

MODERNIZE CREDIT UNION ACT

**Senate Bill 496 as passed by the Senate
Sponsor: Sen. Shirley Johnson**

**Senate Bill 493 as passed by the Senate
Sponsor: Sen. Bev Hammerstrom**

**Senate Bill 494 as passed by the Senate
Sponsor: Sen. Burton Leland**

**Senate Bill 495 as passed by the Senate
Sponsor: Sen. Gerald Van Woerkom**

**House Bill 4695 (Substitute H-1)
Sponsor: Rep. Steve Tobocman**

**House Bill 4698 (Substitute H-1)
Sponsor: Rep. Clark Bisbee**

**House Bill 4699 (Substitute H-1)
Sponsor: Rep. Craig DeRoche**

**Senate Committee: Banking and
Financial Institutions
House Committee: Commerce**

Complete to 10-22-03

**A SUMMARY OF SENATE BILLS 493-496 AND HOUSE BILLS 4695, 4698, AND 4699
AS REPORTED BY THE HOUSE COMMITTEE ON COMMERCE ON 10-21-03**

Senate Bill 496 (S-4) would repeal Public Act 285 of 1925, which regulates credit unions, and create a new "Credit Union Act" to do the following:

- Allow a credit union's field of membership to consist of one or more groups with certain common bonds (See further explanation below).
- Require the commissioner of the Office of Financial and Insurance Services to examine a credit union at least once every 18 months.
- Authorize a credit union to perform certain financial services for a person who was not a member, and to perform other financial services for any person who was in an underserved area or who did not have an established relationship with a credit union. (Services to such a person would include check-cashing services, subject to a cap on the fee a domestic credit union could charge for those services.)
- Identify factors that a credit union board could consider in making loans.

- Allow a credit union to lend up to \$1,000, payable within 30 days, to its members, with certain restrictions, including a 10 percent ceiling on the cost of interest, fees and other costs, and a limit of one such loan outstanding per member. [This has been described as an alternative to so-called payday loans.]

- Provide for the confidentiality of credit union information and documents.

- Allow a credit union to conduct its business by mail or electronically, with the prior approval of the commissioner of the Office of Financial and Insurance Services.

- Allow notices to be given electronically.

Field of Membership. The bill would require a credit union to identify its field of membership, which would have to consist of one or more of the following:

- One or more groups of any size that had a common bond of occupation, association, or religious affiliation.

- One or more groups consisting of people whose common bond was residence, employment, or place of religious worship within a geographic area composed of one or more school districts, counties, cities, villages, or townships.

- One or more groups whose common bond was common interests, activities, or objectives.

A credit union that established or revised its field of membership would have to submit it to the commissioner for approval or disapproval. If the commissioner determined that the proposed field of membership met the common bond requirements, he or she could disapprove of an application only on the basis of safety and soundness of the credit union.

Commissioner's Powers. The bill would authorize the commissioner to do the following:

- Suspend or remove a credit union official from office if he or she were charged with or convicted of a felony involving dishonesty or breach of trust.

- Initiate and order an involuntary merger of a “distressed credit union” with another credit union, or a financial institution other than a credit union, under certain circumstances. (A “distressed credit union” would be one that was, or was in danger of becoming, insolvent or in an unsafe or unsound condition.)

- Require a credit union to close in an emergency.

- Revoke the authority of a foreign credit union to conduct business in Michigan.

- Assess civil fines against a credit union or a credit union official.

House Bills 4695, 4698, and 4699 and Senate Bills 493 through 495 would amend various laws to replace references to Public Act 285 of 1925 (the old act governing credit unions) with references to the proposed “Credit Union Act”. The bills also would refer to a “domestic credit

union” rather than a “credit union” or “state-chartered credit union”, and would update references to the Banking Code and the Savings and Loan Act.

House Bill 4695 would amend Public Act 156 of 1851 (MCL 46.12a), which defines the powers and duties of county boards of commissioners. House Bill 4698 would amend Public Act 322 of 1978 (MCL 488.1 and 488.2), which authorizes financial institutions to make electronic funds transfer terminals available to consumers. House Bill 4699 would amend the Motor Vehicle Sales Act (MCL 492.136). Senate Bill 493 would amend the Michigan Consumer Protection Act (MCL 445.904). Senate Bill 494 would amend the Michigan Penal Code (MCL 750.315a and 750.376a). Senate Bill 495 would amend Public Act 43 of 1973 (MCL 400.171), which permits associations, institutions, and credit unions to process or handle food stamps. The bills are tie-barred to Senate Bill 496.

[This synopsis was derived from the floor analysis from the Senate Fiscal Agency dated 10-15-03]

FISCAL IMPLICATIONS:

The bills would have no fiscal impact on state or local units of government, according to the House Fiscal Agency. (10-21-03)

POSITIONS:

The Office of Financial and Insurance Services (OFIS) has indicated support for the bill. (10-21-03)

The Michigan Credit Union League supports the bill. (10-21-03)

The Michigan Association of Credit Unions has indicated support for the bill. (10-21-03)

The Michigan Bankers Association is not opposed to the bill. (10-21-03)

Analyst: C. Couch

■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.