



**House
Legislative
Analysis
Section**

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**House Bill 5794 (Substitute H-1)
First Analysis (5-29-90)**

**Sponsor: Rep. John Bennett
Committee: Corporations and Finance**

THE APPARENT PROBLEM:

The Financial Institutions Bureau has proposed the creation of a single "operating" fee to be assessed credit unions instead of the two existing fees, the supervision fee and the examination fee. While not increasing fees to credit unions, the proposal would alter the way fees are assessed and provide a more stable stream of revenue to support necessary regulatory activities.

THE CONTENT OF THE BILL:

The bill would amend the credit union act to establish an annual operating fee to be paid by credit unions and to eliminate the existing supervision fee and examination fee. The operating fee would be set annually so as to cover the estimated cost of performing all credit union examinations and of supervising credit unions but there would be a ceiling on the fee imposed by the bill. The commissioner of the financial institutions bureau would determine a base fee of not less than \$1.75 or more than \$3.50 per \$1,000 of assets up to \$500,000. A fee of 40 percent of the base fee would be added per \$1,000 of assets over \$500,000 up to \$1 million. An additional 30 percent of the base fee would be added per \$1,000 of assets over \$1 million up to \$5 million. An additional 20 percent of the base fee would be added for assets over \$5 million up to \$10 million, and another 10 percent of the base fee would be added per \$1,000 for all assets over \$10 million. The total fee for a corporate central credit union, however, could not exceed \$80,000 annually. The minimum fee for any credit union would be \$250. Credit unions would be invoiced by the commissioner for the operating fee before July 1 of each year and would have to pay the fee before July 16. The fee would be based on the total assets of the a credit union as of December 31 the previous year as shown on the institutions' annual statement of condition. (The bill would also change the due date of the statement from before February 16 to before January 31.)

Currently, an examination fee must be paid only by a credit union that is examined by the financial institutions bureau. Under the bill, if the commissioner failed to transmit an examination report to a credit union in the preceding year, the credit union would receive an operating fee credit of not less than 30 percent or more than 70 percent against its next annual operating fee. The credit percentage would be determined each year by the commissioner and applied equally to all credit unions receiving a credit.

MC 497.6

FISCAL IMPLICATIONS:

The Financial Institutions Bureau says the bill would have no fiscal impact on the state, because it simply changes the way fees are determined and does not increase fees. (5-24-90)

ARGUMENTS:

For:

The bill would implement a Financial Institutions Bureau proposal to change the fee structure for credit unions. One fee would be imposed, sufficient to cover nearly all the costs of regulating the institutions, instead of the current two fees. While considerable leeway over the establishment of fees is provided to the FIB, statutory limits are also imposed. Industry officials say the proposal offers regulators a more predictable flow of revenue without necessarily raising costs to the industry. (In part this is due to the elimination of the provision that an examination fee could only be charged in a year if an institution was examined that year by the bureau. The bill would instead allow the fee to be collected but would provide a credit for future years to unexamined credit unions.)

POSITIONS:

The Financial Institutions Bureau supports the bill. (5-24-90)

The Michigan Credit Union League supports the bill. (5-24-90)