

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5017**

A bill to amend 2003 PA 215, entitled
"Credit union act,"
by amending the title and sections 102, 103, 202, 214, 304, 305,
342, 345, 353, 355, 357, 401, 408, 409, 423, 431, and 432 (MCL
490.102, 490.103, 490.202, 490.214, 490.304, 490.305, 490.342,
490.345, 490.353, 490.355, 490.357, 490.401, 490.408, 490.409,
490.423, 490.431, and 490.432), sections 102, 214, 304, 342, 345,
357, 401, and 423 as amended by 2004 PA 471.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

TITLE

2

An act to provide for the organization, operation, regulation,

3

and supervision of credit unions; to prescribe the powers and

4

duties of credit unions; to prescribe the powers and duties of

1 certain state agencies and officials; **TO CREATE THE CREDIT UNION**
2 **REGULATORY FUND**; to prescribe penalties, civil sanctions, and
3 remedies; and to repeal acts and parts of acts.

4 Sec. 102. As used in this act:

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

7 (i) A credit union directly or indirectly owns or controls a
8 majority of the person's voting shares or other voting ownership
9 interests.

10 (ii) A credit union directly or indirectly owns or controls
11 more than 50% of the number of shares or other ownership interests
12 voted at the most recent election for the election of its
13 directors, trustees, or other individuals who exercise similar
14 functions.

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

18 (iv) A majority of a credit union board constitutes a majority
19 of the directors, trustees, or other persons exercising similar
20 functions of the person.

21 (b) "Alien credit union" means a credit union **THAT IS**
22 organized under the laws of a country other than the United States.

23 (c) **"ASSOCIATE BOARD MEMBER" MEANS AN INDIVIDUAL APPOINTED BY**
24 **A CREDIT UNION BOARD TO THE POSITION DESCRIBED IN SECTION 342(10).**

25 (d) ~~(e)~~ "Bank" means a bank that is organized under the laws
26 of this state, any other state, the District of Columbia, or a
27 territory or protectorate of the United States, or a national

1 banking association chartered by the federal government under the
2 national bank act, ~~chapter 106, 13 Stat. 99,~~ 12 USC 21 TO 216D, and
3 whose deposits are insured by an agency of the federal government.

4 (E) "BOARD MEMBER" MEANS A MEMBER OF A BOARD OF DIRECTORS,
5 BOARD OF TRUSTEES, OR SIMILAR GOVERNING BODY OF AN ORGANIZATION. IN
6 CONNECTION WITH A CREDIT UNION BOARD, THE TERM DOES NOT INCLUDE AN
7 ASSOCIATE BOARD MEMBER.

8 (F) ~~(d)~~-"Borrower" means a member who obtains a loan from a
9 ~~domestic credit union.~~

10 (G) ~~(e)~~-"Branch" means, ~~a place of business, other than the~~
11 ~~principal place of business, that is owned or leased by a credit~~
12 ~~union and where the credit union transacts business authorized by~~
13 ~~the credit union board.~~ EXCEPT AS OTHERWISE PROVIDED IN THIS
14 SUBDIVISION, AN OFFICE OR OTHER PLACE OF BUSINESS AT WHICH A CREDIT
15 UNION RECEIVES DEPOSITS, PAYS CHECKS, OR LENDS MONEY. BRANCH DOES
16 NOT INCLUDE ANY OF THE FOLLOWING:

17 (i) AN ELEMENTARY, MIDDLE, OR HIGH SCHOOL AT WHICH AN EMPLOYEE
18 OR AGENT OF A CREDIT UNION ONLY ACCEPTS DEPOSITS.

19 (ii) AN ELECTRONIC FUNDS TRANSFER FACILITY THAT IS MADE
20 AVAILABLE TO 2 OR MORE DEPOSITORY INSTITUTIONS UNDER 1978 PA 322,
21 MCL 488.1 TO 488.31.

22 (iii) A LOAN PRODUCTION OFFICE OF A CREDIT UNION.

23 (iv) A MOBILE OFFICE. AS USED IN THIS SUBPARAGRAPH, "MOBILE
24 OFFICE" MEANS A CREDIT UNION OFFICE OR FACILITY THAT DOES NOT HAVE
25 A PERMANENT LOCATION AND IS DESIGNED TO BE MOVEABLE FROM PLACE TO
26 PLACE.

27 (H) ~~(f)~~-"Commissioner" means the ~~commissioner of the office of~~

1 ~~financial and insurance services in the department of labor and~~
 2 ~~economic growth.~~ **DIRECTOR.**

3 (I) ~~(g)~~—"Corporate credit union" means a credit union whose
 4 field of membership consists primarily of other credit unions.

5 (J) ~~(h)~~—"Credit union" means a domestic or foreign credit
 6 union.

7 (K) ~~(i)~~—"Credit union board" means a board of directors, board
 8 of trustees, or other governing body of a credit union. **A CREDIT**
 9 **UNION BOARD DOES NOT INCLUDE ASSOCIATE BOARD MEMBERS.**

10 (L) ~~(j)~~—"Credit union service organization" means a
 11 corporation or other ~~organization~~ **LEGAL ENTITY** that is engaged
 12 primarily in providing 1 or more of the products or services
 13 described in section 407 to credit unions or their members, ~~and~~
 14 that a domestic credit union may organize, invest in, or lend to
 15 under section 401(2) (gg), **AND THAT MAY OR MAY NOT BE CONTROLLED BY**
 16 **1 OR MORE CREDIT UNIONS.**

17 (M) ~~(k)~~—"Debt management" means that term as defined in
 18 section 2 of the debt management act, 1975 PA 148, MCL 451.412.

19 (N) **"DEPARTMENT" MEANS THE DEPARTMENT OF INSURANCE AND**
 20 **FINANCIAL SERVICES.**

21 (O) **"DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT.**

22 (P) ~~(l)~~—"Domestic credit union" means a cooperative, nonprofit
 23 entity organized under this act for the purposes of encouraging
 24 thrift among its members, providing a variety of financial services
 25 to its members, and providing an opportunity for its members to use
 26 and control their own money on a democratic basis in order to
 27 improve their economic and social condition.

1 (Q) ~~(m)~~—"Eligibility record date" means a record date that is
2 1 year or more before the adoption of a plan of conversion by a
3 credit union board and is set forth in a plan of conversion for
4 determining eligible members of a converting credit union.

5 (R) ~~(n)~~—"Emergency" means a condition, event, or occurrence
6 that meets both of the following:

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

11 (ii) It is the result of a fire, flood, earthquake, hurricane,
12 tornado, wind, rain, snowstorm, labor dispute or strike, power
13 failure, transportation failure, fuel shortage, interruption of a
14 communication facility, shortage of housing, epidemic or other
15 natural or manmade catastrophe, riot, civil commotion, or any other
16 act of lawlessness or violence.

17 (S) ~~(o)~~—"Federal credit union" means a credit union **THAT IS**
18 organized under the laws of the United States.

19 (T) ~~(p)~~—"Field of membership" means that term as established
20 under section 352.

21 (U) ~~(q)~~—"Financial institution" means a credit union, bank,
22 savings bank, or savings and loan association.

23 (V) ~~(r)~~—"Foreign credit union" means a credit union organized
24 under the laws of another state or territory of the United States
25 or a federal credit union.

26 (W) ~~(s)~~—"Insolvent" means a credit union that meets either of
27 the following:

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

3 (ii) Its liabilities exceed its assets.

4 Sec. 103. As used in this act:

5 (a) "Membership share" means a share of a domestic credit
6 union equal in amount to the par value of the credit union's shares
7 that is credited to an account of a member by the credit union, is
8 required as a condition of membership in the credit union, and is
9 subject to any withdrawal restriction or other standards
10 established by the domestic credit union for membership shares.

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

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

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

19 **(E) "OFFICE OF FINANCIAL AND INSURANCE SERVICES" MEANS THE**
20 **DEPARTMENT.**

21 **(F)** ~~(e)~~—"Officer" means the chairperson of the board, the
22 vice-chairperson of the board, the secretary, the treasurer, the
23 general manager, an individual whose title is "president", ~~or "vice~~
24 ~~president",~~ an assistant treasurer, or an assistant secretary of a
25 credit union, or any other ~~person~~ **INDIVIDUAL WHO IS** specifically
26 designated as an officer of a credit union by the credit union
27 board.

