

**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
5 certain state agencies and officials; **TO CREATE THE CREDIT UNION**

1 **REGULATORY FUND;** to prescribe penalties, civil sanctions, and
2 remedies; and to repeal acts and parts of acts.

3 Sec. 102. As used in this act:

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

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

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

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

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

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

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

24 **(D) ~~(e)~~**—"Bank" means a bank that is organized under the laws
25 of this state, any other state, the District of Columbia, or a
26 territory or protectorate of the United States, or a national
27 banking association chartered by the federal government under the

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

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

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

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

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

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

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

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

26 (H) ~~(f)~~ "Commissioner" means the ~~commissioner of the office of~~
27 ~~financial and insurance services in the department of labor and~~

~~economic growth.~~**DIRECTOR.**

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

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

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

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

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

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

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

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

(Q) ~~(m)~~—"Eligibility record date" means a record date that is

1 1 year or more before the adoption of a plan of conversion by a
2 credit union board and is set forth in a plan of conversion for
3 determining eligible members of a converting credit union.

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

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

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

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

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

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

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

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

27 (i) It is not able to pay its debts and other obligations,

1 including those related to member shares, as they become due.

2 (ii) Its liabilities exceed its assets.

3 Sec. 103. As used in this act:

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

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

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

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

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

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

27 **(G)** ~~(f)~~—"Official" means a member of a credit union board or

1 an officer, member of a credit committee or supervisory committee,
 2 or member of any other committee performing functions similar to a
 3 credit committee or supervisory committee, of a credit union.

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

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

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

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

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

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

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

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

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

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

(A) THE FUND SHALL CONSIST OF THE FOLLOWING:

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

(ii) MONEY APPROPRIATED TO THE FUND.

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

(iv) INTEREST AND EARNINGS FROM FUND INVESTMENTS.

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

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

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

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

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

(2) If a judgment of conviction with respect to an offense described in subsection (1) is entered against ~~a person,~~ **AN INDIVIDUAL**, after the judgment is not subject to further appellate

1 review, the ~~commissioner~~**DIRECTOR** may issue an order removing the
 2 ~~person~~**INDIVIDUAL** from office or prohibiting the ~~person~~**INDIVIDUAL**
 3 from further participation in the conduct of the affairs of any
 4 domestic credit union. If an order described in this subsection is
 5 issued, the ~~person~~**INDIVIDUAL** must obtain the prior consent of the
 6 ~~commissioner~~**DIRECTOR** before participating in any manner in the
 7 conduct of the affairs of any domestic credit union.

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

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

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

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

1 notice of the change within ~~3-business~~ 7 days after the change.

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

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

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

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

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

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

1 name and the name of the credit union in all legal documents,
2 certificates of deposit, signature cards, loan agreements, account
3 statements, checks, drafts, and other similar documents.

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

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

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

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

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

1 union shall notify the ~~commissioner~~**DIRECTOR** of that law and
2 provide copies of the records to the ~~commissioner~~**DIRECTOR**.

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

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

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

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

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

~~1 (b) Establishing the maximum individual shareholdings of~~
~~2 members.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

27 The credit union board shall not establish any misleading titles

1 for **THOSE** officers.

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

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

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

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

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

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

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

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

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

23 (g) Establishing internal controls as necessary.

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

26 (I) **ESTABLISHING THE MAXIMUM INDIVIDUAL SHAREHOLDINGS OF**
27 **MEMBERS.**

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

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

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

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

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

15 (6) ~~(5)~~—A credit union board may do any of the following:

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

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

21 (c) Remove a ~~director~~ **BOARD MEMBER** by a 2/3 vote of the credit
22 union board, for cause or for any reason set forth in the bylaws.
23 In addition to removal under section 341(9), the domestic credit
24 union's bylaws may also provide for immediate removal of a ~~director~~
25 **BOARD MEMBER** 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. If
6 a member of the credit union board is suspended under this
7 subdivision or section 345(2), the remaining ~~directors~~**BOARD**
8 **MEMBERS** shall report the suspension and the cause for the
9 suspension to the ~~commissioner~~**DIRECTOR** within 3 days and shall
10 call a special members' meeting that shall take place not less
11 **FEWER** than 7 or more than 45 days after the suspension. At the
12 special members' meeting, the remaining ~~directors~~**BOARD MEMBERS**
13 shall report the cause for the suspension, the suspended ~~director~~
14 **BOARD MEMBER** has the right to be heard, and the members shall
15 decide whether to sustain or reverse the action of the supervisory
16 committee or the credit union board. If the members sustain the
17 action, they shall replace the suspended board member at the
18 special members' meeting. If a supervisory committee suspends a
19 majority of the credit union board under section 345(2), the
20 remaining board members have general management of the affairs of
21 the domestic credit union until the suspended board members are
22 reinstated or replaced at the special members' 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 his

1 or her duties as an officer.

