

SUBSTITUTE FOR
SENATE BILL NO. 496

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:

1

ARTICLE 1

2

GENERAL PROVISIONS

3

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

4

"credit union act".

5

Sec. 102. As used in this act:

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(a) "Affiliate" means a person, other than an individual or

7

governmental entity, to which any of the following apply:

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(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) "Borrower" means a member who obtains a loan from a
23 domestic credit union.

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

1 (f) "Commissioner" means the commissioner of the office of
2 financial and insurance services in the department of consumer
3 and industry services.

4 (g) "Corporate credit union" means a domestic credit union
5 described in section 302.

6 (h) "Credit union" means a domestic or foreign credit union.

7 (i) "Credit union board" means a board of directors, board of
8 trustees, or other governing body of a credit union.

9 (j) "Credit union service organization" means an organization
10 described in section 407.

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

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

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

23 (n) "Emergency" means a condition, event, or occurrence that
24 meets both of the following:

25 (i) It has or may interfere with the conduct of normal
26 business operations, or poses an imminent or existing threat to
27 the safety and security of a person or property, at the principal

1 place of business or 1 or more branches of a credit union.

2 (ii) It is the result of a fire, flood, earthquake,
3 hurricane, tornado, wind, rain, snowstorm, labor dispute or
4 strike, power failure, transportation failure, fuel shortage,
5 interruption of a communication facility, shortage of housing,
6 epidemic or other natural or manmade catastrophe, riot, civil
7 commotion, or any other act of lawlessness or violence.

8 (o) "Federal credit union" means a credit union organized
9 under the laws of the United States.

10 (p) "Field of membership" means that term as established
11 under section 352.

12 (q) "Financial institution" means a credit union, bank,
13 savings bank, or savings and loan association.

14 (r) "Foreign credit union" means a credit union organized
15 under the laws of another state or territory of the United States
16 or a federal credit union.

17 (s) "Insolvent" means a credit union that meets either of the
18 following:

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

21 (ii) Its liabilities exceed its assets.

22 Sec. 103. As used in this act:

23 (a) "Membership share" means a share of a domestic credit
24 union equal in amount to the par value of the credit union's
25 shares that is credited to an account of a member by the credit
26 union, is required as a condition of membership in the credit
27 union, and is subject to any withdrawal restriction or other

1 standards established by the domestic credit union for membership
2 shares.

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

6 (c) "Mutual savings bank" means a savings bank that is not
7 authorized by its articles of incorporation to issue capital
8 stock.

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

12 (e) "Officer" means the chairperson of the board, the
13 vice-chairperson of the board, the secretary, the treasurer, the
14 general manager, an individual whose title is "president" or
15 "vice president", an assistant treasurer, or an assistant
16 secretary of a credit union, or any other person specifically
17 designated as an officer of a credit union by the credit union
18 board.

19 (f) "Official" means a member of a credit union board or an
20 officer, member of a credit committee or supervisory committee,
21 or member of any other committee performing functions similar to
22 a credit committee or supervisory committee, of a credit union.

23 (g) "Person" means an individual, corporation, partnership,
24 limited liability company, association, governmental entity, or
25 any other legal entity.

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

1 (i) "Savings and loan association" means a savings
2 association organized under the laws of this state, a savings and
3 loan association, building and loan association, or homestead
4 association that is organized under the laws of any other state,
5 the District of Columbia, or a territory or protectorate of the
6 United States, or a federal savings association organized under
7 section 5 of the home owners' loan act, chapter 64, 48 Stat. 132,
8 12 U.S.C. 1464, and whose deposits are insured by an agency of
9 the federal government.

10 (j) "Savings bank" means a savings bank organized under the
11 laws of this state, any other state, the District of Columbia, a
12 territory or protectorate of the United States, or of the United
13 States, and whose deposits are insured by an agency of the
14 federal government.

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

18 (l) "Service center" means a place of business of a credit
19 union, other than the principal place of business or a branch,
20 where the credit union may transact business authorized by the
21 credit union board.

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

25 (n) "Stock savings bank" means a savings bank that is
26 authorized by its articles of incorporation to issue capital
27 stock.

1 state and shall supervise domestic credit unions, and foreign
2 credit unions other than federal credit unions transacting
3 business in this state. Each domestic credit union shall report
4 its financial condition as required by the commissioner.

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

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

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

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

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

22 (i) A base fee established by the commissioner of not less
23 than \$1.75 or more than \$3.50 per \$1,000.00 of assets up to
24 \$500,000.00.

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

27 (iii) A fee of 30% of the base fee per \$1,000.00 of assets

1 greater than \$1,000,000.00 up to \$5,000,000.00.

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

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

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

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

11 (4) Each domestic credit union shall report its financial
12 condition as required by the commissioner. A domestic credit
13 union that fails to file a report with the commissioner when it
14 is due shall pay a fee of \$100.00 for each day the report is
15 delinquent. The commissioner may waive the fee for cause. If a
16 delinquency continues for 15 days, the commissioner may revoke
17 the domestic credit union's certificate of approval and take
18 possession of the business and property of the domestic credit
19 union and maintain possession until the commissioner permits it
20 to continue business or involuntarily dissolves the credit union
21 under section 331(3).

22 (5) A domestic credit union that amends its bylaws or
23 certificate of organization shall file the amendment with the
24 commissioner. The commissioner shall not charge a fee for
25 reviewing and approving or disapproving of an amendment under
26 section 303.

27 (6) A domestic credit union shall make all of its accounts,

1 books, and records, in whatever form maintained, available for
2 examination by the commissioner or the commissioner's appointed
3 agent. A domestic credit union shall do all of the following:

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

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

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

11 (d) If the credit union processes any of its records at any
12 location other than its principal place of business, provide the
13 commissioner with the current name and address of the person that
14 processes the records.

15 (7) As used in subsection (6), "records" includes audit
16 reports and audit working papers described in section 344 unless
17 privileged by law.

18 Sec. 202. Any fees, fines, or other money received or
19 collected by the commissioner or the office of financial and
20 insurance services under this act is not refundable and shall be
21 deposited into the state treasury to the credit of the office of
22 financial and insurance services and used only for the operation
23 of the office of financial and insurance services.

24 Sec. 203. (1) Any hearing or other proceeding pending
25 before the office of financial and insurance services under
26 former 1925 PA 285 before the effective date of this act is
27 transferred to the office of financial and insurance services

1 under this act, and the office of financial and insurance
2 services shall conduct and determine the proceeding as follows:

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

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

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

18 (3) An order or rule issued by the commissioner under former
19 1925 PA 285 that is in effect on the effective date of this act
20 shall continue in effect until modified, suspended, revoked, or
21 repealed by the commissioner.

22 Sec. 204. The commissioner and the other employees of the
23 office of financial and insurance services are not liable in any
24 civil action for damages for any act done or omitted in
25 performing the functions of their office under this act to the
26 same extent protected by the immunity conferred by 1964 PA 170,
27 MCL 691.1401 to 691.1415.

1 Sec. 205. (1) The commissioner and all deputies, agents,
2 and employees of the office of financial and insurance services
3 shall keep secret all facts and information obtained in the
4 course of their duties, except if the person is required under
5 law to report upon, take official action, or testify in any
6 proceedings regarding the affairs of a credit union. This
7 subsection applies to all former commissioners, deputies, agents,
8 and employees of the office of financial and insurance services.

9 (2) This section does not apply to, and does not prohibit
10 the furnishing of information or documents to, any federal,
11 foreign, or out-of-state credit union regulatory agencies, and is
12 not applicable to disclosures made in the public interest by the
13 commissioner, at his or her discretion.

14 Sec. 206. The commissioner may promulgate rules or issue
15 orders or declaratory rulings for the enforcement and
16 administration of this act. The commissioner shall promulgate
17 rules and issue orders and declaratory rulings pursuant to the
18 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
19 24.328.

20 Sec. 207. (1) The commissioner or his or her authorized
21 agent shall examine the condition and affairs of each domestic
22 credit union, and may examine the condition and affairs of any
23 subsidiary of a domestic credit union, not less frequently than
24 once every 18 months. The commissioner shall determine whether
25 the domestic credit union transacts its business in the manner
26 prescribed by law and the rules promulgated under law.

27 (2) In connection with an examination under subsection (1),

1 the commissioner or the commissioner's authorized agent may
2 examine under oath a director, officer, agent, or employee of a
3 domestic credit union concerning the affairs and business of the
4 domestic credit union. The commissioner or the commissioner's
5 authorized agent may examine an affiliate of a domestic credit
6 union if necessary to fully disclose the relation between the
7 domestic credit union and the affiliate and the effect of the
8 relation upon the domestic credit union.

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

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

20 (5) The commissioner may contract with another state credit
21 union regulatory agency to assist in the conduct of examinations
22 of domestic credit unions with 1 or more branches located in that
23 other state and in examinations of foreign credit unions with 1
24 or more branches located in this state.

25 (6) The contents of a report of examination of a domestic
26 credit union and examination-related documents prepared or
27 obtained under this section remain the property of the

1 commissioner. A person who disseminates all or part of a
2 domestic credit union's report of examination for purposes other
3 than the legitimate business purposes of the domestic credit
4 union or as otherwise authorized by this act violates this act
5 and is subject to the administrative remedies granted the
6 commissioner under this part.

7 Sec. 208. (1) If 1 or more domestic credit unions apply for
8 authority to exercise powers not specifically authorized by this
9 act, the commissioner may by rule, order, or declaratory ruling
10 authorize domestic credit unions to exercise those powers if the
11 commissioner finds that those powers are appropriate and
12 necessary to compete with other providers of financial services
13 in this state.

14 (2) In acting under subsection (1), the commissioner shall
15 consider the ability of the domestic credit unions to exercise
16 the additional power in a safe and sound manner, the authority of
17 the domestic credit unions under state or federal law or
18 regulation, the powers of other competing entities providing
19 financial services, and any specific limitations on domestic
20 credit union powers contained in this act or in any rules, other
21 law of this state.

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

25 Sec. 209. The commissioner may petition the circuit court
26 for the county of Ingham or the circuit court in the jurisdiction
27 where an examination is being conducted to issue a subpoena on

1 behalf of the commissioner that requires the person subpoenaed to
2 appear and testify under oath to any matter related to the
3 examination and to produce any relevant documents.

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

20 (2) If a domestic credit union consents to a cease and desist
21 order under subsection (1) or if upon the record made at the
22 hearing under subsection (1) the commissioner finds that an
23 unsafe or unsound practice or violation specified in the notice
24 of charges has occurred, the commissioner may issue and serve
25 upon the domestic credit union an order to cease and desist from
26 the practice or violation. The order may require the domestic
27 credit union and its directors, officers, employees, and agents

1 to cease and desist from the practice or violation and to take
2 affirmative action to correct the conditions resulting from the
3 practice or violation.

4 (3) A cease and desist order issued after a hearing under
5 subsection (2) is effective 30 days after the service of the
6 order upon the domestic credit union. A cease and desist order
7 issued with the consent of the domestic credit union under
8 subsection (2) is effective at the time specified in the order.
9 A cease and desist order is effective and enforceable as provided
10 in the order, except to the extent it is stayed, modified,
11 terminated, or set aside by action of the commissioner or a
12 reviewing court.

13 (4) If the commissioner determines that a foreign credit
14 union branch located in this state is acting in violation of the
15 laws of this state or that the activities of the branch are being
16 conducted in an unsafe and unsound manner, the commissioner may
17 take any enforcement action that would be permitted under this
18 act if the branch were a domestic credit union.

19 (5) If the commissioner determines that a federal credit
20 union is acting in violation of the laws of this state, the
21 commissioner shall notify the national credit union
22 administration and the attorney general.

23 Sec. 211. (1) If the commissioner determines that a
24 violation or threatened violation or an unsafe or unsound
25 practice or practices specified in the notice of charges served
26 upon a domestic credit union under section 210, or the
27 continuation of the violation or practice, is likely to cause

1 insolvency or substantial dissipation of assets or earnings of
2 the domestic credit union, or is likely to otherwise seriously
3 prejudice the interests of its depositors, the commissioner may
4 issue a temporary order requiring the domestic credit union to
5 cease and desist from that violation or practice. The temporary
6 order is effective upon service upon the domestic credit union
7 and is effective and enforceable until a cease and desist order
8 under section 210 is issued and becomes effective or until it is
9 stayed, modified, terminated, or set aside by action of the
10 commissioner or a reviewing court in a proceeding under
11 subsection (2).

12 (2) Within 10 days after a domestic credit union has been
13 served with a temporary cease and desist order under subsection
14 (1), the domestic credit union may apply to the circuit court for
15 the county in which the principal office of the domestic credit
16 union is located for an injunction setting aside, limiting, or
17 suspending the enforcement, operation, or effectiveness of the
18 order pending the completion of the proceedings under section
19 210.

20 Sec. 212. (1) If in the opinion of the commissioner a
21 director or officer of a domestic credit union has committed any
22 violation of law or rule or of a cease and desist order or other
23 order of the commissioner that has become final, or has engaged
24 or participated in any unsafe or unsound practice in connection
25 with the domestic credit union, or has committed or engaged in
26 any act, omission, or practice that constitutes a breach of
27 fiduciary duty as a director or officer and the commissioner

1 determines that the domestic credit union has suffered or will
2 probably suffer substantial financial loss or other damage or
3 that the interests of its members and depositors could be
4 seriously prejudiced by reason of the violation or practice or
5 breach of fiduciary duty, the commissioner may serve upon the
6 director or officer a written notice of intention to remove the
7 person from office.