1 (G) ~~(f)~~—"Official" means a member of a credit union board or
2 an officer, member of a credit committee or supervisory committee,
3 or member of any other committee performing functions similar to a
4 credit committee or supervisory committee, of a credit union.

5 (H) ~~(g)~~—"Person" means an individual, corporation,
6 partnership, limited liability company, association, governmental
7 entity, or any other legal entity.

8 (I) ~~(h)~~—"Principal place of business" means the place where a
9 domestic credit union keeps its principal records.

10 (J) ~~(i)~~—"Savings and loan association" means a savings
11 association **THAT IS** organized under the laws of this state, a
12 savings and loan association, building and loan association, or
13 homestead association that is organized under the laws of any other
14 state, the District of Columbia, or a territory or protectorate of
15 the United States, or a federal savings association organized under
16 ~~section 5 of the home owners' loan act, chapter 64, 48 Stat. 132,~~
17 ~~12 U.S.C. 1464,~~ **12 USC 1461 TO 1470**, and whose deposits are insured
18 by an agency of the federal government.

19 (K) ~~(j)~~—"Savings bank" means a savings bank **THAT IS** organized
20 under the laws of this state, any other state, the District of
21 Columbia, a territory or protectorate of the United States, or of
22 the United States, and whose deposits are insured by an agency of
23 the federal government.

24 (L) ~~(k)~~—"Senior management employee" means ~~a credit union's~~
25 ~~general manager or an assistant general manager or the chief~~
26 ~~financial officer of the credit union.~~ **ANY INDIVIDUAL WHO IS**
27 **DESIGNATED AS A SENIOR POLICY-MAKING EMPLOYEE OF A CREDIT UNION BY**

1 **THE BOARD OF THE CREDIT UNION.**

2 (M) ~~(l)~~—"Service center" means a place of business of a credit
3 union, other than the principal place of business or a branch,
4 where the credit union may transact business authorized by the
5 credit union board.

6 (N) ~~(m)~~—"Stock savings and loan association" means a savings
7 and loan association that is authorized by its articles of
8 incorporation to issue capital stock.

9 (O) ~~(n)~~—"Stock savings bank" means a savings bank that is
10 authorized by its articles of incorporation to issue capital stock.

11 Sec. 202. (1) ~~Any fees, fines, A FEE, A CIVIL OR~~
12 **ADMINISTRATIVE FINE**, or **ANY** other money received or collected by
13 the ~~commissioner~~ **DIRECTOR** or the ~~office of financial and insurance~~
14 ~~services~~ **DEPARTMENT** under this act, **EXCEPT A FINE IMPOSED FOR A**
15 **VIOLATION OF SECTION 217**, is not refundable and shall be deposited
16 into the ~~state treasury to the credit of the office of financial~~
17 ~~and insurance services and used only for the operation of the~~
18 ~~office of financial and insurance services.~~ **CREDIT UNION REGULATORY**
19 **FUND CREATED IN SUBSECTION (2).**

20 (2) **THE CREDIT UNION REGULATORY FUND IS ESTABLISHED IN THE**
21 **DEPARTMENT OF TREASURY. ALL OF THE FOLLOWING APPLY TO THE CREDIT**
22 **UNION REGULATORY FUND:**

23 (A) **THE FUND SHALL CONSIST OF THE FOLLOWING:**

24 (i) **FEES, CIVIL OR ADMINISTRATIVE FINES, AND ANY OTHER MONEY**
25 **RECEIVED OR COLLECTED UNDER THIS ACT, EXCEPT FINES IMPOSED FOR**
26 **VIOLATIONS OF SECTION 217.**

27 (ii) **MONEY APPROPRIATED TO THE FUND.**

1 (iii) DONATIONS OF MONEY MADE TO THE FUND FROM ANY SOURCE.

2 (iv) INTEREST AND EARNINGS FROM FUND INVESTMENTS.

3 (B) MONEY IN THE FUND AT THE CLOSE OF A FISCAL YEAR SHALL
4 REMAIN IN THE FUND AND SHALL NOT REVERT TO THE GENERAL FUND.

5 (C) UPON APPROPRIATION, THE DEPARTMENT SHALL USE THE MONEY IN
6 THE FUND ONLY FOR CREDIT UNION REGULATORY PURPOSES, AS DETERMINED
7 BY THE DIRECTOR.

8 (D) THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE
9 FUND.

10 (E) THE DEPARTMENT IS THE ADMINISTRATOR OF THE FUND FOR
11 AUDITING PURPOSES.

12 Sec. 214. (1) If a ~~person participating~~ **AN INDIVIDUAL WHO**
13 **PARTICIPATES** in the conduct of the affairs of a domestic credit
14 union is charged in any information, indictment, warrant, or
15 complaint by a county, state, or federal authority with the
16 commission of, or participation in, a ~~felony involving~~ **CRIME THAT**
17 **INVOLVES** dishonesty or breach of trust, the ~~commissioner~~ **DIRECTOR**
18 may, by written notice served on the ~~person~~ **INDIVIDUAL**, suspend the
19 ~~person~~ **INDIVIDUAL** from office or prohibit the ~~person~~ **INDIVIDUAL**
20 from further participation in any manner in the conduct of the
21 affairs of the domestic credit union. The ~~commissioner~~ **DIRECTOR**
22 shall also serve a copy of the suspension or prohibition on the
23 domestic credit union. A suspension or prohibition is in effect
24 until the information, indictment, warrant, or complaint is finally
25 disposed of or until terminated by the ~~commissioner~~ **DIRECTOR**.

26 (2) If a judgment of conviction with respect to an offense
27 described in subsection (1) is entered against a ~~person~~, **AN**

1 **INDIVIDUAL**, after the judgment is not subject to further appellate
2 review, the ~~commissioner~~**DIRECTOR** may issue an order removing the
3 ~~person~~**INDIVIDUAL** from office or prohibiting the ~~person~~**INDIVIDUAL**
4 from further participation in the conduct of the affairs of any
5 domestic credit union. If an order described in this subsection is
6 issued, the ~~person~~**INDIVIDUAL** must obtain the prior consent of the
7 ~~commissioner~~**DIRECTOR** before participating in any manner in the
8 conduct of the affairs of any domestic credit union.

9 (3) ~~A person~~**AN INDIVIDUAL WHO IS** removed from office under
10 subsection (2) is removed when a copy of the order is served ~~upon~~
11 **ON** the domestic credit union.

12 (4) A finding of not guilty or other disposition of the charge
13 does not preclude the ~~commissioner~~**DIRECTOR** from instituting
14 proceedings to suspend or remove a ~~person~~**AN INDIVIDUAL** from office
15 or to prohibit further participation in the affairs of a domestic
16 credit union under section 212(1), (2), or (3).

17 Sec. 304. (1) ~~A~~**IF A** domestic credit union ~~may change~~**CHANGES**
18 the location of its principal place of business ~~within~~**IN** this
19 state, ~~if it provides~~**THE DOMESTIC CREDIT UNION MUST PROVIDE** the
20 ~~commissioner~~**DIRECTOR** with written notice at least ~~30~~**7** days before
21 the change of location.

22 (2) A domestic credit union shall file the address of the
23 principal place of business and the names and titles of the
24 officials and senior management employees of the domestic credit
25 union with the ~~commissioner~~**DIRECTOR** on a form prescribed by the
26 ~~commissioner~~**DIRECTOR**. If the name or title of an official or
27 senior management employee of a domestic credit union changes, the

1 credit union shall provide the ~~commissioner~~**DIRECTOR** with written
2 notice of the change within ~~3-business~~ 7 days after the change.

3 (3) A domestic credit union may establish and maintain
4 branches. The credit union shall provide written notice to the
5 ~~commissioner~~**DIRECTOR** of the location of a branch before
6 establishing the branch.

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

15 (5) Subject to all of the following, a domestic credit union
16 may adopt or change 1 or more assumed names:

17 (a) The domestic credit union shall give written notice of a
18 proposed assumed name to the ~~commissioner~~**DIRECTOR** at least 30 days
19 before using the assumed name.

20 (b) The ~~commissioner~~**DIRECTOR** may deny a domestic credit union
21 the right to use an assumed name or terminate a credit union's
22 right to use an assumed name if the ~~commissioner~~**DIRECTOR**
23 determines that the assumed name is confusing or misleading or for
24 any other reason.

