, or an agency or political subdivision of the federal
2 government or a state or territory of the United States.

3 (v) Receive funds as shares or deposits from other domestic
4 credit unions or from banks, savings banks, savings and loans, or
5 any other type of depository institution.

6 (w) Receive funds as shares or deposits from a retirement
7 plan that serves all or any of the domestic credit union's
8 members or potential members.

9 (x) Receive funds as shares or deposits from a public
10 employee retirement system or plan.

11 (y) Lease tangible personal property to its members.

12 (z) Purchase, sell, pledge, discount, or otherwise acquire,
13 or dispose of all or part of the obligations of its members in
14 accordance with section 432. This subdivision does not apply to
15 participation loans originated pursuant to section 423(5).

16 (aa) At the domestic credit union's expense, purchase
17 insurance for its members in connection with share, deposit,
18 loan, or other accounts.

19 (bb) Establish, operate, participate in, or hold membership
20 in systems that allow the transfer of credit union funds and
21 funds of its members or other account holders by electronic or
22 other means, including clearinghouse associations, data
23 processing and other electronic networks, the federal reserve
24 system, or any other payment or liquidity program and contract
25 with outside vendors to process member payments, send or receive
26 funds for member investments, or initiate and execute electronic
27 funds transfers on behalf of its members.

1 (cc) Service loans sold by the domestic credit union, in
2 whole or in part, to a third party.

3 (dd) Receive payments on shares or deposits from or make
4 loans to the United States or an agency or instrumentality of the
5 United States.

6 (ee) Act as a fiscal agent and maintain treasury tax and loan
7 accounts of the United States.

8 (ff) Receive payments on shares or deposits from a state, a
9 territory of the United States, or from an agency, political
10 subdivision, or instrumentality of a state or territory of the
11 United States. A domestic credit union may act as fiscal agent
12 for, maintain tax and loan accounts of, and make loans to, an
13 entity that the domestic credit union has authority to receive
14 payments from under this subdivision.

15 (gg) Organize, invest in, and make loans to corporations or
16 other organizations that engage in activities incidental to the
17 conduct of a credit union or in activities that further or
18 facilitate the purposes of a credit union or that furnish
19 services to credit unions. In addition to the activities
20 authorized by section 407, the commissioner shall determine by
21 order or declaratory ruling the activities and services that fall
22 within the meaning of this subdivision. Investments and loans
23 described in this subdivision shall not in the aggregate exceed
24 15% of the assets of the domestic credit union, and without the
25 prior approval of the commissioner shall not in the aggregate
26 exceed 7% of the assets of the domestic credit union. A domestic
27 credit union may not invest in or make loans to a corporation or

1 other organization under this subdivision unless the corporation
2 or organization agrees in writing to allow the commissioner to
3 conduct an examination of the corporation or organization to the
4 same extent that the commissioner is authorized to examine credit
5 unions and agrees in writing to make any reports to the
6 commissioner that he or she requires.

7 (hh) Individually or jointly with other credit unions or
8 other financial organizations, purchase, lease, construct, or
9 otherwise acquire and hold land and buildings for the purpose of
10 providing adequate facilities for the transaction of present and
11 potential business. A domestic credit union may use land and
12 buildings for its principal place of business functions, a
13 branch, a service center, or another facility used to conduct an
14 activity in which it engages. A domestic credit union may rent
15 excess space as a source of income. A domestic credit union
16 shall depreciate or appreciate buildings owned by it in the
17 manner and at the rates the commissioner may prescribe by order
18 or declaratory ruling. A domestic credit union's investment or
19 contractual obligations, direct, indirect, or contingent, in land
20 and buildings under this subdivision may not exceed 5% of its
21 assets without the prior approval of the commissioner. An
22 agreement to acquire and hold buildings or land jointly with
23 other credit unions or other financial organizations requires the
24 prior approval of the commissioner. The commissioner shall act
25 on a completed application within 30 days after the application
26 is filed.

27 (ii) Own stock in a corporation that owns land or buildings

1 used to provide a facility described in subdivision (hh), but
2 ownership of the stock is an investment in the land and buildings
3 for all purposes under subdivision (hh). If a domestic credit
4 union owns less than 100% of the stock in a corporation described
5 in this subdivision, the investment is a joint agreement that
6 requires the commissioner's approval under subdivision (hh).

7 (jj) Sell, convey, lease, or otherwise dispose of, or assign,
8 mortgage, pledge, or create a lien in, all or part of its land
9 and buildings, including land and buildings obtained as a result
10 of a default of an obligation owed to it, or stock in a
11 corporation described in subdivision (ii). A domestic credit
12 union may finance the sale of its land and buildings to any
13 person at a rate of interest that does not exceed the rate of
14 interest permitted by the credit reform act, 1995 PA 162, MCL
15 445.1851 to 445.1864, for loans to its members for the purchase
16 of land and buildings.

17 (kk) Pursuant to a written agreement, perform services for
18 members of other domestic or foreign credit unions. A domestic
19 credit union may allow other credit unions to perform services
20 for its members pursuant to a written agreement. A domestic
21 credit union shall perform services described in this subdivision
22 in accordance with the laws of this state.

23 (ll) Perform any of the following services for any person:

24 (i) Cash advances.

25 (ii) Funds transfers.

26 (iii) Cashing and selling checks and drafts.

27 (iv) Signature guarantee services.