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

20 (3) If the commissioner considers it necessary for the
21 protection of a domestic credit union or the interests of its
22 shareholders or depositors that a person served with a notice of
23 intention under subsection (1) or (2) is suspended from office or
24 prohibited from further participation in any manner in the
25 conduct of the affairs of the domestic credit union, the
26 commissioner may serve upon that person a written notice
27 suspending him or her from office or prohibiting him or her from

1 further participation in any manner in the conduct of affairs of
2 the domestic credit union. A suspension or prohibition is
3 effective upon service of the notice and unless stayed by a court
4 in a proceeding under section 213 remains in effect until the
5 administrative proceedings against the person are completed and
6 the commissioner dismisses the charges specified in the notice,
7 or until the effective date of the order if an order of
8 suspension or prohibition is issued. The commissioner shall also
9 serve a copy of the notice on the domestic credit union.

10 (4) A notice of intention to remove a person from office or
11 to prohibit participation in the conduct of the affairs of a
12 domestic credit union shall contain a statement of the facts
13 constituting grounds for the removal, and fix a time and place
14 for a hearing. Except as otherwise approved by the commissioner,
15 the hearing shall be held not earlier than 30 days nor later than
16 60 days after the date of service of the notice. The failure of
17 a person to appear at the hearing in person or by a duly
18 authorized representative is consent to the issuance of an order
19 of removal or prohibition. If the person consents, or if after
20 the hearing the commissioner finds that any grounds specified in
21 the notice have been established, the commissioner may issue an
22 order of suspension or removal from office, or prohibition from
23 participation in the conduct of the affairs of the domestic
24 credit union, as appropriate. An order based on the finding of
25 the commissioner is effective on the thirty-first day after
26 service on the domestic credit union and the person concerned.
27 An order by consent is effective at the time specified in the

1 order. An order is effective and enforceable unless it is
2 stayed, modified, terminated, or set aside by the commissioner or
3 a reviewing court.

4 Sec. 213. Within 10 days after the date a person has been
5 suspended from office or prohibited from participation in the
6 conduct of the affairs of any domestic credit union under section
7 212(3), the person may apply to the circuit court for Ingham
8 county or the circuit court for the county where the principal
9 office of the domestic credit union is located for a stay of the
10 suspension or prohibition pending the completion of the
11 administrative proceedings pursuant to the notice served on the
12 person under section 212(1) or (2).

13 Sec. 214. If a person participating in the conduct of the
14 affairs of a domestic credit union is charged in any information,
15 indictment, warrant, or complaint by a county, state, or federal
16 authority with the commission of, or participation in, a felony
17 involving dishonesty or breach of trust, the commissioner may by
18 written notice served on the person suspend the person from
19 office or prohibit the person from further participation in any
20 manner in the conduct of the affairs of the domestic credit
21 union. The commissioner shall also serve a copy of the
22 suspension or prohibition on the domestic credit union. A
23 suspension or prohibition is in effect until the information,
24 indictment, warrant, or complaint is finally disposed of or until
25 terminated by the commissioner. If a judgment of conviction with
26 respect to the offense is entered against the person, and when
27 the judgment is not subject to further appellate review, the

1 commissioner may issue an order removing the person from office
2 or prohibiting the person from further participation in the
3 conduct of the affairs of the domestic credit union without the
4 consent of the commissioner. The person is removed from office
5 as a director or officer of the domestic credit union when a copy
6 of the order is served upon the domestic credit union. A finding
7 of not guilty or other disposition of the charge does not
8 preclude the commissioner from instituting proceedings to suspend
9 or remove the person from office or to prohibit further
10 participation in credit union affairs under section 212(1), (2),
11 or (3).

12 Sec. 215. (1) The commissioner shall conduct an
13 administrative hearing under section 210 or 212 under the
14 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
15 24.328. The commissioner shall close the hearing to the public
16 unless the commissioner, after fully considering the views of the
17 party who is the subject of the hearing, determines that a public
18 hearing is necessary to protect the public interest. After the
19 hearing and within 90 days after notifying the parties that he or
20 she has received the case for final decision, the commissioner
21 shall render a decision that includes findings of fact upon which
22 the decision is predicated and issue and serve upon each party to
23 the proceeding an order consistent with this section.

24 (2) A party to a proceeding or other person required by an
25 order issued under section 210, 211, 212, or 214 to cease and
26 desist from any of the violations or practices stated in the
27 order, or who is suspended, removed, or prohibited from

1 participation in the conduct of the affairs of the domestic
2 credit union by the order, may request a review by a court of
3 competent jurisdiction of an order issued under subsection (1).
4 The party or person must make his or her request by filing a
5 petition for review pursuant to the administrative procedures act
6 of 1969, 1969 PA 306, MCL 24.201 to 24.328. This subsection does
7 not apply to an order issued by consent.

8 (3) If a petition for review is not filed within the time
9 period contained in subsection (2), the commissioner may modify,
10 terminate, or set aside the order at any time with appropriate
11 notice. If a petition for review is filed within the time period
12 contained in subsection (2), the commissioner may modify,
13 terminate, or set aside the order with the permission of the
14 court.

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

18 Sec. 216. (1) The commissioner may apply to the circuit
19 court of the county in which the principal office of a domestic
20 credit union is located, or to the circuit court for Ingham
21 county, for the enforcement of any effective and outstanding
22 notice or order issued under section 210, 211, 212, 214, or 215,
23 including any temporary cease and desist order issued under
24 section 211(1).

25 (2) Only a court described in subsection (1) has jurisdiction
26 to review, modify, enjoin, or stay the issuance or enforcement of
27 any notice or order issued under section 210, 211, 212, 214, or

1 215 or to review, modify, suspend, terminate, or set aside the
2 notice or order.

3 Sec. 217. (1) A person who is the subject of an outstanding
4 and effective notice or final order for a violation of section
5 212(1), (2), or (3), section 214, or for a violation of any other
6 law of this state that contains a grant of enforcement powers to
7 the commissioner or the office of financial and insurance
8 services, shall not do any of the following:

9 (a) Participate in any manner in the conduct of the affairs
10 of the domestic credit union involved other than voting as an
11 individual member of the domestic credit union.

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

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

17 (3) A person who willfully or intentionally violates any
18 provision of this act for which specific punishment is not
19 provided under this act is guilty of a misdemeanor and shall be
20 imprisoned for not more than 6 months or shall be fined not less
21 than \$500.00 or more than \$5,000.00, or both.

22 Sec. 218. (1) The commissioner may require any report from
23 a domestic credit union that in the commissioner's judgment is
24 necessary to fully inform the commissioner about the condition of
25 the domestic credit union. The commissioner shall give the
26 domestic credit union notice in writing that a report is
27 required, describing the report and the deadline for submission.

1 The commissioner shall deliver the notice to the domestic credit
2 union at least 30 days before the deadline for submission, unless
3 the commissioner determines that a shorter period of time is
4 necessary to protect the public interest.

5 (2) If the domestic credit union fails to deliver to the
6 commissioner a report required under subsection (1) by the
7 deadline for submission, the commissioner may assess an
8 administrative fine against the domestic credit union that does
9 not exceed \$1,000.00 for each day the report is delinquent.

10 Sec. 219. If the commissioner is required to serve an order
11 or the commissioner or any person is required to provide a
12 written notice under this act, the commissioner or person may use
13 any delivery method reasonably calculated to give actual notice,
14 including, but not limited to, any of the following:

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

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

20 Sec. 220. (1) Subject to subsection (2), if the
21 commissioner finds that a credit union has violated this act or a
22 rule promulgated under this act, the commissioner may assess a
23 civil fine against the credit union or an official of the credit
24 union of not more than \$1,000.00 for each violation, plus the
25 costs of investigation. Each injury to an individual or other
26 person by a violation of this act or a rule is a separate
27 violation.

1 (2) The commissioner may not assess civil fines under
2 subsection (1) against a credit union or an official of the
3 credit union that in the aggregate are more than \$10,000.00, plus
4 the costs of investigation, for multiple violations of this act
5 or rules promulgated under this act that arise from the same
6 transaction.

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

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

19 (5) The commissioner shall conduct a proceeding under this
20 section in accordance with the administrative procedures act of
21 1969, 1969 PA 306, MCL 24.201 to 24.328.

22 Sec. 221. (1) The commissioner may by order require a
23 domestic credit union to close its principal place of business or
24 1 or more branches if it appears to the commissioner that the
25 action is required because an emergency exists. The facilities
26 closed shall remain closed until the commissioner by order finds
27 that the emergency is ended. The commissioner shall promptly

1 notify the governor of the issuance of an order under this
2 section.

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

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

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

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

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

26 PART 2

27 RECEIVERS

1 Sec. 231. (1) Except as provided in subsection (2), a
2 domestic credit union shall only be liquidated as provided in
3 this part. A receiver or other liquidating agent shall only be
4 appointed for a domestic credit union or its assets and property
5 under this part.

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

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

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

26 (3) An insuring federal agency may act as receiver without
27 bond. All other receivers, with the exception of an employee of

1 the office of financial and insurance services appointed as
2 receiver in his or her official capacity, shall post a bond in an
3 amount determined by the court.

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

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

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

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

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

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

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

27 (e) Pay all administrative expenses of the receivership. The

1 administrative expenses are a first charge on the assets of the
2 domestic credit union and the receiver shall pay those expenses
3 before any final distribution or payment of dividends to
4 creditors or members.

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

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

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

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

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

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

26 (b) Employ agents, legal counsel, accountants, appraisers,
27 consultants, and other personnel the receiver considers necessary

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

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

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

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

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

26 (c) Accepted after the domestic credit union is ordered in
27 receivership by a creditor or depositor having reasonable cause

1 to believe that a preference will occur.

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

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

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

17 (a) The transfer or lien does not exceed the value of
18 \$1,000.00.

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

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

26 (4) As used in this section, "preference" means a transfer or
27 grant of an interest in the property or assets of the domestic

1 credit union that is either of the following:

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

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

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

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

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

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PART 3

CONSERVATORSHIPS

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

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

Sec. 242. (1) Under the direction of the commissioner, a conservator appointed under this part shall take possession of the books, records, and assets of the domestic credit union and take any action necessary to conserve the assets of the domestic credit union pending liquidation under part 2 of this article or

1 further disposition of its business as provided by law. The
2 conservator has all the rights, powers, and privileges of a
3 receiver appointed under part 2 of this article, except the power
4 to liquidate a domestic credit union, and is subject to those
5 obligations and penalties to which a receiver is subject that are
6 not inconsistent with this part with respect to conservators.

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

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

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

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

24 (3) Shares and deposits received while a domestic credit
25 union is in conservatorship under this part are not subject to
26 any limitation as to payment or withdrawal. The conservator
27 shall segregate those shares and deposits and any new assets

1 acquired on account of the shares and deposits and shall not use
2 those shares, deposits, and assets to liquidate any indebtedness
3 of the domestic credit union existing at the time that the
4 conservator was appointed or for any subsequent indebtedness
5 incurred for the purpose of liquidating any indebtedness of the
6 domestic credit union existing at the time the conservator was
7 appointed.

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

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

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

1 (a) The domestic credit union is in danger of insolvency, in
2 an unsafe or unsound condition, or in danger of becoming in an
3 unsafe or unsound condition.

4 (b) That expeditious action is required by the commissioner
5 to deal with a condition described in subdivision (a).

6 (c) That other actions available to the commissioner under
7 this act are not reasonably available to the commissioner with
8 respect to the credit union described in subdivision (a).

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

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

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

16 (3) The commissioner may initiate and order an involuntary
17 merger of a distressed credit union with a financial institution
18 other than a credit union if all of the following are met:

19 (a) The commissioner is unable to complete an involuntary
20 merger under subsection (2).

21 (b) The other financial institution agrees to a merger.

22 (c) The other financial institution is authorized to complete
23 the merger under any state or federal law applicable to it.

24 (4) As used in this section, "distressed credit union" means
25 a domestic credit union that the commissioner determines is
26 insolvent, in danger of insolvency, in an unsafe or unsound
27 condition, or in danger of becoming in an unsafe or unsound

1 condition under subsection (1).

2 ARTICLE 3

3 DOMESTIC CREDIT UNION ORGANIZATION AND STRUCTURE

4 PART 1

5 FORMATION AND OPERATION

6 Sec. 301. (1) Seven individuals, a majority of whom are
7 residents of this state and all of whom are within the proposed
8 field of membership of the domestic credit union, may file an
9 application to organize a domestic credit union under this act.
10 This subsection does not apply to the organization of a corporate
11 credit union.

12 (2) A domestic credit union is organized in the following
13 manner:

14 (a) The applicants shall file an application in the form
15 prescribed by the commissioner. The application shall contain
16 all of the following information:

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

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

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

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

25 (v) The proposed field of membership.

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

27 (b) The applicants shall deliver the application to the

1 commissioner, with an application fee in an amount established by
2 the commissioner.

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

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

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

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

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

16 (v) Approve or disapprove the proposed field of membership
17 only on the basis of safety and soundness.

18 (d) The commissioner approves or disapproves of the
19 organization of the domestic credit union.