25 (c) A domestic credit union using an assumed name shall
26 clearly and conspicuously disclose the name of the credit union and
27 the assumed name in all signs, advertising, mailings, and similar

1 materials and shall clearly and conspicuously disclose the assumed
2 name and the name of the credit union in all legal documents,
3 certificates of deposit, signature cards, loan agreements, account
4 statements, checks, drafts, and other similar documents.

5 (d) An assumed name may ~~not~~ contain the phrase "credit union".

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

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

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

22 (c) A domestic credit union may maintain records specific to a
23 branch located outside of this state at that branch if the credit
24 union can make the originals of those records available to the
25 ~~commissioner~~**DIRECTOR** within this state within 3 business days
26 after a request from the ~~commissioner~~**DIRECTOR** to examine them. If
27 a law applicable in the state where the branch is located prohibits

1 the removal of the original records from that state, the credit
2 union shall notify the ~~commissioner~~-**DIRECTOR** of that law and
3 provide copies of the records to the ~~commissioner~~-**DIRECTOR**.

4 (2) If a domestic credit union does not make its books and
5 records available to the ~~commissioner~~-**DIRECTOR** or his or her
6 authorized agent in the manner described in subsection (1), the
7 ~~commissioner~~-**DIRECTOR** may obtain an order from the circuit court of
8 the county in which the credit union is located ~~requiring~~-**THAT**
9 **REQUIRES** the credit union to produce the books and records for
10 examination.

11 Sec. 342. (1) At its first meeting, the credit union board
12 shall elect from the credit union board members a chairperson,
13 vice-chairperson, treasurer, and secretary. An individual may serve
14 as both treasurer and secretary. A credit union may refer to these
15 officers by different titles. The credit union shall establish the
16 duties of all of the officers of the credit union in its bylaws.

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

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

27 (a) Except as provided in section 345(3), filling a vacancy on

1 the board until a successor is elected by the members.

2 ~~—— (b) Establishing the maximum individual shareholdings of~~
3 ~~members.~~

4 (B) ~~(e)~~ Establishing the maximum amount of secured and
5 unsecured loans made by the domestic credit union, subject to
6 section ~~423(12)~~ **423 (11)** and any limitations under the bylaws of the
7 domestic credit union adopted and approved by the
8 ~~commissioner~~. **DIRECTOR**.

9 (C) ~~(d)~~ Employing a general manager **OR CHIEF EXECUTIVE OFFICER**
10 and fixing his or her compensation.

11 (D) ~~(e)~~ Approving an annual operating budget.

12 ~~—— (f) Acquiring, selling, or encumbering real property.~~

13 (E) ~~(g)~~ Appointing special committees ~~as~~ **THAT** the board ~~deems~~
14 **CONSIDERS** necessary.

15 ~~—— (h) Borrowing money under section 401(2) (j).~~

16 ~~—— (i) Fixing the amount of the surety bonds for all officers and~~
17 ~~employees handling money.~~

18 (F) ~~(j)~~ Determining the par value of shares under section 301.

19 (G) ~~(k)~~ Recommending changes in the bylaws to the members.

20 ~~—— (l) Specifying forms and procedures for applications for~~
21 ~~membership and set criteria for use in determining whether to~~
22 ~~accept an applicant into membership.~~

23 (H) ~~(m)~~ Adopting investment policies.

24 (I) ~~(n)~~ Adopting other policies **THE BOARD CONSIDERS** necessary
25 for the operation of the domestic credit union.

26 (J) ~~(o)~~ Establishing the titles of the **BOARD** officers ~~holding~~
27 **WHO HOLD** the positions described in ~~this section~~. **SUBSECTION (1)**.

1 The credit union board shall not establish any misleading titles
2 for **THOSE** officers.

3 ~~—— (p) Meeting at least once every 62 days and at least 9 times~~
4 ~~each calendar year, in person or by means of electronic~~
5 ~~communication devices that enable all participants in a meeting to~~
6 ~~communicate simultaneously with each other.~~

7 (K) ~~(q)~~ Performing any other duties required by the members.

8 (4) A credit union board shall perform, or, **SUBJECT TO**
9 **SUBSECTION (5)**, delegate to the general manager **OR CHIEF EXECUTIVE**
10 **OFFICER** of the domestic credit union according to guidelines
11 established by the credit union board that may include the
12 authority to further delegate 1 or more duties, all of the
13 following duties:

14 (a) Approving, disapproving, or otherwise acting on
15 applications for membership.

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

17 (c) Hiring employees other than the general manager **OR CHIEF**
18 **EXECUTIVE OFFICER** and fixing their compensation.

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

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

22 (f) Establishing procedures to implement policies of the
23 credit union board.

24 (g) Establishing internal controls as necessary.

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

27 (I) **ESTABLISHING THE MAXIMUM INDIVIDUAL SHAREHOLDINGS OF**

1 MEMBERS.

2 (J) ACQUIRING, SELLING, OR ENCUMBERING REAL PROPERTY.

3 (K) BORROWING MONEY UNDER SECTION 401(2) (J).

4 (l) FIXING THE AMOUNT OF THE SURETY BONDS FOR ALL OFFICERS AND
5 EMPLOYEES WHO HANDLE MONEY.

6 (M) SPECIFYING FORMS AND PROCEDURES FOR APPLICATIONS FOR
7 MEMBERSHIP AND SET CRITERIA FOR USE IN DETERMINING WHETHER TO
8 ACCEPT AN APPLICANT INTO MEMBERSHIP.

9 (5) IF A CREDIT UNION BOARD DELEGATES A DUTY DESCRIBED IN
10 SUBSECTION (4) (I) TO (M) TO THE GENERAL MANAGER OR CHIEF EXECUTIVE
11 OFFICER, AND THE GENERAL MANAGER OR CHIEF EXECUTIVE OFFICER ACTS
12 PURSUANT TO THAT DELEGATION, THE GENERAL MANAGER OR CHIEF EXECUTIVE
13 OFFICER SHALL PROVIDE A SUMMARY OF THE ACTIONS HE OR SHE TOOK TO
14 THE CREDIT UNION BOARD AT THE NEXT REGULARLY SCHEDULED MEETING OF
15 THE CREDIT UNION BOARD.

16 (6) ~~(5)~~—A credit union board may do any of the following:

17 (a) By resolution, designate a general manager **OR CHIEF**
18 **EXECUTIVE OFFICER** and define his or her duties.

19 (b) Appoint an executive committee that consists of ~~not fewer~~
20 ~~than 3 directors.~~ **AT LEAST 3 BOARD MEMBERS**. An executive committee
21 may act on any matter specifically authorized by the board.

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

1 occur.

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

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

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

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

3 (7) ~~(6)~~—An individual **WHO IS** elected or appointed to serve as
4 a ~~director~~, **BOARD MEMBER, ASSOCIATE BOARD MEMBER**, supervisory
5 committee member, or credit committee member of a domestic credit
6 union, or as a member of any other committee that performs
7 significant ongoing functions relating to the ongoing operations of
8 the domestic credit union, shall not receive compensation for his
9 or her service as a board **MEMBER, ASSOCIATE BOARD MEMBER**, or
10 committee member, ~~—~~**SUBJECT TO THE FOLLOWING:**

11 (A) **A DOMESTIC CREDIT UNION MAY PROVIDE REASONABLE LIFE,**
12 **HEALTH, ACCIDENT, DISABILITY, OR SIMILAR INSURANCE PROTECTION, AND**
13 **REIMBURSEMENT FOR REASONABLE EXPENSES THAT ARE INCIDENTAL TO THE**
14 **PERFORMANCE OF OFFICIAL BUSINESS OF THE CREDIT UNION, TO BOARD**
15 **MEMBERS, ASSOCIATE BOARD MEMBERS, SUPERVISORY COMMITTEE MEMBERS, OR**
16 **CREDIT COMMITTEE MEMBERS OF THE CREDIT UNION OR TO THE MEMBERS OF**
17 **ANY OTHER COMMITTEE THAT PERFORMS SIGNIFICANT ONGOING FUNCTIONS**
18 **RELATING TO THE ONGOING OPERATIONS OF THE DOMESTIC CREDIT UNION.**

19 (B) **THIS SECTION DOES NOT PREVENT AN EMPLOYEE OF A DOMESTIC**
20 **CREDIT UNION WHO SERVES ON A CREDIT UNION COMMITTEE FROM RECEIVING**
21 **COMPENSATION FOR HIS OR HER DUTIES AS A CREDIT UNION EMPLOYEE.**

22 (8) ~~(7)~~—If a loan made to or cosigned, endorsed, or guaranteed
23 by a ~~director~~**BOARD MEMBER** or a member of the supervisory, credit,
24 or other committee is more than 2 months delinquent, the individual
25 is automatically removed from his or her position as ~~director~~**BOARD**
26 **MEMBER** or committee member and he or she is ineligible to serve as
27 a ~~director~~**BOARD MEMBER** or committee member for 2 years. The

1 ~~commissioner~~DIRECTOR may waive the application of this provision
2 in a given situation if the ~~commissioner~~DIRECTOR determines that
3 it is in the best interests of the domestic credit union to do so.