1 (v) Selling and cashing money orders and travelers checks.

2 (vi) Purchasing and selling foreign currencies in exchange
3 for United States currency.

4 (vii) Selling or otherwise providing any goods or services
5 whose value is \$150.00 or less, unless prohibited by law, and any
6 other goods and services authorized by the commissioner by order
7 or declaratory ruling.

8 (viii) Other services specified by the commissioner by order
9 or declaratory ruling.

10 (mm) Engage in any aspect of the insurance and surety
11 business as an agent, broker, solicitor, or insurance counselor
12 as provided under the insurance code of 1956, 1956 PA 218, MCL
13 500.100 to 500.8302.

14 (nn) Own an insurance agency in whole or in part as provided
15 under the insurance code of 1956, 1956 PA 218, MCL 500.100 to
16 500.8302.

17 (oo) Make charitable contributions if the individual
18 contributions and the aggregate amount of the contributions are
19 reasonable in amount.

20 (pp) Offer tax return preparation and filing services.

21 (qq) Contract with entities offering funds transfer services
22 and provide those services to any person.

23 (rr) Receive payments on shares or deposits or make loans to
24 corporations that are wholly owned by 1 or more of the types of
25 entities from which the domestic credit union may receive
26 payments on shares under subdivision (dd) or (ff).

27 (ss) Enter into marketing and other support arrangements to

1 facilitate members' purchases of goods and services from third
2 parties that may include compensation to the domestic credit
3 union.

4 (tt) Purchase insurance policies and other investment
5 products to fund deferred compensation arrangements for its
6 employees. If the deferred compensation arrangement does not
7 present a risk to the safety and soundness of the domestic credit
8 union, the purchase of those investment products is not subject
9 to the limitations of this act.

10 Sec. 402. (1) A corporate credit union has all of the
11 following powers in addition to the powers granted by this act to
12 all domestic credit unions:

13 (a) To accept funds, either as shares or deposits, from a
14 domestic, foreign, or alien credit union, whether or not that
15 credit union is a member of the corporate credit union.

16 (b) To make loans to or investments or deposits in a credit
17 union, whether or not that credit union is a member of the
18 corporate credit union.

19 (c) To make loans to or place deposits in a bank, savings
20 bank, trust company, or savings and loan association chartered by
21 this state, by another state or territory of the United States,
22 or by the United States.

23 (d) To place deposits in a bank chartered under the laws of
24 Canada or a member state of the European Union.

25 (e) To borrow from any source.

26 (f) To act as a fiscal agent for the United States, a state,
27 or an agency or political subdivision of the United States or a

1 state.

2 (g) To participate with any other credit union in making
3 loans to its members or to members of the other participating
4 credit union, on the terms and conditions to which the
5 participating credit unions agree.

6 (h) To purchase, sell, and hold investment securities that
7 are marketable obligations in the form of bonds, notes, or
8 debentures and that are salable under ordinary circumstances. A
9 corporate credit union board shall adopt a written investment
10 policy and the corporate credit union shall make all investments
11 and related contracts and agreements under this subdivision in
12 accordance with that policy.

13 (i) To contract for penalties for loans paid before their
14 scheduled maturity.

15 (j) In its bylaws, to authorize the corporate credit union
16 board to delegate the authority to set interest rates on loans
17 and deposits and to determine dividends on shares.

18 (k) To act as an intermediary of member and credit union
19 funds.

20 (l) To act as an agent to pay, receive, and transfer assets
21 and liabilities.

22 (m) To receive and hold securities and other assets.

23 (n) To provide payment systems services in conjunction with
24 financial institutions or other vendors, or other correspondent
25 services.

26 (o) To provide services to members involving investments and
27 liquidity management.

1 (p) To engage in repurchase agreement transactions with
2 broker-dealers.

3 (q) To purchase, sell, and hold financial derivatives.

4 (r) To exercise any other power approved by the commissioner
5 by order or declaratory ruling.

6 (2) This act does not permit a corporate credit union to make
7 or participate in a loan to a natural person that has terms and
8 conditions that would not otherwise be authorized for a loan to a
9 natural person made by another domestic credit union.

10 Sec. 403. A domestic credit union may exercise any
11 incidental powers that are necessary or required to enable it to
12 effectively carry out the business for which it is organized.

13 Sec. 404. A domestic credit union may do business outside
14 of this state if permitted by the laws of that jurisdiction.

15 Sec. 405. (1) A domestic credit union shall not give
16 preference to any shareowner or depositor by pledging the assets
17 of the domestic credit union as collateral security for purposes
18 of accepting the funds or money of any county, city, village,
19 township, school district, or community college district. With
20 written consent of the commissioner, a domestic credit union may
21 pledge assets of the domestic credit union in an amount not in
22 excess of 10% of its total shares and deposits for the purpose of
23 securing any of the following:

24 (a) Shares or deposits belonging to the United States or
25 belonging to or administered by an officer, instrumentality, or
26 agent of the United States, shares or deposits of estates being
27 administered by a federal court under federal bankruptcy laws,

1 and any other shares or deposits if required or permitted to do
2 so under the laws of the United States or an order of a federal
3 court.

4 (b) Shares or deposits acquired or made with surplus funds of
5 this state held by the state treasurer.

6 (c) Shares or deposits belonging to the Mackinac bridge
7 authority, a political subdivision of this state under 1950 (Ex
8 Sess) PA 21, MCL 254.301 to 254.304.