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

22 (3) The decision to approve or disapprove of the organization
23 of a domestic credit union under subsection (2) is discretionary
24 with the commissioner. The commissioner shall notify the
25 applicants of his or her decision. If the commissioner approves,
26 he or she shall issue a certificate of organization and approved
27 bylaws of the domestic credit union. If all of the organizers

1 sign the certificate of organization and adopt the bylaws and
2 return the certificate of organization and bylaws to the
3 commissioner, the commissioner shall issue the certificate of
4 approval authorizing the commencement of business. If the
5 commissioner disapproves, he or she shall state the reasons for
6 the decision and the applicant may request a hearing to
7 reconsider the decision before the commissioner within 30 days
8 after the mailing of a copy of the decision to the applicants.
9 Within 10 days after receipt of a request for a hearing to
10 reconsider, the commissioner shall set a date for the hearing
11 that is within 60 days after the date the request was received.
12 If the commissioner does not approve the organization of the
13 domestic credit union after the hearing to reconsider, the
14 applicants may file an appeal of the commissioner's decision in
15 the circuit court for the county stated in the application as the
16 location of the principal office of the domestic credit union or
17 in the circuit court for Ingham county within 30 days after the
18 date of mailing by certified mail of a copy of the decision to
19 the applicants. If the applicants appeal to the circuit court,
20 the commissioner shall retain the exhibits introduced at the
21 hearing and shall forward them to the circuit court. The
22 applicants shall pay the cost of preparation of the
23 stenographer's record of the hearing to reconsider.

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

27 (5) The commissioner shall retain the original certificate of

1 organization and the original bylaws. The commissioner shall
2 deliver the certificate of approval and a copy of the approved
3 bylaws to the domestic credit union.

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

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

11 Sec. 303. If approved by a majority of the members present
12 at a duly constituted annual or special meeting of the members,
13 the membership may amend the certificate of organization or
14 bylaws of a domestic credit union or delegate authority to the
15 credit union board, or rescind the authority of the credit union
16 board, to amend the certificate of organization or bylaws. Any
17 proposed action to amend the certificate of organization or the
18 bylaws or to delegate authority to amend the certificate of
19 organization or bylaws to the credit union board shall be stated
20 in a notice of the meeting. An amendment to the certificate of
21 organization or bylaws is not effective unless it is submitted to
22 the commissioner for review and approved by the commissioner.

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

27 (2) A domestic credit union shall file the address of the

1 principal place of business and the name of the treasurer and
2 general manager of the credit union with the commissioner on a
3 form prescribed by the commissioner. If the address of the
4 principal place of business or the name of the treasurer or
5 general manager changes, the credit union shall provide the
6 commissioner with written notice of the change within 3 business
7 days after the change.

8 (3) A domestic credit union may establish and maintain
9 branches. The credit union shall provide written notice to the
10 commissioner of the location of a branch before establishing the
11 branch.

12 (4) A domestic credit union and 1 or more domestic or foreign
13 credit unions or other financial organizations may establish and
14 maintain service centers. One or more of the financial
15 organizations that establish a service center may operate the
16 service center, or the financial organizations organizing the
17 service center may contract with another person to operate the
18 service center. A domestic credit union may refer to a service
19 center as a branch.

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

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

25 (b) The commissioner may deny a domestic credit union the
26 right to use a given trade name or terminate a credit union's
27 right to use a trade name for any reason.

1 (c) A domestic credit union using a trade name shall clearly
2 and conspicuously disclose the legal name of the credit union and
3 the trade name in all signs, advertising, mailings, and similar
4 materials and shall clearly and conspicuously disclose the trade
5 name and the legal name of the credit union in all legal
6 documents, certificates of deposit, signature cards, loan
7 agreements, account statements, checks, drafts, and other similar
8 documents.

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

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

15 (a) A credit union may maintain specified books and records
16 at a location in this state other than its principal place of
17 business if it gives notice to the commissioner of the location
18 of the specified books and records and can produce those books
19 and records at its principal place of business within 3 business
20 days after a request from the commissioner to examine them.

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

26 (c) A domestic credit union may maintain records specific to
27 a branch located outside of this state at that branch if the

1 credit union can make the originals of those records available to
2 the commissioner within this state within 3 business days after a
3 request from the commissioner to examine them. If a law
4 applicable in the state where the branch is located prohibits the
5 removal of the original records from that state, the credit union
6 shall notify the commissioner of that law and provide copies of
7 the records to the commissioner.

8 (2) If a domestic credit union does not make its books and
9 records available to the commissioner or his or her authorized
10 agent in the manner described in subsection (1), the commissioner
11 may obtain an order from the circuit court of the county in which
12 the credit union is located requiring the credit union to produce
13 the books and records for examination.

14 Sec. 306. With the prior approval of the commissioner, a
15 domestic credit union may conduct its business solely by mail or
16 through electronic communication without having a physical
17 location where members may transact business with the credit
18 union. A domestic credit union conducting business under this
19 section shall maintain a principal place of business in this
20 state.

21 Sec. 307. (1) If a domestic credit union files a suspicious
22 activity report with an agency of the federal government, the
23 credit union shall also within 24 hours file a copy of the
24 suspicious activity report with the department of state police.

25 (2) A domestic credit union may file the suspicious activity
26 report with the department of state police under subsection (1)
27 in any manner allowed by federal law or regulation or in any

1 other manner acceptable to the department of state police.

2 (3) Except for a violation of section 5318(g) of title 31 of
3 the United States Code, 31 U.S.C. 5318, a domestic credit union
4 or a director, officer, employee, or agent of the domestic credit
5 union is not liable in any civil or governmental action for
6 filing a copy of a suspicious activity report under this section
7 or failing to notify an account holder or any other person of the
8 filing.

9 PART 2

10 DISSOLUTION

11 Sec. 331. (1) A domestic credit union may voluntarily
12 dissolve under subsection (2) or be involuntarily dissolved under
13 subsection (3).

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

16 (a) At least 30 days before the vote described in subdivision
17 (b), the credit union board mails a notice to each member of the
18 domestic credit union that it is considering dissolution. The
19 credit union board shall not include the notice with any other
20 mailing sent to the member. The notice shall include all of the
21 following:

22 (i) A brief explanation of why the board is considering
23 dissolution.

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

26 (iii) A request for written comments on the proposed
27 dissolution.

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

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

11 (i) The dissolution plan adequately discloses to the members
12 information concerning the advantages and disadvantages of the
13 proposed dissolution.

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

18 (iii) The dissolution plan does not provide any official of
19 the domestic credit union with any remuneration or other economic
20 benefit in connection with the dissolution of the domestic credit
21 union.

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

1 (i) A summary of the positive and negative effects of the
2 proposed dissolution.

3 (ii) A statement that the directors will not receive any
4 remuneration or other economic benefit in connection with the
5 dissolution of the domestic credit union.

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

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

15 (v) Instructions for obtaining a copy of the dissolution
16 plan.

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

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

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

27 (f) If the plan of dissolution is substantively amended by

1 the credit union board, at least 30 days before the vote of the
2 members on the plan the credit union board shall mail a notice to
3 each member. The notice shall contain the information concerning
4 the amended plan of dissolution that is described in subdivision
5 (d) for a notice under that subdivision.

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

13 (h) The domestic credit union files with the commissioner all
14 of the following:

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

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

19 (iii) If that consent or approval is required, a certified
20 copy of the consent or approval of a federal regulatory
21 authority.

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

1 other employee of the domestic credit union shall not serve on
2 the supervisory committee.

3 (4) If the bylaws of a domestic credit union do not provide
4 for a credit committee or a supervisory committee, the credit
5 union board shall perform the duties of the credit committee or
6 the supervisory committee or delegate those duties as it
7 considers advisable.

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

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

15 (7) If the commissioner considers it appropriate, the
16 commissioner may call a meeting of the credit union board, for
17 any purpose, by giving a notice of the time, place, and purpose
18 of the meeting at least 3 days prior to the meeting to the
19 directors. The commissioner shall deliver the notice to their
20 last known addresses as shown by the books of the domestic credit
21 union.

22 (8) Each individual elected or appointed to serve as a
23 director, credit committee member, or supervisory committee
24 member of a domestic credit union shall meet all of the following
25 criteria:

26 (a) He or she is a member of the domestic credit union, in
27 good standing according to reasonable criteria established by the

1 credit union board.

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

4 (c) He or she has not been removed as a director, officer, or
5 employee of a financial institution by a federal regulator, a
6 state regulator other than the commissioner, or a court of
7 competent jurisdiction.

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

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

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

17 (g) He or she has not been convicted by a court of competent
18 jurisdiction of a violation, or found in violation by a court of
19 competent jurisdiction or the commissioner, of any law of this
20 state enforced or administered by the commissioner.

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

1 Sec. 342. (1) At its first meeting, the credit union board
2 shall elect from the credit union board members a chairperson,
3 vice-chairperson, treasurer, and secretary. An individual may
4 serve as both treasurer and secretary. A credit union may refer
5 to these officers by different titles. The credit union shall
6 establish the duties of all of the officers of the credit union
7 in its bylaws.

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

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

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

20 (b) Establishing the maximum individual shareholdings of
21 members.

22 (c) Establishing the maximum amount of secured and unsecured
23 loans made by the domestic credit union, subject to any
24 limitations under the bylaws of the domestic credit union adopted
25 and approved by the commissioner.

26 (d) Employing a general manager and fixing his or her
27 compensation.

- 1 (e) Approving an annual operating budget.
- 2 (f) Acquiring, selling, or encumbering real property.
- 3 (g) Appointing special committees as the board deems
4 necessary.
- 5 (h) Borrowing money under section 401(2)(j).
- 6 (i) Fixing the amount of the surety bonds for all officers
7 and employees handling money.
- 8 (j) Determining the par value of shares under section 301.
- 9 (k) Recommending changes in the bylaws to the members.
- 10 (l) Specifying forms and procedures for applications for
11 membership and set criteria for use in determining whether to
12 accept an applicant into membership.
- 13 (m) Adopting investment policies.
- 14 (n) Adopting other policies necessary for the operation of
15 the domestic credit union.
- 16 (o) Establishing the titles of the officers holding the
17 positions described in this section. The credit union board
18 shall not establish any misleading titles for officers.
- 19 (p) Meeting at least once every 62 days and at least 9 times
20 each calendar year, in person or by means of electronic
21 communication devices that enable all participants in a meeting
22 to communicate simultaneously with each other.
- 23 (q) Performing any other duties required by the members.
- 24 (4) A credit union board shall perform, or delegate to the
25 general manager of the domestic credit union according to
26 guidelines established by the credit union board that may include
27 the authority to further delegate 1 or more duties, all of the

1 following duties:

2 (a) Approving, disapproving, or otherwise acting on
3 applications for membership.

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

5 (c) Hiring employees other than the general manager and
6 fixing their compensation.

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

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

10 (f) Establishing procedures to implement policies of the
11 credit union board.

12 (g) Establishing internal controls as necessary.

13 (h) Determining the amount of a dividend after providing for
14 any required reserves and declaring the dividend.

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

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

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

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

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

4 (e) If there is no supervisory committee, suspend a member of
5 the credit union board by a 2/3 vote of the credit union board.
6 If a member of the credit union board is suspended under this
7 subdivision or section 345(2), the remaining directors shall
8 report the suspension and the cause for the suspension to the
9 commissioner within 3 days and shall call a special members'
10 meeting that shall take place not less than 7 or more than 45
11 days after the suspension. At the special members' meeting, the
12 remaining directors shall report the cause for the suspension,
13 the suspended director has the right to be heard, and the members
14 shall decide whether to sustain or reverse the action of the
15 supervisory committee or the credit union board. If the members
16 sustain the action, they shall replace the suspended board member
17 at the special members' meeting. If a supervisory committee
18 suspends a majority of the credit union board under section
19 345(2), the remaining board members have general management of
20 the affairs of the domestic credit union until the suspended
21 board members are reinstated or replaced at the special members'
22 meeting.

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

27 (g) By a majority vote, suspend or remove any officer from

1 his or her duties as an officer.

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

5 (7) If a loan made to or cosigned, endorsed, or guaranteed by
6 a director or a member of the supervisory, credit, or other
7 committee is more than 2 months delinquent, the individual is
8 automatically removed from his or her position as director or
9 committee member and he or she is ineligible to serve as a
10 director or committee member for 2 years. The commissioner may
11 waive the application of this provision in a given situation if
12 the commissioner determines that it is in the best interests of
13 the domestic credit union to do so.

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

16 (9) Unless specifically prohibited by the bylaws, if this act
17 requires or allows a credit union board to take an action at a
18 meeting, the board may take that action without a meeting if a
19 consent in writing setting forth the action taken is signed by
20 all of the directors entitled to vote on that matter. A written
21 consent under this subsection shall contain 1 or more written
22 approvals, each of which sets forth the action taken and bears
23 the signature of 1 or more directors. The directors shall
24 deliver their signed approvals to the secretary, and he or she
25 shall file them in the corporate records of the domestic credit
26 union. An action taken by written consent under this subsection
27 is effective when all the directors have approved the consent

1 unless the consent specifies a different effective date. A
2 consent signed by all the directors has the same effect as a
3 unanimous vote, and the domestic credit union may represent that
4 the action was approved by a unanimous vote in any document filed
5 with the commissioner under this act.

6 (10) A director when elected or appointed shall take and
7 subscribe an oath that he or she will diligently and honestly
8 perform the duties of the office and will not knowingly violate,
9 or permit to be violated, any provisions of this act. The
10 secretary shall file the oaths in the corporate records of the
11 domestic credit union.

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

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

1 following:

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

7 (b) If the domestic credit union has a supervisory committee,
8 the credit union board may authorize the supervisory committee to
9 conduct an annual audit of the domestic credit union.