4 (9) THE BOARD OF A DOMESTIC CREDIT UNION SHALL MEET AT LEAST 6
5 TIMES IN EACH CALENDAR YEAR AND AT LEAST EVERY OTHER MONTH. THE
6 BOARD SHALL MEET IN PERSON OR BY MEANS OF ELECTRONIC COMMUNICATION
7 DEVICES THAT ENABLE ALL PARTICIPANTS IN A MEETING TO COMMUNICATE
8 WITH EACH OTHER.

9 (10) IN ADDITION TO THE BOARD MEMBERS REQUIRED UNDER SECTION
10 341, THE BOARD OF A DOMESTIC CREDIT UNION MAY APPOINT 1 OR MORE
11 ASSOCIATE BOARD MEMBERS. ALL OF THE FOLLOWING APPLY CONCERNING
12 ASSOCIATE BOARD MEMBERS:

13 (A) A CREDIT UNION BOARD IN ITS DISCRETION SHALL DETERMINE
14 WHETHER TO APPOINT ASSOCIATE BOARD MEMBERS, THE NUMBER OF ASSOCIATE
15 BOARD MEMBERS, IF ANY, AND THEIR DUTIES. THE CREDIT UNION BOARD HAS
16 AUTHORITY CONCERNING THE APPOINTMENT AND REMOVAL OF INDIVIDUALS AS
17 ASSOCIATE BOARD MEMBERS.

18 (B) A CREDIT UNION BOARD SHALL NOT APPOINT AN INDIVIDUAL AS AN
19 ASSOCIATE BOARD MEMBER IF HE OR SHE DOES NOT MEET THE ELIGIBILITY
20 REQUIREMENTS DESCRIBED IN SECTION 341(8) FOR BOARD MEMBERS.

21 (C) AN INDIVIDUAL APPOINTED AS AN ASSOCIATE BOARD MEMBER
22 SERVES IN AN EX OFFICIO CAPACITY. AN ASSOCIATE BOARD MEMBER MAY
23 PARTICIPATE IN MEETINGS OF A CREDIT UNION BOARD, BUT ONLY IN AN
24 ADVISORY CAPACITY; HAS NO AUTHORITY TO VOTE OR OTHERWISE ACT AS A
25 BOARD MEMBER; AND IS NOT CONSIDERED A BOARD MEMBER FOR PURPOSES OF
26 THIS ACT.

27 (D) AN ASSOCIATE BOARD MEMBER MUST SIGN A CONFIDENTIALITY

1 AGREEMENT, TO ENSURE THAT ANY INFORMATION CONCERNING THE CREDIT
2 UNION REMAINS CONFIDENTIAL AND THAT HE OR SHE SHALL NOT DISCLOSE
3 THAT INFORMATION TO ANY OTHER PERSON. DISCLOSURE OF CONFIDENTIAL
4 INFORMATION BY AN ASSOCIATE BOARD MEMBER WITHOUT APPROVAL OF THE
5 DIRECTOR IS A VIOLATION OF THIS ACT.

6 (11) ~~(8)~~—A majority of the credit union board constitutes a
7 quorum for the transaction of business.

8 (12) ~~(9)~~—Unless specifically prohibited by the bylaws, if this
9 act requires or allows a credit union board to take an action at a
10 meeting, the board may take that action without a meeting if a
11 consent in writing setting forth the action taken is signed by all
12 of the ~~directors~~ **BOARD MEMBERS WHO ARE** entitled to vote on that
13 matter. A written consent under this subsection shall contain 1 or
14 more written approvals, each of which sets forth the action taken
15 and bears the signature of 1 or more ~~directors~~ **BOARD MEMBERS**. The
16 ~~directors~~ **BOARD MEMBERS** shall deliver their signed approvals to the
17 secretary, and he or she shall file them in the corporate records
18 of the domestic credit union. An action taken by written consent
19 under this subsection is effective when all **OF** the ~~directors~~ **BOARD**
20 **MEMBERS** have approved the consent unless the consent specifies a
21 different effective date. A consent signed by all **OF** the ~~directors~~
22 **BOARD MEMBERS** has the same effect as a unanimous vote **OF THE CREDIT**
23 **UNION BOARD**, and the domestic credit union may represent that the
24 action was approved by a unanimous vote in any document filed with
25 the ~~commissioner~~ **DIRECTOR** under this act.

26 (13) ~~(10)~~ ~~A director when~~ **WHEN HE OR SHE IS FIRST** elected or
27 appointed **TO THE CREDIT UNION BOARD, A BOARD MEMBER** shall take and

1 subscribe an oath that he or she will diligently and honestly
2 perform the duties of the office and will not knowingly violate, or
3 permit to be violated, any provisions of this act. The secretary
4 shall file the oaths in the corporate records of the domestic
5 credit union. **AN OATH MADE BY A BOARD MEMBER UNDER THIS SUBSECTION**
6 **REMAINS IN EFFECT AS LONG AS HE OR SHE REMAINS IN OFFICE.**

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

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

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

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

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

25 (d) Access any credit union records.

26 (3) If a domestic credit union has a supervisory committee and
27 the members elect the **SUPERVISORY** committee, the committee shall

1 fill vacancies on the **SUPERVISORY** committee. ~~until the next annual~~
2 ~~meeting of the members.~~ If a domestic credit union has a
3 supervisory committee and the credit union board appoints the
4 **SUPERVISORY** committee, the credit union board shall fill vacancies
5 on the supervisory committee. **AN INDIVIDUAL APPOINTED TO FILL A**
6 **VACANCY ON THE SUPERVISORY COMMITTEE UNDER THIS SUBSECTION SHALL**
7 **SERVE FOR THE REMAINDER OF THE TERM OF THE VACANT POSITION.**

8 Sec. 353. (1) Except as provided in this part, ownership of a
9 share is a condition of membership in a domestic credit union. A
10 domestic credit union may require ownership of a membership share
11 rather than a share as a condition of membership. Except as
12 provided in this section, a member may own only 1 membership share.

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

16 (3) If it is ~~comprised~~ **COMPOSED** for the most part of the same
17 general group as the membership of the domestic credit union, a
18 domestic credit union may accept a legal entity as a member of a
19 domestic credit union.

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

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

1 Sec. 355. A domestic credit union may allow a member to
 2 designate an account ~~upon~~**ON** which his or her membership is based
 3 as inactive. If the account is the basis for the membership of more
 4 than 1 individual, each individual must agree to the designation.
 5 While an account is inactive, the member involved shall retain his
 6 or her membership but is not entitled to any of the privileges of
 7 membership. While an account is inactive, the domestic credit union
 8 shall not charge any fees to the account. The member who designated
 9 an account as inactive may remove the designation of inactive at
 10 any time. If the inactive designation is not removed within ~~5~~**3**
 11 years, the domestic credit union shall deliver all money or other
 12 property in the account to the department of treasury under the
 13 uniform unclaimed property act, 1995 PA 29, MCL 567.221 to 567.265,
 14 and terminate any membership based on the account.