9 (d) Shares or deposits of the international bridge authority,
10 a political subdivision of this state under 1954 PA 99, MCL
11 254.221 to 254.240.

12 (e) Shares owned or funds on deposit under 1941 PA 205, MCL
13 252.51 to 252.64.

14 (f) Shares or deposits belonging to the Michigan employment
15 security commission.

16 (g) Shares or deposits acquired or made by the Michigan state
17 housing development authority with funds constituting proceeds of
18 the sale of the authority's notes and bonds and repayments of the
19 notes and bonds under the state housing development authority act
20 of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

21 (2) The requirements, restrictions, and limitations imposed
22 by subsection (1) do not apply to the pledging of obligations of
23 the United States, direct or fully guaranteed, or both, for the
24 purpose of securing shares or deposits owned by the United States
25 when such shares or deposits are established coincidentally with
26 the purchase of obligations of the United States by or through
27 any domestic credit union.

1 Sec. 406. (1) If authorized by the credit union board, a
2 domestic credit union may do any of the following:

3 (a) Assist in providing cooperative housing and related
4 facilities for its members. A domestic credit union shall not
5 invest more than 5% of its unimpaired share capital in programs
6 described in this subdivision. This section does not authorize a
7 domestic credit union to invest in the stock of a housing
8 cooperative.

9 (b) Assist in creating a housing cooperative for its
10 members.

11 (c) Assist a housing cooperative composed of its members in
12 selecting a housing site.

13 (2) If authorized by the credit union board, a domestic
14 credit union may acquire any interest in real property if all of
15 the following are met:

16 (a) The property is suitable for a housing cooperative and
17 related facilities for its members.

18 (b) The domestic credit union will dispose of its interest in
19 the property to a housing cooperative within 3 years.

20 (c) The purchase price of the property does not exceed the
21 appraised value of the property as determined by a competent
22 disinterested appraiser retained by the domestic credit union.

23 (d) Before the domestic credit union acquires its interest,
24 if state or federal assistance is contemplated, the domestic
25 credit union where possible obtains the approval of the state or
26 federal agency that will assist the housing cooperative in
27 determining the acceptability to that agency of the property for

1 use as a cooperative housing site.

2 (3) If within a reasonable time after the domestic credit
3 union acquires its interest in a housing cooperative it
4 determines that the property is not suitable for cooperative
5 housing for its members, the domestic credit union shall dispose
6 of its interest in the manner most advantageous to the domestic
7 credit union.

8 (4) A domestic credit union may employ consultants,
9 appraisers, or other persons or organizations qualified by
10 experience and training to provide advice and assistance in the
11 acquisition of cooperative housing sites, the creation of housing
12 cooperatives, the processing of applications for state or federal
13 assistance, or the development of plans for the housing and
14 financing, and may take any other action related to its authority
15 under this section.

16 (5) As used in this section:

17 (a) "Domestic credit union" may include more than 1 domestic
18 credit union acting in combination.

19 (b) "Housing cooperative" means a nonprofit housing
20 cooperative corporation.

21 Sec. 407. (1) Subject to subsection (3), a domestic credit
22 union may organize, invest in, or loan money to 1 or more credit
23 union service organizations that provide 1 or more of the
24 following products or services to credit unions:

25 (a) Automated information processing services.

26 (b) Share draft and other item processing.

27 (c) Credit and debit card services.

- 1 (d) Microfilm and microfiche services.
- 2 (e) Printing and supply services.
- 3 (f) Service center functions.
- 4 (g) Selling or leasing real estate.
- 5 (h) Automated teller machine and electronic funds transfer
6 services.
- 7 (i) Collection activities.
- 8 (j) Personnel services.
- 9 (k) Appraisal, closing, or other services in connection with
10 real estate loan activities.
- 11 (l) Investment management, investment research, and other
12 full service broker-dealer services, but not underwriting of
13 investment securities.
- 14 (m) Property leasing to credit unions.
- 15 (n) Accounting and auditing services.
- 16 (o) Records retention and preservation.
- 17 (p) Security for data processing equipment and other credit
18 union property.
- 19 (q) Architectural services, including, but not limited to,
20 providing original designs, remodeling, and redesigning.
- 21 (r) Administration and other services related to commercial
22 loans and participation loans.
- 23 (s) Providing management and operating services.
- 24 (t) Marketing services.
- 25 (u) Management, development, sale, or lease of fixed assets.
- 26 (v) Sale, lease, or servicing of computer hardware and
27 software.

1 (w) Sale of repossessed property or other personal property
2 of credit unions.

3 (x) Locator services.

4 (y) Credit analysis.

5 (z) Loan origination, processing, servicing, and sale.

6 (aa) Research services.

7 (bb) Developing and administering individual retirement
8 accounts or Keogh (HR-10), deferred compensation, or other
9 personnel benefit plans.

10 (cc) Property maintenance services.

11 (dd) Courier services.

12 (ee) If approved by the commissioner, any other product or
13 service.

14 (2) Subject to subsection (3), a domestic credit union may
15 organize, invest in, or loan money to 1 or more credit union
16 service organizations that provide 1 or more of the following
17 products or services to credit unions or their members:

18 (a) Equipment leasing and financing.

19 (b) Payroll services.

20 (c) Real estate brokerage services.

21 (d) Prepaid legal services.