10 (2) If a domestic credit union has a supervisory committee,
11 the supervisory committee shall conduct or direct those
12 supplementary audits, examinations, and verifications of members'
13 accounts that it considers necessary or that the commissioner or
14 the credit union board requires and submit reports of any
15 supplementary audits to the credit union board.

16 (3) The supervisory committee or other auditor shall submit a
17 written report of each annual audit to the credit union board.
18 The domestic credit union shall provide a copy of the written
19 report or a written summary of that report to any member who
20 makes a written request, within 30 days after receipt of the
21 request.

22 (4) An individual who is independent of a domestic credit
23 union shall perform an audit of the domestic credit union under
24 this section. An individual is not independent if any of the
25 following apply at any time during the period covered by the
26 audit or the period of the professional engagement or at the time
27 the written audit report is presented:

1 (a) Unless the individual is a member of the supervisory
2 committee and that committee is performing the audit under
3 subsection (1), the individual performing the audit is an
4 official or employee of the domestic credit union.

5 (b) The individual performing the comprehensive audit has a
6 material direct or indirect financial interest in any closely
7 held business investment with an official or employee of the
8 domestic credit union.

9 (c) A situation, condition, or relationship exists that, in
10 the opinion of the commissioner, prevents the individual
11 performing the audit from performing the audit in an objective
12 and independent manner.

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

18 (a) The planning of the audit.

19 (b) The nature, timing, and extent of the auditing procedures
20 performed.

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

23 (6) As used in this section:

24 (a) "Audit" means a comprehensive review of the internal
25 policies, procedures, and controls of the domestic credit union
26 and its compliance with them that is sufficient for the auditor
27 to reach a reasonable conclusion that the financial statements of

1 the domestic credit union fairly and accurately represent the
2 condition of the domestic credit union.

3 (b) "Professionally qualified individual" means an individual
4 who is self-employed, employed by another person, or employed by
5 an organization, whose usual and customary occupation includes
6 performing audits of businesses or other organizations and
7 reporting audit findings to the board of the organization and
8 authorized third parties and whose education and experience
9 levels are similar to other individuals engaged in auditing as a
10 usual and customary occupation.

11 Sec. 345. (1) A domestic credit union may have a
12 supervisory committee. If authorized by the bylaws, 1 director
13 who is not an officer of the domestic credit union may serve as a
14 member of the supervisory committee. Otherwise, a director may
15 not serve as a member of the supervisory committee.

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

18 (a) By majority vote, call a special meeting of the members
19 to consider any matter submitted to the special meeting of the
20 members by the committee.

21 (b) By a unanimous vote, suspend any member of the credit
22 committee and report the suspension and the reason for the
23 suspension to the credit union board. At its next meeting, the
24 credit union board shall vote on whether to remove or reinstate
25 the suspended credit committee member. A 2/3 vote of the credit
26 union board is required to remove the suspended credit committee
27 member.

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

3 (d) Access any credit union records.

4 (3) If a domestic credit union has a supervisory committee
5 and the members elect the committee, the committee shall fill
6 vacancies on the committee until the next meeting of the
7 members. If a domestic credit union has a supervisory committee
8 and the credit union board appoints the committee, the credit
9 union board shall fill vacancies on the supervisory committee.

10 PART 4

11 MEMBERS

12 Sec. 351. (1) A domestic credit union shall hold an annual
13 meeting of the members each calendar year in the manner indicated
14 in the bylaws. The members shall elect the credit union board at
15 the annual meeting.

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

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

23 (4) The members of a domestic credit union may remove a
24 member of the credit union board or a credit or supervisory
25 committee member elected by the members of the domestic credit
26 union from office but only at a special meeting of the members
27 called for that purpose.

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

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

6 (b) The person is accepted by the domestic credit union as a
7 member.

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

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

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

15 (2) The credit union board of a domestic credit union shall
16 establish the field of membership for a domestic credit union.
17 The field of membership shall consist of 1 or more of the
18 following:

19 (a) One or more groups of any size that have a common bond of
20 occupation, association, or religious affiliation.

21 (b) One or more groups composed of persons whose common bond
22 is residence, employment, or place of religious worship within a
23 geographic area composed of 1 or more school districts, counties,
24 cities, villages, or townships.

25 (c) One or more groups whose common bond is common interests,
26 activities, or objectives.

27 (3) One or more credit unions may serve 1 or more groups

1 described in subsection (2).

2 (4) A credit union board that establishes or revises the
3 field of membership of the domestic credit union shall submit the
4 proposed or revised field of membership to the commissioner for
5 approval on an application form provided by the commissioner.
6 The commissioner shall promptly notify an applicant when he or
7 she determines that an application is complete and the date of
8 that determination. If the application seeks to revise a field
9 of membership to include 1 or more groups described in subsection
10 (2)(b), the commissioner may require that the applicant provide
11 additional information regarding the common bond of persons
12 within the proposed geographical area or areas. The commissioner
13 by rule, order, or declaratory ruling shall establish standards
14 for obtaining this additional information.

15 (5) The commissioner has 60 days after the date of
16 determination described in subsection (4) to approve or
17 disapprove of an application under subsection (4). In reviewing
18 an application under subsection (4), the commissioner must first
19 determine whether the proposed field of membership meets the
20 common bond requirements of subsection (2). If the commissioner
21 determines that the proposed field of membership does meet the
22 common bond requirements of subsection (2), then the commissioner
23 may only disapprove of the application on the basis of safety and
24 soundness of the domestic credit union. If the commissioner does
25 not approve or disapprove of the application, or extend the
26 60-day period under subsection (6), within that 60-day period,
27 the application is considered approved as of the day after the

1 60-day period.

2 (6) The commissioner may extend the 60-day period described
3 in subsection (5) for 1 or more additional 60-day periods for
4 administrative reasons or to allow for public comment if the
5 commissioner delivers notice of each 60-day extension in writing
6 to the domestic credit union before the 60-day period and any
7 prior 60-day extensions expire. An extension notice shall
8 explain the reason for the extension. If the commissioner does
9 not approve or disapprove of the application, or grant an
10 additional 60-day extension, within a 60-day extension period,
11 the application is considered approved as of the day after the
12 60-day extension period. The commissioner may grant any number
13 of 60-day extensions, but the domestic credit union may treat any
14 extension after the third 60-day extension as a disapproval of
15 the application and may pursue any administrative or legal
16 remedies available for a disapproval.

17 (7) If authorized in the bylaws of the domestic credit union,
18 a member that is no longer in the field of membership of the
19 domestic credit union because the field of membership is revised
20 under this section, or the member leaves the field of membership,
21 may continue as a member, on the same basis as any other member,
22 or on a different basis if the bylaws establish a different basis
23 for that continued membership.

24 (8) A domestic credit union shall respond to an application
25 for membership within 30 calendar days after receiving it. If
26 the domestic credit union determines that there is a sound
27 business reason for the action, a domestic credit union may deny

1 membership to any applicant for membership.

2 Sec. 353. (1) Except as provided in this part, ownership of
3 a share is a condition of membership in a domestic credit union.
4 A domestic credit union may require ownership of a membership
5 share rather than a share as a condition of membership. Except
6 as provided in this section, a member may own only 1 membership
7 share.

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

11 (3) If it is comprised for the most part of the same general
12 group as the membership of the domestic credit union, a domestic
13 credit union may accept a legal entity as a member of a domestic
14 credit union.

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

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

23 Sec. 354. (1) A domestic credit union may accept a trust as
24 a member if any of the settlors living at the time of application
25 are eligible for membership, or if none of the settlors are
26 living at the time of application and 1 or more beneficiaries are
27 eligible for membership.

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

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

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

8 (c) Any beneficiaries listed on the account are removed as
9 beneficiaries by the owners.

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

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

18 Sec. 355. A domestic credit union may allow a member to
19 designate an account upon which his or her membership is based as
20 inactive. If the account is the basis for the membership of more
21 than 1 individual, each individual must agree to the
22 designation. While an account is inactive, the member involved
23 shall retain his or her membership but is not entitled to any of
24 the privileges of membership. While an account is inactive, the
25 domestic credit union shall not charge any fees to the account.
26 The member who designated an account as inactive may remove the
27 designation of inactive at any time. If the inactive designation

1 is not removed within 5 years, the domestic credit union shall
2 deliver all money or other property in the account to the
3 department of treasury under the uniform unclaimed property act,
4 1995 PA 29, MCL 567.221 to 567.265, and terminate any membership
5 based on the account.

6 Sec. 356. A domestic credit union may issue shares to and
7 receive deposits from a minor. The minor may withdraw the
8 deposits or shares and any dividends or interest on the deposits
9 or shares. A deposit, investment in a share, or withdrawal under
10 this section by a minor is valid and enforceable and the minor is
11 considered an adult with respect to that deposit, investment, or
12 withdrawal.

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

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

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

19 (2) Pending action by the credit union board at its next
20 regularly scheduled meeting, a domestic credit union may
21 immediately suspend any credit union services to a member who
22 does any of the following:

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

24 (b) Commits fraud or another misdeed against the domestic
25 credit union or against a person on the premises of the domestic
26 credit union.

27 (3) A member may withdraw from a domestic credit union at any

1 time, but the domestic credit union may require a notice of
2 withdrawal from the withdrawing member as a condition of
3 withdrawal.

4 (4) When money becomes available, and after deducting all
5 amounts owed to the domestic credit union by the member, a
6 domestic credit union shall pay a person whose membership is
7 terminated or who is a withdrawing member any amounts paid on
8 shares or as deposits of the member and any dividends or interest
9 accrued on the shares or deposits before the date of payment.

10 (5) Unless the withdrawal of a member occurs on a maturity
11 date or within 7 days after a maturity date, a domestic credit
12 union may require that a withdrawing member give a 60-day notice
13 of intention to withdraw shares or a 30-day notice of intention
14 to withdraw deposits. A domestic credit union that requires a
15 notice of intention to withdraw may wait until the expiration of
16 the applicable notice period before complying with subsection
17 (4). A domestic credit union may waive an applicable notice
18 period for a specific member or account in writing.

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

23 PART 5

24 CAPITAL

25 Sec. 361. (1) The capital of a domestic credit union
26 consists of the payments that have been made to it by the members
27 for shares. If authorized by the bylaws, a domestic credit union

1 may charge an entrance fee.

2 (2) If at any time after the effective date of this act a
3 federal credit union is authorized by the federal regulatory
4 authority with jurisdiction and by federal law to utilize 1 or
5 more forms of secondary capital other than capital stock, the
6 commissioner may by rule, order, or declaratory ruling allow a
7 domestic credit union to utilize 1 or more forms of secondary
8 capital other than capital stock. The rule, order, or
9 declaratory ruling must include disclosure requirements
10 concerning the conditions for return of the secondary capital and
11 its liquidation priority.

12 (3) Unless otherwise provided by law or by agreement between
13 the member and the domestic credit union, a member of a domestic
14 credit union is not liable for the acts, debts, or obligations of
15 the domestic credit union.

16 (4) Except as provided in this subsection or where prohibited
17 by applicable state or federal law or otherwise agreed by
18 contract, a domestic credit union has a lien on any share of a
19 member, or any deposit account from which a member may withdraw
20 for his or her own benefit without the consent of another person,
21 for any obligation owed to the domestic credit union by that
22 member or for any loan cosigned or guaranteed by that member. A
23 domestic credit union does not have a lien on any individual
24 retirement account or other account permitting tax deferrals or
25 providing other tax benefits under state or federal law. A
26 domestic credit union may refuse to allow a withdrawal from any
27 account on which it has a lien if the member is delinquent in any

1 outstanding obligation to the domestic credit union at the time
2 of the withdrawal.

3 Sec. 362. A credit union board may declare and pay a
4 dividend on shares from current or accumulated net earnings, or
5 both, but only after providing for required reserves, accrued and
6 unpaid expenses, and established loan and lease losses. A
7 domestic credit union may pay a dividend on partial or full
8 shares and may pay the dividend at differing levels and at
9 differing intervals based on the type of share accounts owned by
10 a member, the liquidation priority of the share accounts, and the
11 balances of the member's share accounts. A domestic credit union
12 may determine the rate and amount of a dividend before the end of
13 the dividend period involved. A domestic credit union shall not
14 pay a dividend if payment would result in the insolvency of the
15 domestic credit union.

16 Sec. 363. (1) If a deceased individual who resided in
17 another state or country owns a share or deposit account in a
18 domestic credit union, the credit union may pay all or part of
19 the balance of the account to the special or general
20 administrator or executor appointed in the state or country where
21 the account holder resided at the time of death if the
22 administrator or executor provides both of the following to the
23 credit union:

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

27 (b) An affidavit by the administrator or executor that he or

1 she is the representative of the estate of the decedent, that no
2 proceeding is pending in any state with respect to the question
3 of domicile of the decedent, and that to his or her knowledge and
4 belief no letters or orders of appointment are outstanding in
5 this state, no proceeding is pending in this state for the
6 appointment of a fiduciary for the estate in this state, and
7 there are no creditors of the estate in this state.

8 (2) A credit union that makes a payment to an administrator
9 or executor under this section after receiving the affidavit and
10 authenticated copies described in subsection (1) is released and
11 discharged from liability to the same extent as if the credit
12 union made the payment to a legally qualified resident executor
13 or administrator.

14 PART 6

15 MERGER, CONSOLIDATION, CONVERSION

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

19 (a) The credit union board of each constituent credit union
20 by majority vote adopts a plan of merger that includes all of the
21 following:

22 (i) The name of each constituent credit union and the name of
23 the surviving credit union.