15 Sec. 357. (1) ~~A credit union board may terminate the~~
 16 ~~membership of, or terminate some or all services to, a member who~~
 17 ~~does any of the following:~~**THE GENERAL MANAGER OR CHIEF EXECUTIVE**
 18 **OFFICER OF A DOMESTIC CREDIT UNION, OR HIS OR HER DESIGNEE, MAY**
 19 **SUSPEND SOME OR ALL SERVICES TO A MEMBER, OR TERMINATE THE**
 20 **MEMBERSHIP OF ANY PERSON, THAT DOES ANY OF THE FOLLOWING:**

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

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

25 ~~(2) Pending action by the credit union board at its next~~
 26 ~~regularly scheduled meeting, a domestic credit union may~~
 27 ~~immediately suspend any credit union services to a member who does~~

1 ~~any of the following:~~

2 ~~—— (a) Causes a loss to the domestic credit union.~~

3 ~~—— (b) Commits fraud or another misdeed against the domestic~~
4 ~~credit union or against a person on the premises of the domestic~~
5 ~~credit union.~~

6 (C) ENGAGES IN INAPPROPRIATE BEHAVIOR INVOLVING ANOTHER
7 INDIVIDUAL, SUCH AS PHYSICAL OR VERBAL ABUSE OF ANOTHER MEMBER OR
8 AN EMPLOYEE OF THE CREDIT UNION.

9 (2) A MEMBER THAT HAS ITS SERVICES SUSPENDED OR A PERSON THAT
10 HAS ITS MEMBERSHIP TERMINATED UNDER SUBSECTION (1) MAY APPEAL THE
11 SUSPENSION OR TERMINATION TO THE CREDIT UNION BOARD WITHIN 90 DAYS
12 AFTER THE DATE OF THE SUSPENSION OR TERMINATION. THE CREDIT UNION
13 BOARD HAS FINAL AUTHORITY TO RESOLVE AN APPEAL UNDER THIS
14 SUBSECTION.

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

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

25 (5) Unless the withdrawal of a member occurs on a maturity
26 date or within 7 days after a maturity date, a domestic credit
27 union may require that a withdrawing member give a 60-day notice of

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

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

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

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

15 (a) To enter into contracts.

16 (b) To sue and be sued.

17 (c) To adopt and alter a seal.

18 (d) To individually or jointly with other credit unions,
19 purchase, lease, or otherwise acquire and hold tangible personal
20 property necessary or incidental to its operations. A domestic
21 credit union shall depreciate or appreciate personal property in
22 the manner and at the rates the ~~commissioner~~**DIRECTOR** prescribes by
23 rule, order, or declaratory ruling.

24 (e) To sell, convey, lease, or otherwise dispose of, or
25 assign, pledge, or create a security interest in, all or part of
26 its tangible personal property, including property obtained as a
27 result of a default of an obligation owed to the domestic credit

1 union. A domestic credit union may finance the sale of its personal
2 property to a person at a rate of interest that does not exceed the
3 rate of interest permitted ~~by~~**UNDER** the credit reform act, 1995 PA
4 162, MCL 445.1851 to 445.1864, for loans to its members for the
5 purchase of equivalent property.

6 (f) To incur and pay necessary and incidental operating
7 expenses.

8 (g) To receive the funds of its members either as payment on
9 shares or as deposits. Subject to the limitation on payment of
10 dividends in section 362, a domestic credit union may have 1 or
11 more classes of share or deposit accounts in the classifications
12 and form, under the terms and conditions and with liquidation
13 priorities authorized by the credit union board, unless otherwise
14 prescribed by law. A domestic credit union shall provide for the
15 transfer and withdrawal of funds from accounts by the means and
16 through the payment systems that the credit union board determines
17 best serve the convenience and needs of its members.

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

20 (i) To make secured or unsecured loans to any member, at fixed
21 or variable interest rates, and take and hold any real or personal
22 property as security. In establishing an interest rate, the
23 domestic credit union shall consider the collateral provided, the
24 creditworthiness of the borrower, the duration of the loan, and any
25 other factor reasonably determined by the domestic credit union to
26 affect the risks related to the loan.

27 (j) To borrow funds from any source. Funds borrowed under this

1 subdivision are not deposits. The domestic credit union may secure
2 a loan described in this subdivision with a pledge of some or all
3 of the domestic credit union's assets.

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

6 (l) To provide debt counseling and other financial counseling
7 services to its members. If the counseling includes debt management
8 for a member and the member is delinquent in any indebtedness owed
9 to the domestic credit union, the domestic credit union shall not
10 charge that member, directly or indirectly, a fee for providing the
11 counseling services.

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

13 (n) To act as trustee or custodian of and administer, for
14 individuals or as part of an employer group plan, retirement
15 accounts, or other accounts that permit tax deferrals or provide
16 other tax benefits under federal or state law.

17 (o) To act as agent for its members and depositors in the
18 purchase, sale, or other disposition of securities, interests in
19 mutual funds, and interests or participations in any other type of
20 investment, if the purchase, sale, or other disposition is done
21 solely for the accounts of its members and depositors and is done
22 on a nonrecourse basis.

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

26 (q) To purchase any of the assets of another ~~domestic credit~~
27 ~~union,~~ **DEPOSITORY INSTITUTION**, or with the approval of the

1 ~~commissioner~~**DIRECTOR** assume any of the liabilities of another
2 ~~domestic credit union~~**DEPOSITORY INSTITUTION.**

3 (r) To make deposits in or loans to banks, savings banks,
4 savings and loan associations, trust companies, and other credit
5 unions, or purchase shares of mutual savings banks, mutual savings
6 and loan associations, and other credit unions. A domestic credit
7 union may also make deposits in, loans to, or purchase shares of a
8 corporate credit union and invest funds as provided in section 431.

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

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

15 (u) To, if approved by the credit union board and not
16 inconsistent with this act, engage in activities and programs of
17 the federal government, a state, a territory of the United States,
18 or an agency or political subdivision of the federal government or
19 a state or territory of the United States.

20 (v) To receive funds as shares or deposits from a credit
21 union, bank, savings bank, savings and loan association, or any
22 other type of depository institution.

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

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

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

2 (z) To purchase, sell, pledge, discount, or otherwise acquire,
3 or dispose of all or part of the obligations of its members in
4 accordance with section 432. This subdivision does not apply to
5 participation loans originated pursuant to section ~~423(7)~~.**423(6)**.

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

9 (bb) To establish, operate, participate in, or hold membership
10 in systems that allow the transfer of credit union funds and funds
11 of its members or other account holders by electronic or other
12 means, including clearinghouse associations, data processing and
13 other electronic networks, the federal reserve system, or any other
14 payment or liquidity program and contract with outside vendors to
15 process member payments, send or receive funds for member
16 investments, or initiate and execute electronic funds transfers on
17 behalf of its members.

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

20 (dd) To receive payments on shares or deposits from or make
21 loans to the United States or an agency or instrumentality of the
22 United States.

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

25 (ff) To receive payments on shares or deposits from a state, a
26 territory of the United States, or from an agency, political
27 subdivision, or instrumentality of a state or territory of the

1 United States. A domestic credit union may act as fiscal agent for,
2 maintain tax and loan accounts of, and make loans to, an entity
3 that the domestic credit union has authority to receive payments
4 from under this subdivision.

5 (gg) To organize, invest in, and make loans to credit union
6 service organizations. In addition to the activities described in
7 section 407(1) or (2) for credit union service organizations, the
8 ~~commissioner~~**DIRECTOR** shall determine the activities and services
9 that fall within the meaning of this subdivision. Investments and
10 loans described in this subdivision shall not in the aggregate
11 exceed 12% of the assets of the domestic credit union, and without
12 the prior approval of the ~~commissioner~~**DIRECTOR** shall not in the
13 aggregate exceed 6% of the assets of the domestic credit union. A
14 domestic credit union may ~~not~~ invest in or make loans to a credit
15 union service organization under this subdivision ~~unless~~**IF** the
16 credit union service organization ~~agrees in writing to allow~~**ALLOWS**
17 the ~~commissioner~~**DIRECTOR** to conduct an examination of the credit
18 union service organization to the same extent that the ~~commissioner~~
19 **DIRECTOR** is authorized to examine credit unions and agrees ~~in~~
20 ~~writing~~ to make any reports to the ~~commissioner~~**DIRECTOR** that he or
21 she requires.

22 (hh) To individually or jointly with other credit unions or
23 other financial organizations, purchase, lease, construct, or
24 otherwise acquire and hold land and buildings for the purpose of
25 providing adequate facilities for the transaction of present and
26 potential business. A domestic credit union may use land and
27 buildings for its principal place of business functions, a branch,

1 a service center, or another facility used to conduct an activity
2 in which it engages. A domestic credit union may rent excess space
3 as a source of income. A domestic credit union shall depreciate or
4 appreciate buildings owned by it in the manner and at the rates the
5 commissioner may prescribe by rule, order, or declaratory ruling.