22 (e) Motor vehicle purchasing services.

23 (f) Group travel services.

24 (g) Insurance, to the extent not prohibited by state law.

25 (h) Financial planning, investment counseling, or other
26 financial services.

27 (i) Consumer purchasing referral services.

1 (j) Income tax services.

2 (k) Retirement counseling.

3 (l) Securities brokerage counseling.

4 (m) Estate planning.

5 (n) Personal property leasing.

6 (o) Service contracts or extended warranty contracts for
7 motor vehicles, motorcycles, recreational vehicles, manufactured
8 homes, boats, computers, or other personal property items.

9 (p) Investment management, investment research, or other
10 full-service securities broker-dealer services, but not
11 underwriting of investment securities.

12 (q) If approved by the commissioner, trust services.

13 (r) If approved by the commissioner, any other product or
14 service.

15 (3) A domestic credit union may organize, invest in, or loan
16 money to a credit union service organization described in
17 subsection (1) or (2) only if all of the following are met:

18 (a) The credit union service organization is adequately
19 capitalized or has a reasonable plan for adequate capitalization
20 if it is to be formed or is newly formed.

21 (b) The credit union service organization is structured and
22 operated as a separate legal entity from the domestic credit
23 union.

24 (c) The domestic credit union obtains a written legal opinion
25 that the credit union service organization is structured and
26 operated in a manner that limits the domestic credit union's
27 potential liability for the debts and liabilities of the credit

1 union service organization to not more than the loss of money
2 invested in or loaned to the credit union service organization by
3 the domestic credit union.

4 (d) The credit union service organization agrees in writing
5 to prepare financial statements and provide them to the domestic
6 credit union at least quarterly.

7 (e) The credit union service organization agrees in writing
8 to obtain an audit of the credit union service organization from
9 a certified public accountant at least annually and provide a
10 copy of each audit report to the domestic credit union.

11 (f) The credit union service organization operates in
12 compliance with applicable federal and state laws.

13 (4) The credit union board of a domestic credit union that
14 organizes, invests in, or lends money to a credit union service
15 organization shall establish, in writing, the maximum percentage
16 amount of net worth that the domestic credit union may invest in
17 or loan to the credit union service organization.

18 (5) The senior management employees of a domestic credit
19 union shall not receive any salary, commission, investment
20 income, or other income or compensation from a credit union
21 service organization that is an affiliate of the domestic credit
22 union.

23 (6) In determining compliance with the percentage limitations
24 in section 401(2)(gg), all loans cosigned, endorsed, or otherwise
25 guaranteed by a domestic credit union to credit union service
26 organizations are included in determining the aggregate amount of
27 loans by the domestic credit union.

1 (7) A domestic credit union shall follow generally accepted
2 accounting principles in its accounting of its financial
3 involvement in a credit union service organization.

4 Sec. 408. (1) A domestic credit union wishing to utilize
5 automated information processing services of a vendor shall enter
6 into a written contract, lease, or licensing agreement with the
7 vendor. The credit union board shall review the contract, lease,
8 or licensing agreement to ensure the interests of the domestic
9 credit union are protected. Approval of the contract, lease, or
10 licensing agreement is required before any automated information
11 processing services are performed or provided to the domestic
12 credit union.

13 (2) The written contract, lease, or licensing agreement
14 described in subsection (1) shall provide at least all of the
15 following:

16 (a) That the vendor will furnish the written assurance
17 described in subsection (4) to the commissioner.

18 (b) That the domestic credit union will retain permanent and
19 exclusive ownership of all internal information and member
20 information in the possession of the vendor, that the vendor may
21 not disclose any of that information to third parties except as
22 explicitly authorized in writing by the domestic credit union,
23 and that the vendor may not use any of that information for the
24 vendor's own purposes except as explicitly authorized in writing
25 by the domestic credit union.

26 (c) That the vendor will provide contingency planning and
27 disaster recovery provisions to reconstruct the transactions of

1 the domestic credit union and to resume automated information
2 processing within a reasonable time after a failure of the
3 automated information processing services.

4 (d) That upon termination of the contract, lease, or
5 licensing agreement, the vendor shall return copies of all
6 internal information and member information in an electronic form
7 usable to the domestic credit union, and disclose any fees
8 related to the return of the information in electronic form.

9 (e) The extent to which the vendor is liable for
10 nonperformance, breach, or fraud or other dishonesty.

11 (f) That each employee of the vendor with access to internal
12 information or member information is sufficiently bonded against
13 fraud or other dishonesty.

14 (g) A statement of each service the vendor will perform, the
15 frequency of each service, and the fees charged in connection
16 with performance of each service.

17 (h) A description of the ownership of the hardware, software,
18 or systems utilized in the performance of the automated
19 information processing services.

20 (i) An allocation of responsibility for delivering internal
21 information or member information to the vendor, and liability
22 for loss of internal information or member information before it
23 is delivered.

24 (3) If automated information processing services are donated
25 to a domestic credit union by a sponsor, the domestic credit
26 union shall make available sufficient off-premises storage and
27 duplication of internal information and member information to

1 enable the sponsor or the sponsor's vendor to reconstruct the
2 transactions of the domestic credit union and resume automated
3 information processing within a reasonable time after a failure
4 of the automated information processing services.