24 (ii) The terms and conditions of the proposed merger,
25 including the manner and basis of converting the member shares in
26 each constituent credit union into member shares in the surviving
27 credit union, or into cash or other property, or into a

1 combination of shares, cash, or other property.

2 (iii) A statement of any amendment to the certificate of
3 organization of the surviving credit union affected by the merger
4 or a statement that no changes are to be made in the certificate
5 of organization of the surviving credit union.

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

8 (b) If the credit union board of each constituent credit
9 union adopts the plan of merger, the constituent credit unions
10 submit the plan of merger to the commissioner. Each constituent
11 credit union shall submit the time and place of the meeting of
12 the credit union board at which it approved the plan, the vote of
13 the directors on approving the plan, and a copy of the resolution
14 of the credit union board approving the plan to the commissioner
15 with the plan of merger.

16 (c) Subject to subsection (6), the members of each
17 constituent credit union except the surviving credit union
18 approve the plan of merger, at a special membership meeting
19 called for that purpose or by mail ballot. If the vote is held
20 at a special membership meeting, the credit union board shall
21 provide each member with written notice of the meeting that
22 states the purpose of the meeting, at least 10 days and not more
23 than 30 days before the meeting. The plan of merger is approved
24 if a majority of the members of the constituent credit union who
25 vote on the merger vote in favor of the merger.

26 (d) If the membership of a constituent credit union approves
27 of a plan of merger under subdivision (c), the credit union shall

1 notify the commissioner that the plan of merger is approved, the
2 vote by which the members approved the plan, and a copy of the
3 meeting notice if the plan was approved at a special membership
4 meeting or the ballot and mailing date and closing date if the
5 plan was approved by mail ballot of the members.

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

9 (2) One or more domestic credit unions may merge with 1 or
10 more foreign credit unions if both of the following are

11 satisfied:

12 (a) The merger is permitted by the law of the jurisdiction
13 under whose law each foreign constituent credit union is
14 organized and each foreign constituent credit union complies with
15 that law in effecting the merger.

16 (b) Each domestic constituent credit union complies with
17 subsection (1).

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

22 (a) The statements required in subsection (1)(a)(i) and
23 (iii).

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

27 (c) A statement of any trade names the surviving credit union

1 will use in this state if the commissioner approves. The
2 statement shall specify each new trade name of the surviving
3 credit union, each current trade name the surviving entity
4 retains, and each trade name transferred to the surviving entity
5 from another constituent credit union.

6 (d) The effective date of the merger, if later than the date
7 the certificate of merger is filed. The commissioner shall not
8 accept a certificate of merger and the merger is not effective if
9 an effective date is specified that is more than 90 days after
10 the date of filing.

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

12 (a) Every other constituent credit union merges into the
13 surviving credit union and the separate existence of every
14 constituent credit union except the surviving credit union
15 ceases.

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

20 (c) The surviving credit union has all of the liabilities of
21 each constituent credit union.

22 (d) A proceeding pending against any constituent credit union
23 may be continued as if the merger had not occurred or the
24 surviving credit union may be substituted in the proceeding for
25 the constituent credit union if the existence of the constituent
26 credit union ceased.

27 (e) The certificate of organization of the surviving credit

1 union is amended to the extent provided in the certificate of
2 merger.

3 (f) The membership shares in each constituent credit union
4 are converted into membership shares in the surviving credit
5 union, cash, or other property as provided in the plan of
6 merger. If a person is a member of more than 1 of the
7 constituent credit unions, the person is entitled to only 1
8 membership in the surviving credit union.

9 (g) The surviving credit union is liable for, and is subject
10 to service of process in a proceeding in this state for the
11 enforcement of, any obligation of a domestic constituent credit
12 union.

13 (5) If the surviving credit union in a merger under
14 subsection (2) is a foreign credit union, and the surviving
15 credit union transacts business in this state, it shall comply
16 with the provisions of this act concerning foreign credit
17 unions.

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

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

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

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

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

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

11 (iii) A request for members' written comments on the proposed
12 conversion.

13 (b) The credit union board approves of a plan of conversion
14 and files the plan of conversion with the commissioner. An
15 affirmative vote of 2/3 of the entire credit union board is
16 required to approve a plan of conversion. The plan of conversion
17 shall meet all of the following:

18 (i) The conversion plan discloses to the members information
19 concerning the advantages and disadvantages of the proposed
20 conversion and contains a statement indicating any material
21 differences in powers of the converted credit union.

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

26 (iii) The converted credit union is likely to be economically
27 viable.

1 (c) The members of the credit union approve of the plan of
2 conversion by a 2/3 vote of the members voting on the plan.
3 Subject to subsection (2), a member may vote at a special meeting
4 called to vote on the plan of conversion or by mail ballot.
5 Before the vote, the credit union board shall call a special
6 meeting of the members to provide information on the plan. At
7 least 14 days before the meeting, the credit union board shall
8 mail to each member a notice of the meeting and a ballot with a
9 postage paid return envelope. The notice shall state the date,
10 at least 15 days following the meeting, by which the member must
11 return the ballot and the methods permitted for casting a vote,
12 describe briefly the reasons for and the major positive and
13 negative effects of the conversion, and state how members may
14 obtain copies of the conversion plan. The credit union board
15 shall count the votes cast by members upon the expiration of the
16 time given to the members to return their ballots.

17 (d) The credit union files with the commissioner copies of
18 member comments submitted to the credit union under subdivision
19 (a)(iii) and certified copies of records of all proceedings held
20 by the credit union board and members of the credit union.

21 (e) If required by the laws of the applicable jurisdiction,
22 the credit union files with the commissioner a certified copy of
23 the consent or approval of the appropriate regulatory authority
24 with jurisdiction over foreign credit unions chartered by that
25 authority.

26 (2) If the commissioner approves of the method before the
27 vote, the credit union board may establish an alternative method

1 for accepting votes from members of a converting domestic credit
2 union on the plan of conversion under subsection (1)(c) if the
3 alternative method is reasonably calculated to ensure each member
4 has an opportunity to vote.

5 (3) If all of the conditions required by this section are met
6 and the commissioner determines that any notices to members were
7 accurate, timely, and not misleading, and that conduct of the
8 vote on the conversion plan was fair and lawful, the commissioner
9 shall approve the conversion and the conversion is effective.

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

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

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

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

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

25 (b) The credit union board approves of a plan of conversion
26 and files the plan of conversion with the commissioner. An
27 affirmative vote of 2/3 of the entire credit union board is

1 required to approve a plan of conversion. The plan of conversion
2 shall meet all of the following:

3 (i) The conversion plan discloses to the members information
4 concerning the advantages and disadvantages of the proposed
5 conversion and contains a statement indicating any material
6 differences in powers between a credit union and a mutual savings
7 bank or mutual savings association.

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

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

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

17 (c) The credit union board shall call a special meeting of
18 the members to vote on the conversion plan and mail to each
19 member notice of the meeting and proposed conversion 90 days and
20 60 days before the date of the special meeting. Each notice
21 shall include all of the following:

22 (i) A summary of the positive and negative effects of the
23 proposed conversion.

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

27 (iii) A statement that any interested person may obtain more

1 detailed information about the conversion from the domestic
2 credit union at its principal place of business, or by any method
3 approved in advance by the commissioner.

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

9 (v) Instructions for obtaining a copy of the conversion
10 plan.

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

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

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

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

27 (f) At a special meeting of members, the members by a 2/3

1 vote of members voting to approve of the conversion and the plan
2 of conversion. A member may vote in person or by mail. With the
3 prior approval of the commissioner, a domestic credit union may
4 accept member votes by an alternative method that is reasonably
5 calculated to ensure each member has an opportunity to vote.

6 (g) The domestic credit union files with the commissioner all
7 of the following:

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

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

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

20 (iv) Verification that deposits in the converted mutual
21 savings bank or mutual savings association qualify for federal
22 insurance.

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

1 (3) Except as otherwise required by the commissioner, this
2 section does not apply to a domestic credit union that submitted
3 to the commissioner a plan of conversion into a mutual savings
4 bank or mutual savings association before the effective date of
5 this act.

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

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

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

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

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

22 (iv) A request for members' written comments on the proposed
23 conversion.

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

1 (i) The member eligibility record date and the subscription
2 offering priority established in connection with any proposed
3 stock offering.

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

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

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

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

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

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

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

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

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

12 (v) After conversion, the bank, stock savings bank, or stock
13 savings and loan association is likely to be economically
14 viable.

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

21 (i) A summary of the positive and negative effects of the
22 proposed conversion.

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

26 (iii) A statement that any interested person may obtain more
27 detailed information about the conversion from the domestic

1 credit union at its principal place of business, or by any method
2 approved in advance by the commissioner.

3 (iv) If the conversion plan includes a distribution of a
4 portion of the credit union's net worth to members, a statement
5 describing the amount of the distribution, the form of the
6 distribution, and eligibility requirements to receive a
7 distribution.

8 (v) The par value and approximate number of shares of capital
9 stock to be issued and sold under the proposed plan of
10 conversion.

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

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

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

25 (ix) Instructions for obtaining a copy of the conversion
26 plan.

27 (x) The date of the special meeting and a statement that the

1 vote on the conversion will close on that date.

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

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

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

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

23 (h) The domestic credit union files with the commissioner all
24 of the following:

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

27 (ii) Copies of member comments submitted to the domestic

1 credit union under subdivision (a) (iii) .

2 (iii) If that consent or approval is required, a certified
3 copy of the consent or approval of any state or federal
4 regulatory authority with jurisdiction over the bank, stock
5 savings bank, or stock savings and loan association after the
6 conversion and, if a holding company is to be formed in
7 connection with the conversion, the regulations of the federal
8 reserve board of governors or of the office of thrift supervision
9 applicable to holding companies.

10 (iv) Verification that deposits in the converted bank, stock
11 savings bank, or stock savings and loan association qualify for
12 federal insurance.

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

20 Sec. 375. (1) Except as provided in subsection (2), if a
21 conversion becomes effective under section 372, 373, or 374, the
22 converted entity is a continuation of the converting credit union
23 and all the property and interests in property and every cause of
24 action, right, privilege, interest, and asset of the converting
25 credit union is immediately and without any conveyance, transfer,
26 or other action vested in the converted organization. Every
27 right, obligation, and relationship of the converting credit

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

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

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

1 fiduciary by appointment of a court is subject to removal by a
2 court of competent jurisdiction.

3 Sec. 376. (1) A foreign credit union may convert to a
4 domestic credit union if all of the following are met:

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

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

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

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

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

1 obligations that apply to domestic credit unions under this act.

2 (2) The credit union shall pay the expenses of the
3 examination described in subsection (1)(d), in an amount
4 established by the commissioner. The amount paid for the
5 examination is not refundable.

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

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

1 liabilities connected with the trust or relationship.

2 (5) Any directors of the foreign credit union converting to a
3 domestic credit union under this section that meet the criteria
4 described in section 341(8) may continue as directors of the
5 domestic credit union.

6 PART 7

7 ADMINISTRATION

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

21 Sec. 382. A domestic credit union shall use the calendar
22 year as its fiscal year.

23 Sec. 383. (1) An official of a domestic credit union shall
24 discharge the duties of his or her position in good faith and
25 with that degree of diligence, care, and skill that an ordinarily
26 prudent person would exercise under similar circumstances in a
27 like position. In discharging his or her duties, an official may

1 rely upon the opinion of legal counsel for the domestic credit
2 union, upon the report of an independent appraiser selected with
3 reasonable care by the board or by an officer of the domestic
4 credit union, or upon financial statements of the domestic credit
5 union represented to him or her to be correct by the general
6 manager or the officer of the domestic credit union having charge
7 of its records, or as stated in a written report by an
8 independent public or certified public accountant or firm of
9 accountants fairly to reflect the financial condition of the
10 domestic credit union.

11 (2) A domestic credit union may indemnify a person who was or
12 is a party or is threatened to be made a party to a threatened,
13 pending, or completed action, suit, or proceeding, whether civil,
14 criminal, administrative, or investigative and whether formal or
15 informal, other than an action by or on behalf of the domestic
16 credit union, because he or she is or was an official, employee,
17 or agent of the domestic credit union or is or was serving at the
18 request of the domestic credit union as an official, employee, or
19 agent of 1 or more domestic credit unions or other profit or
20 nonprofit enterprises, for attorney fees, judgments, penalties,
21 fines, amounts paid in settlement, and other expenses actually
22 and reasonably incurred by him or her in connection with the
23 action, suit, or proceeding. A domestic credit union may only
24 indemnify a person under this subsection if the person acted in
25 good faith and in a manner he or she reasonably believed to be in
26 or not opposed to the best interests of the domestic credit union
27 or its members, and with respect to a criminal action or

1 proceeding, if the person had no reasonable cause to believe his
2 or her conduct was unlawful. The termination of any action,
3 suit, or proceeding by judgment, order, settlement, or
4 conviction, or a plea of nolo contendere or its equivalent, does
5 not of itself create a presumption that the person did not act in
6 good faith and in a manner that he or she reasonably believed to
7 be in or not opposed to the best interests of the domestic credit
8 union or its members and with respect to a criminal action or
9 proceeding, had reasonable cause to believe that his or her
10 conduct was unlawful.