6 **AN AGREEMENT TO ACQUIRE AND HOLD BUILDINGS OR LAND JOINTLY WITH**
7 **OTHER CREDIT UNIONS OR OTHER FINANCIAL ORGANIZATIONS REQUIRES THE**
8 **PRIOR APPROVAL OF THE DIRECTOR. THE DIRECTOR SHALL ACT ON A**
9 **COMPLETED APPLICATION WITHIN 30 DAYS AFTER THE APPLICATION IS**
10 **FILED.** A domestic credit union's investment or contractual
11 obligations, direct, indirect, or contingent, in land and buildings
12 under this subdivision may not exceed 5% of its assets without the
13 prior approval of the commissioner. ~~An agreement to acquire and~~
14 ~~hold buildings or land jointly with other credit unions or other~~
15 ~~financial organizations requires the prior approval of the~~
16 ~~commissioner. The commissioner shall act on a completed application~~
17 ~~within 30 days after the application is filed.~~ **DIRECTOR, UNLESS ALL**
18 **OF THE FOLLOWING REQUIREMENTS ARE MET:**

19 (i) **PRO FORMA PROJECTIONS OVER THE NEXT 3 YEARS ARE REASONABLY**
20 **ESTIMATED TO PROVIDE POSITIVE EARNINGS AND DOCUMENT THE ABILITY OF**
21 **THE CREDIT UNION TO MEET ITS SHORT- AND LONG-TERM LIQUIDITY**
22 **OBLIGATIONS.**

23 (ii) **THE DIRECTOR HAS DETERMINED THAT THE CREDIT UNION IS WELL**
24 **CAPITALIZED.**

25 (iii) **THE CREDIT UNION HAS NOT BEEN THE SUBJECT OF A CEASE AND**
26 **DESIST ORDER, OR PLACED IN RECEIVERSHIP OR CONSERVATORSHIP, BY THE**
27 **DIRECTOR WITHIN THE PRECEDING 3 YEARS.**

1 (iv) **THE DIRECTOR HAS DETERMINED THAT THE CREDIT UNION IS IN**
2 **OVERALL SOUND OR FUNDAMENTALLY SOUND CONDITION.**

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

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

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

26 (ll) To engage in any aspect of the insurance and surety
27 business as an agent, broker, solicitor, or insurance counselor as

1 provided under the insurance code of 1956, 1956 PA 218, MCL 500.100
2 to 500.8302.

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

6 (nn) To make charitable contributions, if the individual
7 contributions and the aggregate amount of the contributions are
8 reasonable in amount, **OR TO ESTABLISH CHARITABLE DONATION ACCOUNTS**
9 **IF THOSE ACCOUNTS MEET THE REQUIREMENTS OF 12 CFR PART 721.3.**
10 **INVESTMENT YIELDS GENERATED IN A CHARITABLE DONATION ACCOUNT MUST**
11 **BE USED FOR CHARITABLE DONATIONS. A CREDIT UNION SHALL NOTIFY THE**
12 **DIRECTOR BEFORE IT ESTABLISHES A CHARITABLE DONATION ACCOUNT UNDER**
13 **THIS SUBDIVISION.**

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

15 (pp) To contract with entities ~~offering~~ **THAT OFFER** funds
16 transfer services and provide those services to any person.

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

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

24 (ss) To purchase insurance policies and other investment
25 products to fund deferred compensation arrangements for its
26 employees. If the deferred compensation arrangement does not
27 present a risk to the safety and soundness of the domestic credit

1 union, the purchase of those investment products is not subject to
2 the limitations of this act.

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

5 (uu) ~~Guarantee~~**TO GUARANTEE** the signature of a member in
6 connection with a transaction ~~involving~~**THAT INVOLVES** tangible or
7 intangible property in which a member has or seeks to acquire an
8 interest.

9 (vv) ~~Perform~~**TO PERFORM** any of the following services for a
10 person ~~who~~**THAT** is not a member of the credit union if the service
11 is performed under a contractual arrangement in which another
12 financial organization performs the same service for the credit
13 union's members:

14 (i) Cash advances.

15 (ii) Funds transfers.

16 (iii) Cashing travelers checks.

17 (iv) Any other service specified by the ~~commissioner~~**DIRECTOR**
18 by rule, order, or declaratory ruling.

19 (ww) To perform any of the following services for any person
20 in an underserved area or ~~who~~**THAT** does not have an established
21 relationship with a financial institution:

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

23 (ii) Purchasing and selling foreign currencies in exchange for
24 United States currency.

25 (iii) Wire transfers.

26 (iv) **FINANCIAL COUNSELING SERVICES.**

27 **(XX) TO PROVIDE EDUCATIONAL SCHOLARSHIPS.**

1 (Y) TO INVEST IN INTEREST RATE DERIVATIVES FOR THE PURPOSE OF
 2 MITIGATING PORTFOLIO RISK. A DOMESTIC CREDIT UNION MUST NOTIFY THE
 3 DIRECTOR AT LEAST 60 DAYS BEFORE IT BEGINS A PROGRAM TO INVEST IN
 4 INTEREST RATE DERIVATIVES UNDER THIS SUBDIVISION. A DOMESTIC CREDIT
 5 UNION MUST CONDUCT AN INVESTMENT PROGRAM DESCRIBED IN THIS
 6 SUBDIVISION IN A SAFE AND SOUND MANNER, AND ANY INVESTMENTS IN
 7 INTEREST RATE DERIVATIVES MUST MEET THE STANDARDS FOR AN OBLIGATION
 8 DESCRIBED IN SECTION 431(1) (D) .

9 Sec. 408. (1) A domestic credit union ~~wishing to utilize~~ **THAT**
 10 **UTILIZES** automated information processing services of a vendor
 11 ~~shall~~ **MUST** enter into a written contract, lease, or licensing
 12 agreement with the vendor **FOR THOSE SERVICES**. The credit union
 13 board shall review the contract, lease, or licensing agreement to
 14 ensure the interests of the domestic credit union are protected.
 15 Approval of the contract, lease, or licensing agreement **BY THE**
 16 **CREDIT UNION BOARD OR ITS DESIGNEE** is required before any automated
 17 information processing services are performed or provided to the
 18 domestic credit union.

19 ~~—— (2) The written contract, lease, or licensing agreement~~
 20 ~~described in subsection (1) shall provide at least all of the~~
 21 ~~following:~~

22 ~~—— (a) That the vendor will furnish the written assurance~~
 23 ~~described in subsection (4) to the commissioner.~~

24 (2) ~~(b) That the~~ **A** domestic credit union will retain **THAT**
 25 **UTILIZES THE SERVICES OF A VENDOR UNDER SUBSECTION (1) RETAINS**
 26 permanent and exclusive ownership of all internal information and
 27 member information in the possession of the vendor. ~~, that the~~ **THE**

1 vendor ~~may~~ **SHALL** not disclose any of that information to third
2 parties except as explicitly authorized in writing by the domestic
3 credit union; ~~and that the vendor may~~ **SHALL** not use any of that
4 information for the vendor's own purposes except as explicitly
5 authorized in writing by the domestic credit union; **AND IF THE**
6 **VENDOR OR ANY SUBCONTRACTOR OF THE VENDOR HAS ACCESS TO ANY MEMBER**
7 **INFORMATION, THE VENDOR OR THAT SUBCONTRACTOR ARE SUBJECT TO**
8 **REGULATION AND EXAMINATION BY THE DIRECTOR.**

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

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

19 ~~—— (e) The extent to which the vendor is liable for~~
20 ~~nonperformance, breach, or fraud or other dishonesty.~~

21 ~~—— (f) That each employee of the vendor with access to internal~~
22 ~~information or member information is sufficiently bonded against~~
23 ~~fraud or other dishonesty.~~

24 ~~—— (g) A statement of each service the vendor will perform, the~~
25 ~~frequency of each service, and the fees charged in connection with~~
26 ~~performance of each service.~~

27 ~~—— (h) A description of the ownership of the hardware, software,~~

1 ~~or systems utilized in the performance of the automated information~~
2 ~~processing services.~~

3 ~~—— (i) An allocation of responsibility for delivering internal~~
4 ~~information or member information to the vendor, and liability for~~
5 ~~loss of internal information or member information before it is~~
6 ~~delivered.~~

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

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

22 (3) ~~(5)~~ As used in this section:

23 (a) "Automated information processing" means automated
24 processing, updating, and storage of internal information or member
25 information.