5 (4) A domestic credit union shall not purchase automated
6 information processing services from a vendor unless the domestic
7 credit union and the vendor, and any subcontractors of the
8 vendor, furnish the commissioner with an assurance in writing
9 that the performance of the services is subject to examination
10 and regulation to the same extent as if the services were
11 performed by the domestic credit union on its own premises.

12 (5) As used in this section:

13 (a) "Automated information processing" means automated
14 processing, updating, and storage of internal information or
15 member information.

16 (b) "Internal information" means the accounts, books, and
17 records of a domestic credit union maintained in any form.

18 (c) "Member information" means the share, deposit, loan
19 account balances, or other information related to any member of a
20 domestic credit union maintained in any form.

21 (d) "Sponsor" means an entity around which all or part of a
22 domestic credit union's field of membership is formed.

23 (e) "Vendor" means a person who supplies hardware, software,
24 or systems used for automated information processing services to
25 a domestic credit union or performs automated information
26 processing services for a domestic credit union. The term
27 includes a subcontractor of a vendor.

1 Sec. 409. (1) A credit union board may offer insurance
2 programs to members of the domestic credit union, individually or
3 as a group, including insurance programs at the individual
4 member's own expense. An insurance program offered under this
5 section shall meet 1 of the following conditions:

6 (a) Except for insurance described in subdivision (b), the
7 purchase of the insurance coverage by a member is voluntary and a
8 copy of the written election to purchase the insurance is on file
9 at the domestic credit union.

10 (b) If the insurance is a condition of a loan, the member who
11 is borrowing may purchase or provide the insurance from a carrier
12 of the member's choice or may assign any existing insurance
13 coverage.

14 (2) A domestic credit union may receive payment for making an
15 insurance program available to its members.

16 (3) Other than a refund of premium if he or she is a
17 purchaser of the insurance services, a credit union officer,
18 director, committee member, or employee shall not directly or
19 indirectly be paid or receive, and a person shall not directly or
20 indirectly offer, a fee, compensation, commission, gift, or other
21 consideration for insurance sold to the domestic credit union or
22 its membership from any person other than the domestic credit
23 union. This subsection does not prevent a credit union officer,
24 director, committee member, or employee from receiving customary
25 salary or commission as an employee or agent of an insurance
26 company if the salary or commission is not related to making
27 insurance programs available to credit union members or to

1 placing insurance with a domestic credit union served by the
2 credit union officer, director, committee member, or employee.

3 (4) A domestic credit union shall not directly or indirectly
4 enter into any act or transaction involving an insurance program
5 unless all of the parties to the insurance program expressly
6 agree in writing to meet all of the requirements of this
7 section.

8 (5) If a domestic credit union makes an insurance program
9 available to its members, the domestic credit union shall
10 maintain documentary evidence that it has investigated various
11 plans of insurance and has determined that the provisions
12 relating to costs and benefits and other provisions of the plan
13 selected protect and serve the interest of its members. The
14 commissioner may inspect the documentary evidence on request.

15 (6) A domestic credit union may advise its members of the
16 availability of an insurance program and of its action taken
17 under subsection (5) and may use marketing materials supplied by
18 the insurance carrier.

19 (7) If authorized by the credit union board, a domestic
20 credit union may furnish to an insurance carrier or an agent
21 membership lists of addresses without compensation from the
22 insurance carrier or agent. For an appropriate fee, if
23 authorized by the credit union board, a domestic credit union may
24 mail marketing materials about an insurance program to its
25 membership.

26 (8) A domestic credit union may assist a member in filing a
27 claim and with other matters dealing with an insurance carrier if

1 that assistance does not violate any applicable insurance law and
2 regulation.

3 Sec. 410. (1) If authorized by the credit union board, a
4 domestic credit union may invest in the stock of not more than 1
5 safe and collateral deposit company or may operate a safe deposit
6 department.

7 (2) If a domestic credit union operates a safe deposit
8 department, the legal liability of the domestic credit union for
9 any loss to a customer shall not exceed the sum of \$10,000.00 for
10 any 1 box or compartment. The domestic credit union may contract
11 with the renter to have the renter assume the risks arising from
12 the use of the box or compartment.

13 (3) A domestic credit union has a lien for unpaid rental
14 charges on the contents of any safe deposit box or compartment.
15 If rental charges are not paid within 1 year after the date of
16 accrual, the domestic credit union may sell the property in the
17 box or compartment at public auction, after providing any notice
18 required by any law applicable to the sale. The domestic credit
19 union may retain from the proceeds of sale the amount of all
20 charges due and owing at the time of the sale and the reasonable
21 expenses of the sale and shall pay the balance, if any, to the
22 renter of the box or compartment or to any person who proves to
23 the satisfaction of the domestic credit union that he or she is
24 entitled to the proceeds. If it acts fairly and in good faith,
25 the domestic credit union may purchase all or part of the
26 property at the sale.

27 Sec. 411. (1) If authorized by the credit union board, a

1 domestic credit union may conduct a savings promotion raffle.
2 The domestic credit union shall conduct a savings promotion
3 raffle so that each token or ticket representing an entry in the
4 raffle has an equal chance of being drawn. A domestic credit
5 union shall not conduct a savings promotion raffle in a manner
6 that jeopardizes the domestic credit union's safety and soundness
7 or misleads its members.

8 (2) Pursuant to his or her supervisory powers under article
9 2, the commissioner may examine the conduct of a savings
10 promotion raffle. The commissioner may issue a cease and desist
11 order for a violation of this section under article 2.