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

1 to the domestic credit union unless and only to the extent that
2 the court in which the action or suit was brought has determined
3 upon application that, despite the adjudication of liability but
4 in view of all circumstances of the case, the person is fairly
5 and reasonably entitled to indemnification for the expenses that
6 the court considers proper.

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

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

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

1 (b) If a quorum described in subdivision (a) is not
2 obtainable, a committee of directors that consists of 2 or more
3 directors who are or were not parties to the action, by majority
4 vote.

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

6 (d) The members.

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

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

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

1 not exceed the amount of actual expenses incurred by the person
2 seeking the indemnification or advance of expenses. An
3 indemnification provided under subsections (2) to (7) continues
4 after the person ceases to be an official, employee, or agent and
5 inures to the benefit of the heirs, executors, and administrators
6 of the person.

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

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

1 which he or she is interested.

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

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

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

20 (a) Serves as a director, officer, or employee of the
21 entity.

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

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

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

1 Sec. 385. (1) A domestic credit union may refuse to make a
2 payment from an account to a person claiming an interest in the
3 account if the domestic credit union is uncertain under the
4 agreement governing the account of who is entitled to receive
5 that payment or if the domestic credit union has actual knowledge
6 of a dispute between any account owners, beneficiaries with
7 present vested rights in the account, or other persons concerning
8 their respective ownership to the money in the account, the
9 proposed withdrawal, or any previous withdrawals from the
10 account.

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

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

25 (2) A domestic credit union shall establish allowances for
26 loan and lease losses account based on its reasonably foreseeable
27 loan and lease losses and shall maintain the account in

1 accordance with generally accepted accounting principles. A
2 domestic credit union shall charge a loan or lease or any portion
3 of a loan or lease to the allowance for loan and lease losses
4 account if any of the following occur:

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

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

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

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

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

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

27 (2) A credit union that is denied a commitment for insurance

1 of its share and deposit accounts by the insuring federal agency
2 or that is given notice by the insuring federal agency of the
3 agency's intent to terminate insurance of the credit union's
4 shares and deposits shall either dissolve, merge with another
5 credit union that is insured by an agency of the federal
6 government, or apply in writing to the commissioner within 30
7 days after the denial or notice for additional time to obtain an
8 insurance commitment.

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

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

19 ARTICLE 4

20 DOMESTIC CREDIT UNION POWERS

21 PART 1

22 GENERAL PROVISIONS

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

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

27 (a) To enter into contracts.

1 (b) To sue and be sued.

2 (c) To adopt and alter a seal.

3 (d) To individually or jointly with other credit unions,
4 purchase, lease, or otherwise acquire and hold tangible personal
5 property necessary or incidental to its operations. A domestic
6 credit union shall depreciate or appreciate personal property in
7 the manner and at the rates the commissioner prescribes by rule,
8 order, or declaratory ruling.

9 (e) To sell, convey, lease, or otherwise dispose of, or
10 assign, pledge, or create a security interest in, all or part of
11 its tangible personal property, including property obtained as a
12 result of a default of an obligation owed to the domestic credit
13 union. A domestic credit union may finance the sale of its
14 personal property to a person at a rate of interest that does not
15 exceed the rate of interest permitted by the credit reform act,
16 1995 PA 162, MCL 445.1851 to 445.1864, for loans to its members
17 for the purchase of equivalent property.

18 (f) To incur and pay necessary and incidental operating
19 expenses.

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

1 through the payment systems that the credit union board
2 determines best serve the convenience and needs of its members.

3 (h) To charge fees in connection with shares, savings,
4 extensions of credit, and other services by contract or
5 agreement.

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

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

17 (k) To make loans to a trade association of which it is a
18 member.

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

25 (m) To disburse loan proceeds as the borrower directs.

26 (n) To act as trustee or custodian of and administer, for
27 individuals or as part of an employer group plan, retirement

1 accounts or other accounts that permit tax deferrals or provide
2 other tax benefits under federal or state law.

3 (o) To act as agent for its members and depositors in the
4 purchase, sale, or other disposition of securities, interests in
5 mutual funds, and interests or participations in any other type
6 of investment, if the purchase, sale, or other disposition is
7 done solely for the accounts of its members and depositors and is
8 done on a nonrecourse basis.

9 (p) To discount, sell, convey, or otherwise dispose of, or
10 assign, pledge, or create a security interest in, all or part of
11 its intangible personal property.

12 (q) To purchase any of the assets of another domestic credit
13 union, or with the approval of the commissioner assume any of the
14 liabilities of another domestic credit union.

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

22 (s) To join, make deposits in or loans to, or purchase shares
23 of any federal reserve bank, federal home loan bank, or central
24 liquidity facility established under federal or state law.

25 (t) To hold membership in associations and organizations
26 controlled by or fostering the interests of credit unions or in a
27 central liquidity facility organized under federal or state law.

1 (u) To, if approved by the credit union board and not
2 inconsistent with this act, engage in activities and programs of
3 the federal government, a state, a territory of the United
4 States, or an agency or political subdivision of the federal
5 government or a state or territory of the United States.

6 (v) To receive funds as shares or deposits from other
7 domestic credit unions or from banks, savings banks, savings and
8 loans, or any other type of depository institution.

9 (w) To receive funds as shares or deposits from a retirement
10 plan that serves all or any of the domestic credit union's
11 members or potential members.

12 (x) To receive funds as shares or deposits from a public
13 employee retirement system or plan.

14 (y) To lease tangible personal property to its members.

15 (z) To purchase, sell, pledge, discount, or otherwise
16 acquire, or dispose of all or part of the obligations of its
17 members in accordance with section 432. This subdivision does
18 not apply to participation loans originated pursuant to section
19 423(5).

20 (aa) At the domestic credit union's expense, to purchase
21 insurance for its members in connection with share, deposit,
22 loan, or other accounts.

23 (bb) To establish, operate, participate in, or hold
24 membership in systems that allow the transfer of credit union
25 funds and funds of its members or other account holders by
26 electronic or other means, including clearinghouse associations,
27 data processing and other electronic networks, the federal

1 reserve system, or any other payment or liquidity program and
2 contract with outside vendors to process member payments, send or
3 receive funds for member investments, or initiate and execute
4 electronic funds transfers on behalf of its members.

5 (cc) To service loans sold by the domestic credit union, in
6 whole or in part, to a third party.

7 (dd) To receive payments on shares or deposits from or make
8 loans to the United States or an agency or instrumentality of the
9 United States.

10 (ee) To act as a fiscal agent and maintain treasury tax and
11 loan accounts of the United States.

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

19 (gg) To organize, invest in, and make loans to corporations
20 or other organizations that engage in activities incidental to
21 the conduct of a credit union or in activities that further or
22 facilitate the purposes of a credit union or that furnish
23 services to credit unions. In addition to the activities
24 authorized by section 407, the commissioner shall determine by
25 rule, order, or declaratory ruling the activities and services
26 that fall within the meaning of this subdivision. Investments
27 and loans described in this subdivision shall not in the

1 aggregate exceed 12% of the assets of the domestic credit union,
2 and without the prior approval of the commissioner shall not in
3 the aggregate exceed 6% of the assets of the domestic credit
4 union. A domestic credit union may not invest in or make loans
5 to a corporation or other organization under this subdivision
6 unless the corporation or organization agrees in writing to allow
7 the commissioner to conduct an examination of the corporation or
8 organization to the same extent that the commissioner is
9 authorized to examine credit unions and agrees in writing to make
10 any reports to the commissioner that he or she requires.

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

1 requires the prior approval of the commissioner. The
2 commissioner shall act on a completed application within 30 days
3 after the application is filed.

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

12 (jj) To sell, convey, lease, or otherwise dispose of, or
13 assign, mortgage, pledge, or create a lien in, all or part of its
14 land and buildings, including land and buildings obtained as a
15 result of a default of an obligation owed to it, or stock in a
16 corporation described in subdivision (ii). A domestic credit
17 union may finance the sale of its land and buildings to any
18 person at a rate of interest that does not exceed the rate of
19 interest permitted by the credit reform act, 1995 PA 162, MCL
20 445.1851 to 445.1864, for loans to its members for the purchase
21 of land and buildings.

22 (kk) Pursuant to a written agreement, to perform services for
23 members of other domestic or foreign credit unions. A domestic
24 credit union may allow other credit unions to perform services
25 for its members pursuant to a written agreement. A domestic
26 credit union shall perform services described in this subdivision
27 in accordance with the laws of this state.

1 (ii) To engage in any aspect of the insurance and surety
2 business as an agent, broker, solicitor, or insurance counselor
3 as provided under the insurance code of 1956, 1956 PA 218, MCL
4 500.100 to 500.8302.

5 (mm) To own an insurance agency in whole or in part as
6 provided under the insurance code of 1956, 1956 PA 218, MCL
7 500.100 to 500.8302.

8 (nn) To make charitable contributions if the individual
9 contributions and the aggregate amount of the contributions are
10 reasonable in amount.

11 (oo) To offer tax return preparation and filing services.

12 (pp) To contract with entities offering funds transfer
13 services and provide those services to any person.

14 (qq) To receive payments on shares or deposits or make loans
15 to corporations that are wholly owned by 1 or more of the types
16 of entities from which the domestic credit union may receive
17 payments on shares under subdivision (dd) or (ff).

18 (rr) To enter into marketing and other support arrangements
19 to facilitate members' purchases of goods and services from third
20 parties that may include compensation to the domestic credit
21 union.

22 (ss) To purchase insurance policies and other investment
23 products to fund deferred compensation arrangements for its
24 employees. If the deferred compensation arrangement does not
25 present a risk to the safety and soundness of the domestic credit
26 union, the purchase of those investment products is not subject
27 to the limitations of this act.

1 (tt) Subject to section 352, to establish and revise its
2 field of membership.

3 (uu) Guarantee the signature of a member in connection with a
4 transaction involving tangible or intangible property in which a
5 member has or seeks to acquire an interest.

6 (vv) Perform any of the following services for a person who
7 is not a member of the credit union if the service is performed
8 under a contractual arrangement in which another financial
9 organization performs the same service for the credit union's
10 members:

11 (i) Cash advances.

12 (ii) Funds transfers.

13 (iii) Cashing travelers checks.

14 (iv) Any other service specified by the commissioner by rule,
15 order, or declaratory ruling.

16 (ww) To perform any of the following services for any person
17 in an underserved area or who does not have an established
18 relationship with a financial institution:

19 (i) Cashing and selling checks, drafts, or money orders.

20 (ii) Purchasing and selling foreign currencies in exchange
21 for United States currency.

22 (iii) Wire transfers.

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

26 (a) To accept funds, either as shares or deposits, from a
27 domestic, foreign, or alien credit union, whether or not that

1 credit union is a member of the corporate credit union.

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

5 (c) To make loans to or place deposits in a bank, savings
6 bank, trust company, or savings and loan association chartered by
7 this state, by another state or territory of the United States,
8 or by the United States.

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

11 (e) To borrow from any source.

12 (f) To act as a fiscal agent for the United States, a state,
13 or an agency or political subdivision of the United States or a
14 state.

15 (g) To participate with any other credit union in making
16 loans to its members or to members of the other participating
17 credit union, on the terms and conditions to which the
18 participating credit unions agree.

19 (h) To purchase, sell, and hold investment securities that
20 are marketable obligations in the form of bonds, notes, or
21 debentures and that are salable under ordinary circumstances. A
22 corporate credit union board shall adopt a written investment
23 policy and the corporate credit union shall make all investments
24 and related contracts and agreements under this subdivision in
25 accordance with that policy.

26 (i) To contract for penalties for loans paid before their
27 scheduled maturity.

1 (j) In its bylaws, to authorize the corporate credit union
2 board to delegate to management the authority to set interest
3 rates on loans and deposits and to determine dividends on
4 shares.

5 (k) To act as an intermediary of member and credit union
6 funds.

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

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

10 (n) To provide payment systems services in conjunction with
11 financial institutions or other vendors, or other correspondent
12 services.

13 (o) To provide services to members involving investments and
14 liquidity management.

15 (p) To engage in repurchase agreement transactions with
16 broker-dealers.

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

18 (r) To exercise any other power approved by the commissioner
19 by rule, order, or declaratory ruling.

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

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

27 Sec. 404. A domestic credit union may do business outside

1 of this state if permitted by the laws of that jurisdiction.

2 Sec. 405. (1) A domestic credit union shall not give
3 preference to any member or depositor by pledging the assets of
4 the domestic credit union as collateral security for purposes of
5 accepting the funds or money of any county, city, village,
6 township, school district, or community college district. With
7 written consent of the commissioner, a domestic credit union may
8 pledge assets of the domestic credit union in an amount not in
9 excess of 10% of its total shares and deposits for the purpose of
10 securing any of the following:

11 (a) Shares or deposits belonging to the United States or
12 belonging to or administered by an officer, instrumentality, or
13 agent of the United States, shares or deposits of estates being
14 administered by a federal court under federal bankruptcy laws,
15 and any other shares or deposits if required or permitted to do
16 so under the laws of the United States or an order of a federal
17 court.

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

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

23 (d) Shares or deposits of the international bridge authority,
24 a political subdivision of this state under 1954 PA 99, MCL
25 254.221 to 254.240.

26 (e) Shares owned or funds on deposit under 1941 PA 205, MCL
27 252.51 to 252.64.

1 (f) Shares or deposits belonging to the Michigan employment
2 security commission.