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

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

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

6 (D) ~~(e)~~—"Vendor" means a person who supplies hardware,
7 software, or systems used for automated information processing
8 services to a domestic credit union or performs automated
9 information processing services for a domestic credit union. The
10 term includes a subcontractor of a vendor.

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

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

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

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

26 (3) Other than a refund of premium if he or she is a purchaser
27 of the insurance services, a credit union officer, ~~director,~~ **BOARD**

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

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

19 (5) ~~If~~ **BEFORE** a domestic credit union makes an insurance
20 program available to its members, the domestic credit union shall
21 ~~maintain documentary evidence that it has investigated various~~
22 ~~plans of insurance and has determined that the provisions relating~~
23 ~~to costs and benefits and other provisions of the plan selected~~
24 ~~protect and serve the interest of its members. The commissioner may~~
25 ~~inspect the documentary evidence on request.~~ **CONDUCT A REASONABLE**
26 **DUE DILIGENCE REVIEW OF THAT PRODUCT. THE DOMESTIC CREDIT UNION**
27 **SHALL PROVIDE THE DIRECTOR WITH ACCESS TO ANY FILES THAT ARE**

1 **RELEVANT TO THAT REVIEW ON REQUEST.**

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

6 (7) If authorized by the credit union board, a domestic credit
7 union may furnish to an insurance carrier or an agent membership
8 lists of addresses without compensation from the insurance carrier
9 or agent. For an appropriate fee, if authorized by the credit union
10 board, a domestic credit union may mail marketing materials about
11 an insurance program to its 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. 423. (1) A loan by a domestic credit union to a member
17 shall conform to any conditions contained in the bylaws.

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

22 ~~—— (3) A domestic credit union may contract with a borrower for~~
23 ~~the borrower to reimburse the domestic credit union for any~~
24 ~~specifically identified third party costs related to a loan~~
25 ~~originally paid by the domestic credit union, and for any amount~~
26 ~~specifically identified in the loan agreement as an incentive if~~
27 ~~the borrower prepays the loan in full within 3 years of the date~~

1 ~~that the loan is made and the originally scheduled amortization~~
2 ~~period of the loan is more than 5 years.~~

3 (3) ~~(4)~~—Except as provided in subsection ~~(9)~~, ~~(8)~~, a domestic
4 credit union shall not agree to rates, terms, or conditions on any
5 loan or line of credit **THAT IS** made to or endorsed or guaranteed by
6 an official or an immediate family member of an official that are
7 more favorable than the rates, terms, and conditions for comparable
8 loans or lines of credit to other credit union members. A domestic
9 credit union shall not agree to rates, terms, and conditions on any
10 loan or line of credit to any person that has a common ownership,
11 investment, or other pecuniary interest in a business with an
12 official or immediate family member of an official that are more
13 favorable than the rates, terms, and conditions for comparable
14 loans or lines of credit to other credit union members.

15 (4) ~~(5)~~—A domestic credit union shall process a loan to an
16 official or employee in the same manner as a loan to other members,
17 except that the applicant shall not participate in the approval
18 process for his or her loan.

19 (5) ~~(6)~~—A domestic credit union may provide open-end or
20 closed-end credit arrangements for its members if the credit union
21 board has established a policy for those credit arrangements.
22 Unless prohibited by the agreement for the open-end credit
23 arrangement, a domestic credit union may under an open-end credit
24 arrangement unilaterally increase the approved limit or may
25 increase the approved limit on the request of the member.

26 (6) ~~(7)~~—A domestic credit union may participate in loans to
27 credit union members jointly with other credit unions, credit union

1 service organizations, or other financial institutions.

2 (7) ~~(8)~~—A domestic credit union may participate in a
3 guaranteed loan program of the federal or state government under
4 the terms and conditions specified in the law establishing that
5 program.

6 (8) ~~(9)~~—A domestic credit union may offer reduced rate loans
7 and other extensions of credit to its employees, other than
8 employees who are ~~directors~~, **BOARD MEMBERS**, supervisory committee
9 members, credit committee members, or members of any other
10 committee that performs significant ongoing functions relating to
11 the ongoing operations of the domestic credit union, under a policy
12 adopted by its credit union board.

13 (9) ~~(10)~~—The credit union board, or the credit committee if
14 the domestic credit union has a credit committee that does not
15 include any credit union employees, must approve of any loan or
16 other extension of credit to or purchase of an obligation of the
17 general manager **OR CHIEF EXECUTIVE OFFICER**.

18 (10) ~~(11)~~—A domestic credit union shall not make a loan or
19 extend a line of credit if an official or senior management
20 employee will receive a commission, fee, or compensation other than
21 salary if the loan or line of credit is approved. **HOWEVER, THIS**
22 **SUBSECTION DOES NOT LIMIT OR PROHIBIT ARRANGEMENTS THAT COMPENSATE**
23 **EMPLOYEES WHO ARE NOT SENIOR MANAGEMENT EMPLOYEES BASED ON THE**
24 **VOLUME OF LOANS GENERATED BY THOSE EMPLOYEES.**

25 (11) ~~(12)~~—A domestic credit union shall not loan ~~more than~~
26 ~~\$20,000.00 or 25% of its net worth, whichever is greater,~~ **AN AMOUNT**
27 **THAT EXCEEDS 25% OF THE CREDIT UNION'S UNIMPAIRED CAPITAL** to a

1 borrower. ~~and any affiliates of the borrower.~~ This subsection does
2 not apply to a corporate credit union. ALL OF THE FOLLOWING APPLY
3 FOR PURPOSES OF THIS SUBSECTION:

4 (A) IF THE DIRECTOR DETERMINES AT ANY TIME THAT THE INTERESTS
5 OF A GROUP OF MORE THAN 1 PERSON ARE SO INTERRELATED THAT THEY
6 SHOULD BE CONSIDERED AS A UNIT FOR THE PURPOSE FOR WHICH CREDIT WAS
7 EXTENDED, THE TOTAL LOANS AND EXTENSIONS OF CREDIT AND LEASES OF
8 PERSONS OF THAT GROUP SHALL BE COMBINED AND CONSIDERED LOANS AND
9 EXTENSIONS OF CREDIT AND LEASES TO 1 BORROWER UNDER THIS
10 SUBSECTION.

11 (B) A CREDIT UNION DOES NOT VIOLATE THIS SUBSECTION SOLELY
12 BECAUSE THE INDEBTEDNESS OF A GROUP DESCRIBED IN SUBDIVISION (A)
13 EXCEEDS THE PERCENTAGE LIMITATION DESCRIBED IN THIS SECTION AT THE
14 TIME OF A DETERMINATION BY THE DIRECTOR THAT THE INDEBTEDNESS OF
15 THAT GROUP SHALL BE COMBINED UNDER SUBDIVISION (A). HOWEVER, IT IS
16 A VIOLATION OF THIS SECTION IF THE CREDIT UNION DESCRIBED IN THIS
17 SUBDIVISION DOES NOT DO 1 OF THE FOLLOWING:

18 (i) SUBJECT TO SUBPARAGRAPH (ii), IF REQUIRED BY THE DIRECTOR,
19 WITHIN A REASONABLE TIME DISPOSE OF A SUFFICIENT AMOUNT OF THE
20 INDEBTEDNESS OF THE GROUP SO THAT THE AMOUNT OF THE REMAINING
21 INDEBTEDNESS IS WITHIN THE PERCENTAGE LIMITATION DESCRIBED IN THIS
22 SUBSECTION. AS USED IN THIS SUBDIVISION, "REASONABLE TIME" MEANS A
23 PERIOD OF TIME THAT THE DIRECTOR DETERMINES IS REASONABLE, AND, IF
24 THE CREDIT UNION IS MAKING A REASONABLE EFFORT TO DISPOSE OF THE
25 EXCESS INDEBTEDNESS IN A MANNER DESIGNED TO AVOID A LOSS OF ANY
26 PORTION OF THAT EXCESS INDEBTEDNESS, IS A PERIOD OF AT LEAST 180
27 DAYS.