2 (7) ~~(6)~~—An individual **WHO IS** elected or appointed to serve as
 3 a ~~director~~, **BOARD MEMBER, ASSOCIATE BOARD MEMBER**, supervisory
 4 committee member, or credit committee member of a domestic credit
 5 union, or as a member of any other committee that performs
 6 significant ongoing functions relating to the ongoing operations of
 7 the domestic credit union, shall not receive compensation for his
 8 or her service as a board **MEMBER, ASSOCIATE BOARD MEMBER**, or
 9 committee member, ~~—~~**SUBJECT TO THE FOLLOWING:**

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

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

21 (8) ~~(7)~~—If a loan made to or cosigned, endorsed, or guaranteed
 22 by a ~~director~~ **BOARD MEMBER** or a member of the supervisory, credit,
 23 or other committee is more than 2 months delinquent, the individual
 24 is automatically removed from his or her position as ~~director~~ **BOARD**
 25 **MEMBER** or committee member and he or she is ineligible to serve as
 26 a ~~director~~ **BOARD MEMBER** or committee member for 2 years. The
 27 ~~commissioner~~ **DIRECTOR** may waive the application of this provision

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

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

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

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

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

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

26 (D) AN ASSOCIATE BOARD MEMBER MUST SIGN A CONFIDENTIALITY
27 AGREEMENT, TO ENSURE THAT ANY INFORMATION CONCERNING THE CREDIT

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

5 (11) ~~(8)~~ A majority of the credit union board constitutes a
6 quorum for the transaction of business.

7 (12) ~~(9)~~ Unless specifically prohibited by the bylaws, if this
8 act requires or allows a credit union board to take an action at a
9 meeting, the board may take that action without a meeting if a
10 consent in writing setting forth the action taken is signed by all
11 of the ~~directors~~ **BOARD MEMBERS WHO ARE** entitled to vote on that
12 matter. A written consent under this subsection shall contain 1 or
13 more written approvals, each of which sets forth the action taken
14 and bears the signature of 1 or more ~~directors~~ **BOARD MEMBERS**. The
15 ~~directors~~ **BOARD MEMBERS** shall deliver their signed approvals to the
16 secretary, and he or she shall file them in the corporate records
17 of the domestic credit union. An action taken by written consent
18 under this subsection is effective when all **OF** the ~~directors~~ **BOARD**
19 **MEMBERS** have approved the consent unless the consent specifies a
20 different effective date. A consent signed by all **OF** the ~~directors~~
21 **BOARD MEMBERS** has the same effect as a unanimous vote **OF THE CREDIT**
22 **UNION BOARD**, and the domestic credit union may represent that the
23 action was approved by a unanimous vote in any document filed with
24 the ~~commissioner~~ **DIRECTOR** under this act.

25 (13) ~~(10)~~ ~~A director when~~ **WHEN HE OR SHE IS FIRST** elected or
26 appointed **TO THE CREDIT UNION BOARD, A BOARD MEMBER** shall take and
27 subscribe an oath that he or she will diligently and honestly

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

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

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

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

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

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

24 (d) Access any credit union records.

25 (3) If a domestic credit union has a supervisory committee and
26 the members elect the **SUPERVISORY** committee, the committee shall
27 fill vacancies on the **SUPERVISORY** committee. ~~until the next annual~~

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

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

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

(3) If it is ~~comprised~~ **COMPOSED** for the most part of the same general group as the membership of the domestic credit union, **OR DOES BUSINESS WITHIN THE GEOGRAPHIC AREA OF THE CREDIT UNION'S FIELD OF MEMBERSHIP**, a domestic credit union may accept a legal entity as a member of a domestic credit union.

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

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

1 (5) A DOMESTIC CREDIT UNION MAY ACCEPT THE ESTATE OF AN
2 INDIVIDUAL AS A MEMBER IF ANY OF THE FOLLOWING APPLY:

3 (A) THE INDIVIDUAL WAS A MEMBER OF THE DOMESTIC CREDIT UNION
4 AT THE TIME OF HIS OR HER DEATH.

5 (B) THE INDIVIDUAL WAS ELIGIBLE FOR MEMBERSHIP IN THE DOMESTIC
6 CREDIT UNION AT THE TIME OF HIS OR HER DEATH.