3 (g) Shares or deposits acquired or made by the Michigan state
4 housing development authority with funds constituting proceeds of
5 the sale of the authority's notes and bonds and repayments of the
6 notes and bonds under the state housing development authority act
7 of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

8 (2) The requirements, restrictions, and limitations imposed
9 by subsection (1) do not apply to the pledging of obligations of
10 the United States, direct or fully guaranteed, or both, for the
11 purpose of securing shares or deposits owned by the United States
12 when such shares or deposits are established coincidentally with
13 the purchase of obligations of the United States by or through
14 any domestic credit union.

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

17 (a) Assist in providing cooperative housing and related
18 facilities for its members. A domestic credit union shall not
19 invest more than 5% of its unimpaired share capital in programs
20 described in this subdivision. This section does not authorize a
21 domestic credit union to invest in the stock of a housing
22 cooperative.

23 (b) Assist in creating a housing cooperative for its
24 members.

25 (c) Assist a housing cooperative composed of its members in
26 selecting a housing site.

27 (2) If authorized by the credit union board, a domestic

1 credit union may acquire any interest in real property if all of
2 the following are met:

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

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

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

10 (d) Before the domestic credit union acquires its interest,
11 if state or federal assistance is contemplated, the domestic
12 credit union where possible obtains the approval of the state or
13 federal agency that will assist the housing cooperative in
14 determining the acceptability to that agency of the property for
15 use as a cooperative housing site.

16 (3) If within a reasonable time after the domestic credit
17 union acquires its interest in a housing cooperative it
18 determines that the property is not suitable for cooperative
19 housing for its members, the domestic credit union shall dispose
20 of its interest in the manner most advantageous to the domestic
21 credit union.

22 (4) A domestic credit union may employ consultants,
23 appraisers, or other persons or organizations qualified by
24 experience and training to provide advice and assistance in the
25 acquisition of cooperative housing sites, the creation of housing
26 cooperatives, the processing of applications for state or federal
27 assistance, or the development of plans for the housing and

1 financing, and may take any other action related to its authority
2 under this section.

3 (5) As used in this section:

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

6 (b) "Housing cooperative" means a nonprofit housing
7 cooperative corporation.

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

12 (a) Automated information processing services.

13 (b) Share draft and other item processing.

14 (c) Credit and debit card services.

15 (d) Microfilm and microfiche services.

16 (e) Printing and supply services.

17 (f) Service center functions.

18 (g) Selling or leasing real estate.

19 (h) Automated teller machine and electronic funds transfer
20 services.

21 (i) Collection activities.

22 (j) Personnel services.

23 (k) Appraisal, closing, or other services in connection with
24 real estate loan activities.

25 (l) Investment management, investment research, and other
26 full service broker-dealer services, but not underwriting of
27 investment securities.

- 1 (m) Property leasing to credit unions.
- 2 (n) Accounting and auditing services.
- 3 (o) Records retention and preservation.
- 4 (p) Security for data processing equipment and other credit
5 union property.
- 6 (q) Architectural services, including, but not limited to,
7 providing original designs, remodeling, and redesigning.
- 8 (r) Administration and other services related to commercial
9 loans and participation loans.
- 10 (s) Providing management and operating services.
- 11 (t) Marketing services.
- 12 (u) Management, development, sale, or lease of fixed assets.
- 13 (v) Sale, lease, or servicing of computer hardware and
14 software.
- 15 (w) Sale of repossessed property or other personal property
16 of credit unions.
- 17 (x) Locator services.
- 18 (y) Credit analysis.
- 19 (z) Loan origination, processing, servicing, and sale.
- 20 (aa) Research services.
- 21 (bb) Developing and administering individual retirement
22 accounts or Keogh (HR-10), deferred compensation, or other
23 personnel benefit plans.
- 24 (cc) Property maintenance services.
- 25 (dd) Courier services.
- 26 (ee) If approved by the commissioner, any other product or
27 service.

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

- 5 (a) Equipment leasing and financing.
6 (b) Payroll services.
7 (c) Real estate brokerage services.
8 (d) Prepaid legal services.
9 (e) Motor vehicle purchasing services.
10 (f) Group travel services.
11 (g) Insurance, to the extent not prohibited by state law.
12 (h) Financial planning, investment counseling, or other
13 financial services.
14 (i) Consumer purchasing referral services.
15 (j) Income tax services.
16 (k) Retirement counseling.
17 (l) Securities brokerage counseling.
18 (m) Estate planning.
19 (n) Personal property leasing.
20 (o) Service contracts or extended warranty contracts for
21 motor vehicles, motorcycles, recreational vehicles, manufactured
22 homes, boats, computers, or other personal property items.
23 (p) Investment management, investment research, or other
24 full-service securities broker-dealer services, but not
25 underwriting of investment securities.
26 (q) If approved by the commissioner, any other product or
27 service.

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

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

7 (b) The credit union service organization is structured and
8 operated as a separate legal entity from the domestic credit
9 union.

10 (c) The domestic credit union obtains a written legal opinion
11 that the credit union service organization is structured and
12 operated in a manner that limits the domestic credit union's
13 potential liability for the debts and liabilities of the credit
14 union service organization to not more than the loss of money
15 invested in or loaned to the credit union service organization by
16 the domestic credit union.

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

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

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

26 (4) The credit union board of a domestic credit union that
27 organizes, invests in, or lends money to a credit union service

1 organization shall establish, in writing, the maximum percentage
2 amount of net worth that the domestic credit union may invest in
3 or loan to the credit union service organization.

4 (5) The senior management employees of a domestic credit
5 union shall not receive any salary, commission, investment
6 income, or other income or compensation from a credit union
7 service organization that is an affiliate of the domestic credit
8 union.

9 (6) In determining compliance with the percentage limitations
10 in section 401(2)(gg), all loans cosigned, endorsed, or otherwise
11 guaranteed by a domestic credit union to credit union service
12 organizations are included in determining the aggregate amount of
13 loans by the domestic credit union.

14 (7) A domestic credit union shall follow generally accepted
15 accounting principles in its accounting of its financial
16 involvement in a credit union service organization.

17 Sec. 408. (1) A domestic credit union wishing to utilize
18 automated information processing services of a vendor shall enter
19 into a written contract, lease, or licensing agreement with the
20 vendor. The credit union board shall review the contract, lease,
21 or licensing agreement to ensure the interests of the domestic
22 credit union are protected. Approval of the contract, lease, or
23 licensing agreement is required before any automated information
24 processing services are performed or provided to the domestic
25 credit union.

26 (2) The written contract, lease, or licensing agreement
27 described in subsection (1) shall provide at least all of the

1 following:

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

4 (b) That the domestic credit union will retain permanent and
5 exclusive ownership of all internal information and member
6 information in the possession of the vendor, that the vendor may
7 not disclose any of that information to third parties except as
8 explicitly authorized in writing by the domestic credit union,
9 and that the vendor may not use any of that information for the
10 vendor's own purposes except as explicitly authorized in writing
11 by the domestic credit union.

12 (c) That the vendor will provide contingency planning and
13 disaster recovery provisions to reconstruct the transactions of
14 the domestic credit union and to resume automated information
15 processing within a reasonable time after a failure of the
16 automated information processing services.

17 (d) That upon termination of the contract, lease, or
18 licensing agreement, the vendor shall return copies of all
19 internal information and member information in an electronic form
20 usable to the domestic credit union, and disclose any fees
21 related to the return of the information in electronic form.

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

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

27 (g) A statement of each service the vendor will perform, the

1 frequency of each service, and the fees charged in connection
2 with performance of each service.

3 (h) A description of the ownership of the hardware, software,
4 or systems utilized in the performance of the automated
5 information processing services.

6 (i) An allocation of responsibility for delivering internal
7 information or member information to the vendor, and liability
8 for loss of internal information or member information before it
9 is delivered.

10 (3) If automated information processing services are donated
11 to a domestic credit union by a sponsor, the domestic credit
12 union shall make available sufficient off-premises storage and
13 duplication of internal information and member information to
14 enable the sponsor or the sponsor's vendor to reconstruct the
15 transactions of the domestic credit union and resume automated
16 information processing within a reasonable time after a failure
17 of the automated information processing services.

18 (4) A domestic credit union shall not purchase automated
19 information processing services from a vendor unless the domestic
20 credit union and the vendor, and any subcontractors of the
21 vendor, furnish the commissioner with an assurance in writing
22 that the performance of the services is subject to examination
23 and regulation to the same extent as if the services were
24 performed by the domestic credit union on its own premises.

25 (5) As used in this section:

26 (a) "Automated information processing" means automated
27 processing, updating, and storage of internal information or

1 member information.

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

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

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

9 (e) "Vendor" means a person who supplies hardware, software,
10 or systems used for automated information processing services to
11 a domestic credit union or performs automated information
12 processing services for a domestic credit union. The term
13 includes a subcontractor of a vendor.

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

19 (a) Except for insurance described in subdivision (b), the
20 purchase of the insurance coverage by a member is voluntary and a
21 copy of the written election to purchase the insurance is on file
22 at the domestic credit union.

23 (b) If the insurance is a condition of a loan, the member who
24 is borrowing may purchase or provide the insurance from a carrier
25 of the member's choice or may assign any existing insurance
26 coverage.

27 (2) A domestic credit union may receive payment for making an

1 insurance program available to its members.

2 (3) Other than a refund of premium if he or she is a
3 purchaser of the insurance services, a credit union officer,
4 director, committee member, or employee shall not directly or
5 indirectly be paid or receive, and a person shall not directly or
6 indirectly offer, a fee, compensation, commission, gift, or other
7 consideration for insurance sold to the domestic credit union or
8 its membership from any person other than the domestic credit
9 union. This subsection does not prevent a credit union officer,
10 director, committee member, or employee from receiving customary
11 salary or commission as an employee or agent of an insurance
12 company if the salary or commission is not related to making
13 insurance programs available to credit union members or to
14 placing insurance with a domestic credit union served by the
15 credit union officer, director, committee member, or employee.

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

21 (5) If a domestic credit union makes an insurance program
22 available to its members, the domestic credit union shall
23 maintain documentary evidence that it has investigated various
24 plans of insurance and has determined that the provisions
25 relating to costs and benefits and other provisions of the plan
26 selected protect and serve the interest of its members. The
27 commissioner may inspect the documentary evidence on request.

1 (6) A domestic credit union may advise its members of the
2 availability of an insurance program and of its action taken
3 under subsection (5) and may use marketing materials supplied by
4 the insurance carrier.

5 (7) If authorized by the credit union board, a domestic
6 credit union may furnish to an insurance carrier or an agent
7 membership lists of addresses without compensation from the
8 insurance carrier or agent. For an appropriate fee, if
9 authorized by the credit union board, a domestic credit union may
10 mail marketing materials about an insurance program to its
11 membership.

12 (8) A domestic credit union may assist a member in filing a
13 claim and with other matters dealing with an insurance carrier if
14 that assistance does not violate any applicable insurance law and
15 regulation.

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

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

26 (3) A domestic credit union has a lien for unpaid rental
27 charges on the contents of any safe deposit box or compartment.

1 If rental charges are not paid within 1 year after the date of
2 accrual, the domestic credit union may sell the property in the
3 box or compartment at public auction, after providing any notice
4 required by any law applicable to the sale. The domestic credit
5 union may retain from the proceeds of sale the amount of all
6 charges due and owing at the time of the sale and the reasonable
7 expenses of the sale and shall pay the balance, if any, to the
8 renter of the box or compartment or to any person who proves to
9 the satisfaction of the domestic credit union that he or she is
10 entitled to the proceeds. If it acts fairly and in good faith,
11 the domestic credit union may purchase all or part of the
12 property at the sale.

13 Sec. 411. (1) If authorized by the credit union board, a
14 domestic credit union may conduct a savings promotion raffle.
15 The domestic credit union shall conduct a savings promotion
16 raffle so that each token or ticket representing an entry in the
17 raffle has an equal chance of being drawn. A domestic credit
18 union shall not conduct a savings promotion raffle in a manner
19 that jeopardizes the domestic credit union's safety and soundness
20 or misleads its members.

21 (2) Pursuant to his or her supervisory powers under article
22 2, the commissioner may examine the conduct of a savings
23 promotion raffle. The commissioner may issue a cease and desist
24 order for a violation of this section under article 2.

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

27 (4) As used in this section, "savings promotion raffle" means

1 a raffle conducted by a domestic credit union where the sole
2 consideration required for a chance of winning designated prizes
3 is the deposit of at least a specified amount of money in a
4 savings account or other savings program offered by the domestic
5 credit union.

6 Sec. 412. (1) Except as provided in subsection (2), a
7 domestic credit union shall not contract for, receive, impose,
8 assess, or collect a charge or fee for the cashing of a check
9 that exceeds 1 of the following percentages of the face amount of
10 the check, as applicable:

11 (a) Five percent for a payroll, pension, or government
12 check.

13 (b) Seven percent for a check from an insurance company,
14 including, but not limited to, a private health or disability
15 insurance plan payment.

16 (c) Ten percent for a personal check, money order, or other
17 check.

18 (2) A domestic credit union may contract for, receive,
19 impose, assess, or collect a charge or fee that does not exceed
20 \$25.00 for the first check the credit union cashes for an
21 individual.

22 PART 2

23 LOANS

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

27 (2) A credit committee shall meet as often as the business of

1 the domestic credit union requires. The credit committee shall
2 consider applications for loans or review the credit decisions of
3 the loan officers of the domestic credit union. A majority vote
4 of the members of the committee who are present at a meeting is
5 required to approve or disapprove of a loan to a member.