12 (3) A domestic credit union shall maintain records sufficient
13 to facilitate an audit of a savings promotion raffle.

14 (4) As used in this section, "savings promotion raffle" means
15 a raffle conducted by a domestic credit union where the sole
16 consideration required for a chance of winning designated prizes
17 is the deposit of at least a specified amount of money in a
18 savings account or other savings program offered by the domestic
19 credit union.

20 PART 2

21 LOANS

22 Sec. 421. (1) If a domestic credit union has a credit
23 committee, the credit committee has general supervision of all
24 loans to members.

25 (2) A credit committee shall meet as often as the business of
26 the domestic credit union requires. The credit committee shall
27 consider applications for loans or review the credit decisions of

1 the loan officers of the domestic credit union. A majority vote
2 of the members of the committee who are present at a meeting is
3 required to approve or disapprove of a loan to a member.

4 (3) A credit committee, or the credit union board if the
5 domestic credit union does not have a credit committee, may
6 appoint 1 or more loan officers and delegate to them the power to
7 approve or reject loans or lines of credit or to make credit
8 decisions concerning loans or lines of credit, subject to any
9 limitations or conditions established by the credit committee.

10 (4) A member whose loan application is disapproved by a loan
11 officer may appeal in writing to the credit committee, or to the
12 credit union board if the domestic credit union does not have a
13 credit committee.

14 (5) A domestic credit union may establish and use an
15 automated loan approval and rejection process but may not use the
16 automated process for appeals of loan rejections. If a domestic
17 credit union uses an automated process, the domestic credit union
18 shall establish a written procedure to ensure the proper
19 functioning of the automated process.

20 (6) The credit committee shall designate a secretary of the
21 credit committee. The secretary shall maintain records of the
22 actions of the committee concerning its lending activities as
23 required by the credit union board.

24 Sec. 422. (1) A loan made by a domestic credit union to
25 another domestic credit union is not subject to any interest rate
26 limitation contained in any law of this state.

27 (2) A domestic credit union may enter into a loan agreement

1 under this section with a member. Loan agreements under this
2 section may be for any amount up to \$1,000.00 and payable within
3 30 days of delivery of the loan proceeds to the borrower. The
4 domestic credit union may charge a fee in addition to any
5 interest in connection with this transaction. Any such fee is in
6 addition to interest authorized by law and is not part of the
7 interest collected or agreed to be paid on loans within the
8 meaning of a law of this state which limits the rate of interest
9 which may be exacted in a transaction.

10 Sec. 423. (1) A loan by a domestic credit union to a member
11 shall conform to any conditions contained in the bylaws.

12 (2) A borrower may repay his or her loan from a domestic
13 credit union in whole or in part at any time the domestic credit
14 union is open for business or otherwise capable of receiving
15 payment on the loan.

16 (3) A domestic credit union may contract with a borrower for
17 the borrower to reimburse the domestic credit union for any
18 specifically identified third party costs related to a loan
19 originally paid by the domestic credit union, and for any amount
20 specifically identified in the loan agreement as an incentive if
21 the borrower prepays the loan in full within 3 years of the date
22 that the loan is made and the originally scheduled amortization
23 period of the loan is more than 5 years.

24 (4) A domestic credit union shall not agree to rates, terms,
25 or conditions on any loan or line of domestic credit made to or
26 endorsed or guaranteed by a director, credit committee member, or
27 supervisory committee member, or an immediate family member of a

1 director, credit committee member, or supervisory committee
2 member that are more favorable than the rates, terms, and
3 conditions for comparable loans or lines of credit to other
4 credit union members.

5 (5) A domestic credit union shall process a loan to a
6 director or member of the credit committee or supervisory
7 committee in the same manner as a loan to other members, except
8 that the applicant shall not participate in the approval process
9 for his or her loan.

10 (6) A domestic credit union may provide open-end or
11 closed-end credit arrangements for its members if the credit
12 union board has established a policy for those credit
13 arrangements. Unless prohibited by the agreement for the
14 open-end credit arrangement, a domestic credit union may under an
15 open-end credit arrangement unilaterally increase the approved
16 limit or may increase the approved limit on the request of the
17 member.

18 (7) A domestic credit union may participate in loans to
19 credit union members jointly with other credit unions, credit
20 union service organizations, or other financial institutions.

21 (8) A domestic credit union may participate in a guaranteed
22 loan program of the federal or state government under the terms
23 and conditions specified in the law establishing that program.

24 (9) A domestic credit union may offer reduced rate loans and
25 other extensions of credit to its employees under a policy
26 adopted by its credit union board. The credit union board, or
27 the credit committee if the domestic credit union has a credit

1 committee that does not include any credit union employees, must
2 approve of any loan or other extension of credit to or purchase
3 of an obligation of the general manager.

4 (10) A domestic credit union shall not make a loan or extend
5 a line of credit if an official or senior management employee
6 will receive a commission, fee, or compensation other than salary
7 if the loan or line of credit is approved.

8 Sec. 424. (1) Except as provided in subsection (2), a
9 domestic credit union that requires a mortgagor to maintain
10 property and casualty insurance as a condition to receiving a
11 mortgage loan shall not require an amount of property and
12 casualty insurance that is greater than the replacement cost of
13 the mortgaged building or buildings.