7 (C) THE PERSONAL REPRESENTATIVE OF THE INDIVIDUAL'S ESTATE IS
8 ELIGIBLE FOR MEMBERSHIP IN THE CREDIT UNION.

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

23 Sec. 357. (1) ~~A credit union board may terminate the~~
24 ~~membership of, or terminate some or all services to, a member who~~
25 ~~does any of the following.~~ THE GENERAL MANAGER OR CHIEF EXECUTIVE
26 OFFICER OF A DOMESTIC CREDIT UNION, OR HIS OR HER DESIGNEE, MAY
27 SUSPEND SOME OR ALL SERVICES TO A MEMBER, OR TERMINATE THE

1 **MEMBERSHIP OF ANY PERSON, THAT DOES 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 ~~—— (2) Pending action by the credit union board at its next~~
7 ~~regularly scheduled meeting, a domestic credit union may~~
8 ~~immediately suspend any credit union services to a member who does~~
9 ~~any of the following:~~

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

11 ~~—— (b) Commits fraud or another misdeed against the domestic~~
12 ~~credit union or against a person on the premises of the domestic~~
13 ~~credit union.~~

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

17 (2) A MEMBER THAT HAS ITS SERVICES SUSPENDED OR A PERSON THAT
18 HAS ITS MEMBERSHIP TERMINATED UNDER SUBSECTION (1) MAY APPEAL THE
19 SUSPENSION OR TERMINATION TO THE CREDIT UNION BOARD WITHIN 90 DAYS
20 AFTER THE DATE OF THE SUSPENSION OR TERMINATION. THE CREDIT UNION
21 BOARD HAS FINAL AUTHORITY TO RESOLVE AN APPEAL UNDER THIS
22 SUBSECTION.

23 (3) A member may withdraw from a domestic credit union at any
24 time, but the domestic credit union may require a notice of
25 withdrawal from the withdrawing member as a condition of
26 withdrawal.

27 (4) When money becomes available, and after deducting all

1 amounts owed to the domestic credit union by the member, a domestic
2 credit union shall pay a person whose membership is terminated or
3 ~~who~~**THAT** is a withdrawing member any amounts paid on shares or as
4 deposits of the member and any dividends or interest accrued on the
5 shares or deposits before the date of payment.

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

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

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

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

23 (a) To enter into contracts.

24 (b) To sue and be sued.

25 (c) To adopt and alter a seal.

26 (d) To individually or jointly with other credit unions,
27 purchase, lease, or otherwise acquire and hold tangible personal

1 property necessary or incidental to its operations. A domestic
2 credit union shall depreciate or appreciate personal property in
3 the manner and at the rates the ~~commissioner~~**DIRECTOR** prescribes by
4 rule, order, or declaratory ruling.

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

14 (f) To incur and pay necessary and incidental operating
15 expenses.

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

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

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

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

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

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

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

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

25 (o) To act as agent for its members and depositors in the
26 purchase, sale, or other disposition of securities, interests in
27 mutual funds, and interests or participations in any other type of

1 investment, if the purchase, sale, or other disposition is done
2 solely for the accounts of its members and depositors and is done
3 on a nonrecourse basis.

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

7 (q) To purchase any of the assets of another ~~domestic credit~~
8 ~~union~~, **DEPOSITORY INSTITUTION**, or with the approval of the
9 ~~commissioner~~ **DIRECTOR** assume any of the liabilities of another
10 ~~domestic credit union~~. **DEPOSITORY INSTITUTION**.

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

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

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

23 (u) To, if approved by the credit union board and not
24 inconsistent with this act, engage in activities and programs of
25 the federal government, a state, a territory of the United States,
26 or an agency or political subdivision of the federal government or
27 a state or territory of the United States.

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

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

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

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

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

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

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

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

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

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

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

(gg) To organize, invest in, and make loans to credit union service organizations. In addition to the activities described in section 407(1) or (2) for credit union service organizations, the ~~commissioner~~**DIRECTOR** shall determine the activities and services that fall within the meaning of this subdivision. Investments and loans described in this subdivision shall not in the aggregate exceed 12% of the assets of the domestic credit union, and without the prior approval of the ~~commissioner~~**DIRECTOR** shall not in the aggregate exceed 6% of the assets of the domestic credit union. A domestic credit union may ~~not~~ invest in or make loans to a credit union service organization under this subdivision ~~unless~~**IF** the credit union service organization ~~agrees in writing to allow~~**ALLOWS** the ~~commissioner~~**DIRECTOR** to conduct an examination of the credit union service organization to the same extent that the ~~commissioner~~**DIRECTOR** is authorized to examine credit unions and agrees ~~in~~

1 ~~writing~~ to make any reports to the ~~commissioner~~ **DIRECTOR** that he or
2 she requires.