1 (ii) IF PERMITTED BY THE DIRECTOR, IF THE CREDIT UNION IS WELL
2 CAPITALIZED, ESTABLISH A RESERVE IN THE AMOUNT THAT THE GROUP'S
3 INDEBTEDNESS EXCEEDS THE PERCENTAGE LIMITATION DESCRIBED IN THIS
4 SUBSECTION RATHER THAN DISPOSING OF THAT EXCESS AMOUNT UNDER
5 SUBPARAGRAPH (i) .

6 (12) AS ADDITIONAL SECURITY FOR A LOAN TRANSACTION WITH A
7 BORROWER, A DOMESTIC CREDIT UNION MAY PERMIT A PERSON THAT IS NOT A
8 MEMBER OF THE DOMESTIC CREDIT UNION TO ACT AS AN ADDITIONAL
9 BORROWER, A COSIGNER, OR A GUARANTOR OF THE LOAN.

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

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

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

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

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

27 (i) In the domestic credit union's prudent judgment, which may

1 be based in part ~~upon~~**ON** estimates ~~which~~**THAT** it believes are
2 reliable, there is adequate evidence that the obligor of the
3 obligation will be able to perform all it undertakes to perform in
4 connection with the obligation, including all debt service
5 requirements, and that the obligation may be sold with reasonable
6 promptness at a price that corresponds to its fair value.

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

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

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

15 (e) Shares or certificates of an open-end management
16 investment company registered with the ~~securities and exchange~~
17 ~~commission~~**SECURITIES AND EXCHANGE COMMISSION** under the investment
18 company act of 1940, ~~title I of chapter 686, 54 Stat. 789, 15~~
19 ~~U.S.C. 80a-1 to 80a-3 and 80a-4~~**15 USC 80A-1** to 80a-64, if all of
20 the following conditions are met:

21 (i) ~~Not less than~~**AT LEAST** 90% of the fund's assets consist of
22 and are limited to securities in which a domestic credit union may
23 invest directly.

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

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

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

3 (f) Investments in mortgage-backed securities either issued by
4 or guaranteed by a private organization if the securities involved
5 meet the investment standards for an obligation described in
6 subdivision (d).

7 (2) A domestic credit union other than a corporate credit
8 union shall not invest ~~more than~~ **AN AMOUNT THAT EXCEEDS** 25% of its
9 net worth in an obligor or affiliate of the obligor. This
10 subsection does not apply to the extent that the investment is
11 insured or guaranteed by the United States government or an agency
12 of the United States government or a state or local government, or
13 the investment is in a corporate credit union.

14 (3) A domestic credit union may not invest in or hold common
15 stock or another equity investment except as provided in section
16 401(2), or in bank and bank holding company stock legally acquired
17 before December 19, 1986. If a domestic credit union possesses
18 capital stock or another equity investment as the result of a loan
19 default, it shall dispose of that investment within a reasonable
20 period of time that does not exceed 1 year, or a longer period of
21 time approved by the ~~commissioner~~ **DIRECTOR** for that domestic credit
22 union.

23 (4) In addition to investments authorized by this act, a
24 domestic credit union may make any other type of investment
25 approved by the ~~commissioner~~ **DIRECTOR** by rule, order, or
26 declaratory ruling.

27 (5) A domestic credit union shall maintain files containing

1 credit and other information adequate to demonstrate evidence of
2 prudent business judgment in exercising the investment powers
3 granted under this act or by rule, order, or declaratory ruling of
4 the ~~commissioner~~-DIRECTOR.

5 (6) IF A DOMESTIC CREDIT UNION INVESTS FUNDS IN A SECURITY,
6 OBLIGATION, OR OTHER INSTRUMENT THAT AT THE TIME IS PERMITTED UNDER
7 THIS SECTION, THE INVESTMENT SUBSEQUENTLY BECOMES IMPERMISSIBLE
8 BECAUSE OF A CHANGE IN CIRCUMSTANCES OR LAW, AND THE DIRECTOR FINDS
9 THAT CONTINUING TO HOLD THE INVESTMENT WILL HAVE AN ADVERSE EFFECT
10 ON THE SAFETY AND SOUNDNESS OF THE CREDIT UNION, THE DIRECTOR MAY
11 REQUIRE THAT THE CREDIT UNION DEVELOP A REASONABLE PLAN FOR THE
12 DIVESTITURE OF THE INVESTMENT.

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

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

19 (b) An obligation of a member if before the domestic credit
20 union agrees to purchase the obligation the member agrees in
21 writing to refinance the obligation within 60 days after the
22 purchase in a manner that will result in the obligation meeting
23 subdivision (a).

24 (2) A domestic credit union may purchase an obligation of a
25 member under this section if the credit union board approves the
26 purchase of the obligation or a class of obligations that includes
27 the obligation, there is a written agreement for the purchase, and

1 the domestic credit union retains the written agreement and a
2 schedule of the obligations covered by the agreement at its
3 principal place of business.

4 (3) If a domestic credit union agrees to purchase a partial
5 interest in an obligation of a member, the agreement shall disclose
6 the responsibilities of each party if the obligation is subject to
7 collection, loss, or foreclosure and shall provide that in the
8 event of a loss each owner shares in the loss in proportion to the
9 owner's interest in the obligation.

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

13 (5) A domestic credit union may sell all or part of an
14 obligation of a member if ~~the~~ **ALL OF THE FOLLOWING ARE MET:**

15 (A) **THE** sale meets the conditions of the sale policy adopted
16 by the credit union board. ~~the~~

17 (B) **THE** credit union board approves the sale ~~there~~ **OR THE**
18 **SALE IS APPROVED BY SENIOR MANAGEMENT EMPLOYEES TO WHOM THE CREDIT**
19 **UNION BOARD HAS, IN A WRITTEN BOARD POLICY, DELEGATED THE AUTHORITY**
20 **TO APPROVE SALES DESCRIBED IN THIS SUBSECTION.**

21 (C) **THERE** is a written agreement for the sale, and the
22 domestic credit union retains the written agreement and a schedule
23 of the obligations covered by the agreement at its principal place
24 of business.

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

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

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

5 (c) A provision that allows substitution of 1 loan for another
6 loan.

7 (7) A domestic credit union may pledge all or any part of an
8 obligation of a member if ~~the~~ **EITHER OF THE FOLLOWING IS MET:**

9 **(A) THE** pledge meets the conditions of the pledge policy
10 adopted by the credit union board ~~—~~and the credit union board
11 approves the pledge.

12 **(B) THE PLEDGE MEETS THE CONDITIONS OF THE PLEDGE POLICY**
13 **ADOPTED BY THE CREDIT UNION BOARD AND THE PLEDGE IS APPROVED BY**
14 **SENIOR MANAGEMENT EMPLOYEES TO WHOM THE CREDIT UNION BOARD HAS, IN**
15 **A WRITTEN BOARD POLICY, DELEGATED THE AUTHORITY TO APPROVE PLEDGES**
16 **DESCRIBED IN THIS SUBDIVISION. IF 1 OR MORE PLEDGES ARE APPROVED BY**
17 **A SENIOR MANAGEMENT EMPLOYEE UNDER THIS SUBDIVISION, HE OR SHE**
18 **SHALL PROVIDE A SUMMARY OF THE PLEDGES TO THE CREDIT UNION BOARD AT**
19 **THE NEXT REGULARLY SCHEDULED MEETING OF THE CREDIT UNION BOARD.**

20 (8) An agreement to pledge an obligation of a member shall
21 identify the obligations covered by the agreement and set forth the
22 responsibilities of each party if an obligation covered by the
23 agreement is subject to collection, loss, foreclosure, or 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 receive
4 a fee, compensation, commission, gift, or other consideration as an
5 inducement to purchase, sell, or pledge an obligation of a member.

6 Enacting section 1. This amendatory act takes effect 90 days
7 after the date it is enacted into law.

8 Enacting section 2. This amendatory act does not take effect
9 unless all of the following bills of the 98th Legislature are
10 enacted into law:

11 (a) House Bill No. 5018.

12 (b) House Bill No. 5019.

13 (c) House Bill No. 5020.

14 (d) House Bill No. 5021.

15 (e) House Bill No. 5022.