14 (2) A domestic credit union may require an amount of property
15 and casualty insurance that is required of the domestic credit
16 union as a condition of a sale, transfer, or assignment of all or
17 part of the mortgage to a third party. This subsection does not
18 require that the domestic credit union anticipate a sale,
19 transfer, or assignment at the time the mortgage loan is made.

20 PART 3

21 INVESTMENTS

22 Sec. 431. (1) A domestic credit union may invest funds not
23 used in loans to members in any of the following:

24 (a) Securities, obligations, or other instruments of or
25 issued by or fully guaranteed as to principal and interest by the
26 United States or an agency or instrumentality of the United
27 States, or in any trust or trusts established for investing

1 directly or collectively in those securities, obligations, or
2 instruments.

3 (b) Securities, obligations, or other instruments of or
4 issued by any state of the United States, the District of
5 Columbia, the Commonwealth of Puerto Rico, or a territory
6 organized by congress, or any of their political subdivisions.

7 (c) Securities, obligations, or other instruments of any
8 central liquidity facility or corporate credit union established
9 under the laws of this state, the laws of another state or
10 territory of the United States, or the laws of the United States,
11 or any federal reserve bank.

12 (d) An obligation that meets all of the following:

13 (i) In the domestic credit union's prudent judgment, which
14 may be based in part upon estimates which it believes are
15 reliable, there is adequate evidence that the obligor of the
16 obligation will be able to perform all it undertakes to perform
17 in connection with the obligation, including all debt service
18 requirements, and that the obligation may be sold with reasonable
19 promptness at a price that corresponds to its fair value.

20 (ii) The investment characteristics of the obligation are not
21 considered distinctly or predominantly speculative.

22 (iii) The obligation is not in default in the payment of
23 principal or interest.

24 (iv) The obligation is a marketable obligation in the form of
25 a bond, note, or debenture, commonly regarded as an investment
26 security, and salable under ordinary circumstances with
27 reasonable promptness at a fair value.

1 (e) Shares or certificates of an open-end management
2 investment company registered with the securities and exchange
3 commission under the investment company act of 1940, title I of
4 chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to
5 80a-64, if all of the following conditions are met:

6 (i) Not less than 90% of the fund's assets consist of and are
7 limited to securities in which a domestic credit union may invest
8 directly.

9 (ii) The domestic credit union has an equitable and undivided
10 interest in the underlying assets of the fund.

11 (iii) The domestic credit union is not liable for acts or
12 obligations of the fund.

13 (iv) The domestic credit union's investment in any 1 fund
14 does not exceed the amount of its net worth.

15 (f) Deposits in a branch of any bank located in another
16 country.

17 (g) Investments in mortgage-backed securities either issued
18 by or guaranteed by a private organization if the securities
19 involved meet the investment standards for an obligation
20 described in subdivision (d).

21 (2) A domestic credit union other than a corporate credit
22 union shall not invest more than 25% of its net worth in an
23 obligor or affiliate of the obligor. A corporate credit union
24 may invest 100% of its net worth, or the amount of the investment
25 in an obligor or affiliate of the obligor that is federally
26 insured, whichever is greater, in an obligor or affiliate of the
27 obligor. This limitation in this subsection shall not apply to

1 the extent that the investment is insured or guaranteed by the
2 United States government or an agency of the United States
3 government or a state or local government, or the investment is
4 in a corporate credit union.

5 (3) A domestic credit union may not invest in or hold common
6 stock or another equity investment except as provided in section
7 401(2), or in bank and bank holding company stock legally
8 acquired before December 19, 1986. If a domestic credit union
9 possesses capital stock or another equity investment as the
10 result of a loan default, it shall dispose of that investment
11 within a reasonable period of time that does not exceed 1 year,
12 or a longer period of time approved by the commissioner for that
13 domestic credit union.

14 (4) In addition to investments authorized by this act, a
15 domestic credit union may make any other type of investment
16 approved by the commissioner by order or declaratory ruling.

17 (5) A domestic credit union shall maintain files containing
18 credit and other information adequate to demonstrate evidence of
19 prudent business judgment in exercising the investment powers
20 granted under this act or by order or declaratory ruling of the
21 commissioner.

22 Sec. 432. (1) If the purchase meets the conditions of a
23 written policy of the credit union board, a domestic credit union
24 may purchase 1 or more of the following obligations:

25 (a) An obligation of a member that satisfies this act, the
26 bylaws, and the lending policies established by the credit union
27 board, other than any annual percentage interest rate

1 requirement.

2 (b) An obligation of a member if before the domestic credit
3 union agrees to purchase the obligation the member agrees in
4 writing to refinance the obligation within 60 days after the
5 purchase in a manner that will result in the obligation meeting
6 subdivision (a).

7 (2) A domestic credit union may purchase an obligation of a
8 member under this section if the credit union board approves the
9 purchase of the obligation or a class of obligations that
10 includes the obligation, there is a written agreement for the
11 purchase, and the domestic credit union retains the written
12 agreement and a schedule of the obligations covered by the
13 agreement at its principal place of business.

14 (3) If a domestic credit union agrees to purchase a partial
15 interest in an obligation of a member, the agreement shall
16 disclose the responsibilities of each party if the obligation is
17 subject to collection, loss, or foreclosure and shall provide
18 that in the event of a loss each owner shares in the loss in
19 proportion to the owner's interest in the obligation.