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

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

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

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

26 Sec. 422. (1) A loan made by a domestic credit union to
27 another domestic credit union is not subject to any interest rate

1 limitation contained in any law of this state.

2 (2) In addition to any other loan authorized by law, a
3 domestic credit union may enter into a loan agreement under this
4 subsection with a member. All of the following apply to a loan
5 under this subsection:

6 (a) The loan may be for any amount up to \$1,000.00.

7 (b) The term of the loan shall be 30 days.

8 (c) The domestic credit union may charge a fee in addition to
9 any interest in connection with the loan. A fee is in addition
10 to interest authorized by law and is not part of the interest
11 collected or agreed to be paid on loans within the meaning of a
12 law of this state that limits the rate of interest which may be
13 exacted in a transaction.

14 (d) The total interest, fees, and other costs of the loan
15 shall not exceed 10% of the principal amount.

16 (e) A member shall not have more than 1 loan under this
17 subsection outstanding with the credit union.

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

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

24 (3) A domestic credit union may contract with a borrower for
25 the borrower to reimburse the domestic credit union for any
26 specifically identified third party costs related to a loan
27 originally paid by the domestic credit union, and for any amount

1 specifically identified in the loan agreement as an incentive if
2 the borrower prepays the loan in full within 3 years of the date
3 that the loan is made and the originally scheduled amortization
4 period of the loan is more than 5 years.

5 (4) A domestic credit union shall not agree to rates, terms,
6 or conditions on any loan or line of domestic credit made to or
7 endorsed or guaranteed by a director, credit committee member, or
8 supervisory committee member, or an immediate family member of a
9 director, credit committee member, or supervisory committee
10 member that are more favorable than the rates, terms, and
11 conditions for comparable loans or lines of credit to other
12 credit union members.

13 (5) A domestic credit union shall process a loan to a
14 director or member of the credit committee or supervisory
15 committee in the same manner as a loan to other members, except
16 that the applicant shall not participate in the approval process
17 for his or her loan.

18 (6) A domestic credit union may provide open-end or
19 closed-end credit arrangements for its members if the credit
20 union board has established a policy for those credit
21 arrangements. Unless prohibited by the agreement for the
22 open-end credit arrangement, a domestic credit union may under an
23 open-end credit arrangement unilaterally increase the approved
24 limit or may increase the approved limit on the request of the
25 member.

26 (7) A domestic credit union may participate in loans to
27 credit union members jointly with other credit unions, credit

1 union service organizations, or other financial institutions.

2 (8) A domestic credit union may participate in a guaranteed
3 loan program of the federal or state government under the terms
4 and conditions specified in the law establishing that program.

5 (9) A domestic credit union may offer reduced rate loans and
6 other extensions of credit to its employees under a policy
7 adopted by its credit union board. The credit union board, or
8 the credit committee if the domestic credit union has a credit
9 committee that does not include any credit union employees, must
10 approve of any loan or other extension of credit to or purchase
11 of an obligation of the general manager.

12 (10) A domestic credit union shall not make a loan or extend
13 a line of credit if an official or senior management employee
14 will receive a commission, fee, or compensation other than salary
15 if the loan or line of credit is approved.

16 Sec. 424. (1) Except as provided in subsection (2), a
17 domestic credit union that requires a mortgagor to maintain
18 property and casualty insurance as a condition to receiving a
19 mortgage loan shall not require an amount of property and
20 casualty insurance that is greater than the replacement cost of
21 the mortgaged building or buildings.

22 (2) A domestic credit union may require an amount of property
23 and casualty insurance that is required of the domestic credit
24 union as a condition of a sale, transfer, or assignment of all or
25 part of the mortgage to a third party. This subsection does not
26 require that the domestic credit union anticipate a sale,
27 transfer, or assignment at the time the mortgage loan is made.

PART 3

INVESTMENTS

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Sec. 431. (1) A domestic credit union may invest funds not used in loans to members in any of the following:

(a) Securities, obligations, or other instruments of or issued by or fully guaranteed as to principal and interest by the United States or an agency or instrumentality of the United States, or in any trust or trusts established for investing directly or collectively in those securities, obligations, or instruments.

(b) Securities, obligations, or other instruments of or issued by any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or a territory organized by congress, or any of their political subdivisions.

(c) Securities, obligations, or other instruments of any central liquidity facility or corporate credit union established under the laws of this state, the laws of another state or territory of the United States, or the laws of the United States, or any federal reserve bank.

(d) An obligation that meets all of the following:

(i) In the domestic credit union's prudent judgment, which may be based in part upon estimates which it believes are reliable, there is adequate evidence that the obligor of the obligation will be able to perform all it undertakes to perform in connection with the obligation, including all debt service requirements, and that the obligation may be sold with reasonable promptness at a price that corresponds to its fair value.

1 (ii) The investment characteristics of the obligation are not
2 considered distinctly or predominantly speculative.

3 (iii) The obligation is not in default in the payment of
4 principal or interest.

5 (iv) The obligation is a marketable obligation in the form of
6 a bond, note, or debenture, commonly regarded as an investment
7 security, and salable under ordinary circumstances with
8 reasonable promptness at a fair value.

9 (e) Shares or certificates of an open-end management
10 investment company registered with the securities and exchange
11 commission under the investment company act of 1940, title I of
12 chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to
13 80a-64, if all of the following conditions are met:

14 (i) Not less than 90% of the fund's assets consist of and are
15 limited to securities in which a domestic credit union may invest
16 directly.

17 (ii) The domestic credit union has an equitable and undivided
18 interest in the underlying assets of the fund.

19 (iii) The domestic credit union is not liable for acts or
20 obligations of the fund.

21 (iv) The domestic credit union's investment in any 1 fund
22 does not exceed the amount of its net worth.

23 (f) Investments in mortgage-backed securities either issued
24 by or guaranteed by a private organization if the securities
25 involved meet the investment standards for an obligation
26 described in subdivision (d).

27 (2) A domestic credit union other than a corporate credit

1 union shall not invest more than 25% of its net worth in an
2 obligor or affiliate of the obligor. This subsection does not
3 apply to the extent that the investment is insured or guaranteed
4 by the United States government or an agency of the United States
5 government or a state or local government, or the investment is
6 in a corporate credit union.

7 (3) A domestic credit union may not invest in or hold common
8 stock or another equity investment except as provided in section
9 401(2), or in bank and bank holding company stock legally
10 acquired before December 19, 1986. If a domestic credit union
11 possesses capital stock or another equity investment as the
12 result of a loan default, it shall dispose of that investment
13 within a reasonable period of time that does not exceed 1 year,
14 or a longer period of time approved by the commissioner for that
15 domestic credit union.

16 (4) In addition to investments authorized by this act, a
17 domestic credit union may make any other type of investment
18 approved by the commissioner by rule, order, or declaratory
19 ruling.

20 (5) A domestic credit union shall maintain files containing
21 credit and other information adequate to demonstrate evidence of
22 prudent business judgment in exercising the investment powers
23 granted under this act or by rule, order, or declaratory ruling
24 of the commissioner.

25 Sec. 432. (1) If the purchase meets the conditions of a
26 written policy of the credit union board, a domestic credit union
27 may purchase 1 or more of the following obligations:

1 (a) An obligation of a member that satisfies this act, the
2 bylaws, and the lending policies established by the credit union
3 board, other than any annual percentage interest rate
4 requirement.

5 (b) An obligation of a member if before the domestic credit
6 union agrees to purchase the obligation the member agrees in
7 writing to refinance the obligation within 60 days after the
8 purchase in a manner that will result in the obligation meeting
9 subdivision (a).

10 (2) A domestic credit union may purchase an obligation of a
11 member under this section if the credit union board approves the
12 purchase of the obligation or a class of obligations that
13 includes the obligation, there is a written agreement for the
14 purchase, and the domestic credit union retains the written
15 agreement and a schedule of the obligations covered by the
16 agreement at its principal place of business.

17 (3) If a domestic credit union agrees to purchase a partial
18 interest in an obligation of a member, the agreement shall
19 disclose the responsibilities of each party if the obligation is
20 subject to collection, loss, or foreclosure and shall provide
21 that in the event of a loss each owner shares in the loss in
22 proportion to the owner's interest in the obligation.

23 (4) A domestic credit union may purchase an obligation of a
24 member at a discount or premium if the discount or premium is
25 amortized monthly over the remaining term of the obligation.

26 (5) A domestic credit union may sell all or part of an
27 obligation of a member if the sale meets the conditions of the

1 sale policy adopted by the credit union board, the credit union
2 board approves the sale, there is a written agreement for the
3 sale, and the domestic credit union retains the written agreement
4 and a schedule of the obligations covered by the agreement at its
5 principal place of business.

6 (6) An agreement to sell a partial interest in an obligation
7 of a member shall not include a recourse or repurchase provision
8 other than 1 or more of the following:

9 (a) A provision that requires the seller to repurchase the
10 obligation because of a breach of warranty or misrepresentation.

11 (b) A provision that allows the domestic credit union to
12 repurchase the obligation at its discretion.

13 (c) A provision that allows substitution of 1 loan for
14 another loan.

15 (7) A domestic credit union may pledge all or any part of an
16 obligation of a member if the pledge meets the conditions of the
17 pledge policy adopted by the credit union board, and the credit
18 union board approves the pledge.

19 (8) An agreement to pledge an obligation of a member shall
20 identify the obligations covered by the agreement and set forth
21 the responsibilities of each party if an obligation covered by
22 the agreement is subject to collection, loss, foreclosure, or
23 default.

24 (9) This section does not permit a domestic credit union to
25 pledge an obligation of a member unless authorized in section
26 401(2).

27 (10) For a fee, a domestic credit union may agree to service

1 all or part of an obligation it purchases or sells.

2 (11) A member shall not directly or indirectly give and a
3 senior management employee shall not directly or indirectly
4 receive a fee, compensation, commission, gift, or other
5 consideration as an inducement to purchase, sell, or pledge an
6 obligation of a member.

7 ARTICLE 5

8 FOREIGN CREDIT UNIONS

9 Sec. 501. (1) A foreign credit union, other than a federal
10 credit union, may conduct business as a credit union in this
11 state only with the written approval of the commissioner. The
12 commissioner shall not grant approval unless the commissioner
13 finds that the foreign credit union meets all of the following
14 requirements:

15 (a) The credit union is organized under a law similar to this
16 act.

17 (b) The credit union is financially solvent.

18 (c) The credit union has insurance through an agency of the
19 federal government of member share and deposit accounts.

20 (d) The credit union is examined and supervised by the
21 supervisory authority of the state or territory in which it is
22 organized.

23 (e) The credit union conducts business in this state to
24 adequately serve its members in this state.

25 (2) The commissioner shall not grant approval under
26 subsection (1) unless the foreign credit union agrees in writing
27 as a condition of the approval to do all of the following:

1 (a) To charge a rate of interest that does not exceed any
2 rate of interest permitted by the credit reform act, 1995 PA 162,
3 MCL 445.1851 to 445.1864, for a loan in this state by a domestic
4 credit union.

5 (b) Comply with the same consumer protection laws that a
6 domestic credit union must comply with when making a loan or
7 providing other services in this state. For purposes of this
8 subdivision, a loan is made in this state if any person, other
9 than a guarantor, while physically in this state, signed the loan
10 agreement setting forth the terms and conditions of any
11 obligation created or to be created under the agreement. For
12 purposes of this subdivision, a service other than a loan is
13 provided in this state if a person does not physically travel out
14 of this state to obtain the service or if an agreement to provide
15 the service is signed by a person in this state.

16 (c) Designate and maintain an agent for the service of
17 process in this state.

18 (d) File any reports required by the commissioner.

19 (e) Allow the commissioner to conduct an examination, if
20 necessary, to the same extent as the commissioner is authorized
21 to conduct examinations of domestic credit unions under article
22 2.

23 (f) Meet any other requirements that the commissioner
24 requires of domestic credit unions under this act.

25 (3) The commissioner shall not grant approval under
26 subsection (1) if the state or territory in which the credit
27 union is organized does not permit credit unions organized in

1 this state to do business in that state or territory.

2 (4) This section does not exempt a foreign credit union from
3 complying with the laws of this state to the extent compliance is
4 otherwise required.

5 Sec. 502. (1) If in the opinion of the commissioner a
6 foreign credit union is engaging, has engaged, or is about to
7 engage in an unsafe or unsound practice in conducting the
8 business of a credit union at a branch located in this state, or
9 is violating, has violated, or is about to violate a state or
10 federal law or a state or federal rule or regulation, the
11 commissioner may notify any state or federal regulatory authority
12 with jurisdiction over the foreign credit union of the practice
13 or violation, or may issue and serve upon the foreign credit
14 union a notice of intent to revoke the foreign credit union's
15 authority to engage in business in this state. The notice shall
16 contain a statement of the facts constituting the alleged unsafe
17 or unsound practice or violation and inform the foreign credit
18 union of its right to request a hearing within 10 days.

19 (2) If a foreign credit union described in subsection (1)
20 requests a hearing within the 10-day time period, the
21 commissioner shall hold a hearing in accordance with the
22 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
23 24.328.

24 (3) Within 60 days after the date of a hearing under
25 subsection (2), the commissioner shall file a written decision
26 containing his or her findings and serve a copy on the foreign
27 credit union.

ARTICLE 6

REPEAL OF PREDECESSOR ACT

Sec. 601. 1925 PA 285, MCL 490.1 to 490.31, is repealed.

Enacting section 1. This act takes effect June 1, 2004.