20 (4) A domestic credit union may purchase an obligation of a
21 member at a discount or premium if the discount or premium is
22 amortized monthly over the remaining term of the obligation.

23 (5) A domestic credit union may sell all or part of an
24 obligation of a member if the sale meets the conditions of the
25 sale policy adopted by the credit union board, the credit union
26 board approves the sale, there is a written agreement for the
27 sale, and the domestic credit union retains the written agreement

1 and a schedule of the obligations covered by the agreement at its
2 principal place of business.

3 (6) An agreement to sell a partial interest in an obligation
4 of a member shall not include a recourse or repurchase provision
5 other than 1 or more of the following:

6 (a) A provision that requires the seller to repurchase the
7 obligation because of a breach of warranty or misrepresentation.

8 (b) A provision that allows the domestic credit union to
9 repurchase the obligation at its discretion.

10 (c) A provision that allows substitution of 1 loan for
11 another loan.

12 (7) A domestic credit union may pledge all or any part of an
13 obligation of a member if the pledge meets the conditions of the
14 pledge policy adopted by the credit union board, and the credit
15 union board approves the pledge.

16 (8) An agreement to pledge an obligation of a member shall
17 identify the obligations covered by the agreement and set forth
18 the responsibilities of each party if an obligation covered by
19 the agreement is subject to collection, loss, foreclosure, or
20 default.

21 (9) This section does not permit a domestic credit union to
22 pledge an obligation of a member unless authorized in section
23 401(2).

24 (10) For a fee, a domestic credit union may agree to service
25 all or part of an obligation it purchases or sells.

26 (11) A member shall not directly or indirectly give and a
27 senior management employee shall not directly or indirectly

1 receive a fee, compensation, commission, gift, or other
2 consideration as an inducement to purchase, sell, or pledge an
3 obligation of a member.

4 ARTICLE 5

5 FOREIGN CREDIT UNIONS

6 Sec. 501. (1) A foreign credit union, other than a federal
7 credit union, may conduct business as a credit union in this
8 state only with the written approval of the commissioner. The
9 commissioner shall not grant approval unless the commissioner
10 finds that the foreign credit union meets all of the following
11 requirements:

12 (a) The credit union is organized under a law similar to this
13 act.

14 (b) The credit union is financially solvent.

15 (c) The credit union has insurance through an agency of the
16 federal government of member share and deposit accounts.

17 (d) The credit union is examined and supervised by the
18 supervisory authority of the state or territory in which it is
19 organized.

20 (e) The credit union conducts business in this state to
21 adequately serve its members in this state.

22 (2) The commissioner shall not grant approval under
23 subsection (1) unless the foreign credit union agrees in writing
24 as a condition of the approval to do all of the following:

25 (a) To charge a rate of interest that does not exceed any
26 rate of interest permitted by the credit reform act, 1995 PA 162,
27 MCL 445.1851 to 445.1864, for a loan in this state by a domestic

1 credit union.

2 (b) Comply with the same consumer protection laws that a
3 domestic credit union must comply with when making a loan or
4 providing other services in this state. For purposes of this
5 subdivision, a loan is made in this state if any person, other
6 than a guarantor, while physically in this state, signed the loan
7 agreement setting forth the terms and conditions of any
8 obligation created or to be created under the agreement. For
9 purposes of this subdivision, a service other than a loan is
10 provided in this state if a person does not physically travel out
11 of this state to obtain the service or if an agreement to provide
12 the service is signed by a person in this state.

13 (c) Designate and maintain an agent for the service of
14 process in this state.

15 (d) File any reports required by the commissioner.

16 (e) Allow the commissioner to conduct an examination, if
17 necessary, to the same extent as the commissioner is authorized
18 to conduct examinations of domestic credit unions under article
19 2.

20 (f) Meet any other requirements that the commissioner
21 requires of domestic credit unions under this act.

22 (3) The commissioner shall not grant approval under
23 subsection (1) if the state or territory in which the credit
24 union is organized does not permit credit unions organized in
25 this state to do business in that state or territory.

26 (4) This section does not exempt a foreign credit union from
27 complying with the laws of this state to the extent compliance is

1 otherwise required.

2 Sec. 502. (1) If in the opinion of the commissioner a
3 foreign credit union is engaging, has engaged, or is about to
4 engage in an unsafe or unsound practice in conducting the
5 business of a credit union at a branch located in this state, or
6 is violating, has violated, or is about to violate a state or
7 federal law or a state or federal rule or regulation, the
8 commissioner may notify any state or federal regulatory authority
9 with jurisdiction over the foreign credit union of the practice
10 or violation, or may issue and serve upon the foreign credit
11 union a notice of intent to revoke the foreign credit union's
12 authority to engage in business in this state. The notice shall
13 contain a statement of the facts constituting the alleged unsafe
14 or unsound practice or violation and inform the foreign credit
15 union of its right to request a hearing within 10 days.

16 (2) If a foreign credit union described in subsection (1)
17 requests a hearing within the 10-day time period, the
18 commissioner shall hold a hearing in accordance with the
19 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
20 24.328.

21 (3) Within 60 days after the date of a hearing under
22 subsection (2), the commissioner shall file a written decision
23 containing his or her findings and serve a copy on the foreign
24 credit union.

25 ARTICLE 6

26 REPEAL OF PREDECESSOR ACT

27 Sec. 601. 1925 PA 285, MCL 490.1 to 490.31, is repealed.