3 (hh) To individually or jointly with other credit unions or
4 other financial organizations, purchase, lease, construct, or
5 otherwise acquire and hold land and buildings for the purpose of
6 providing adequate facilities for the transaction of present and
7 potential business. A domestic credit union may use land and
8 buildings for its principal place of business functions, a branch,
9 a service center, or another facility used to conduct an activity
10 in which it engages. A domestic credit union may rent excess space
11 as a source of income. A domestic credit union shall depreciate or
12 appreciate buildings owned by it in the manner and at the rates the
13 commissioner may prescribe by rule, order, or declaratory ruling.

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

27 (i) **PRO FORMA PROJECTIONS OVER THE NEXT 3 YEARS ARE REASONABLY**

1 ESTIMATED TO PROVIDE POSITIVE EARNINGS AND DOCUMENT THE ABILITY OF
2 THE CREDIT UNION TO MEET ITS SHORT- AND LONG-TERM LIQUIDITY
3 OBLIGATIONS.

4 (ii) THE DIRECTOR HAS DETERMINED THAT THE CREDIT UNION IS WELL
5 CAPITALIZED.

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

9 (iv) THE DIRECTOR HAS DETERMINED THAT THE CREDIT UNION IS IN
10 OVERALL SOUND OR FUNDAMENTALLY SOUND CONDITION.

11 (ii) To own stock in a corporation that owns land or buildings
12 used to provide a facility described in subdivision (hh), but
13 ownership of the stock is an investment in the land and buildings
14 for all purposes under subdivision (hh). If a domestic credit union
15 owns less than 100% of the stock in a corporation described in this
16 subdivision, the investment is a joint agreement that requires the
17 ~~commissioner's~~ DIRECTOR'S approval under subdivision (hh).

18 (jj) To sell, convey, lease, or otherwise dispose of, or
19 assign, mortgage, pledge, or create a lien in, all or part of its
20 land and buildings, including land and buildings obtained as a
21 result of a default of an obligation owed to it, or stock in a
22 corporation described in subdivision (ii). A domestic credit union
23 may finance the sale of its land and buildings to any person at a
24 rate of interest that does not exceed the rate of interest
25 permitted by the credit reform act, 1995 PA 162, MCL 445.1851 to
26 445.1864, for loans to its members for the purchase of land and
27 buildings.

1 (kk) Pursuant to a written agreement, to perform services for
2 members of other domestic or foreign credit unions. A domestic
3 credit union may allow other credit unions to perform services for
4 its members pursuant to a written agreement. A domestic credit
5 union shall perform services described in this subdivision in
6 accordance with the laws of this state.

7 (ll) To engage in any aspect of the insurance and surety
8 business as an agent, broker, solicitor, or insurance counselor as
9 provided under the insurance code of 1956, 1956 PA 218, MCL 500.100
10 to 500.8302.

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

14 (nn) To make charitable contributions, if the individual
15 contributions and the aggregate amount of the contributions are
16 reasonable in amount, **OR TO ESTABLISH CHARITABLE DONATION ACCOUNTS**
17 **IF THOSE ACCOUNTS MEET THE REQUIREMENTS OF 12 CFR PART 721.3.**
18 **INVESTMENT YIELDS GENERATED IN A CHARITABLE DONATION ACCOUNT MUST**
19 **BE USED FOR CHARITABLE DONATIONS. A CREDIT UNION SHALL NOTIFY THE**
20 **DIRECTOR BEFORE IT ESTABLISHES A CHARITABLE DONATION ACCOUNT UNDER**
21 **THIS SUBDIVISION.**

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

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

25 (qq) To receive payments on shares or deposits or make loans
26 to corporations that are wholly owned by 1 or more of the types of
27 entities from which the domestic credit union may receive payments

1 on shares under subdivision (dd) or (ff).

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

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

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

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

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

22 (i) Cash advances.

23 (ii) Funds transfers.

24 (iii) Cashing travelers checks.

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

27 (ww) To perform any of the following services for any person

1 in an underserved area or ~~who~~ **THAT** does not have an established
 2 relationship with a financial institution:

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

4 (ii) Purchasing and selling foreign currencies in exchange for
 5 United States currency.

6 (iii) Wire transfers.

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

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

9 **(YY) TO INVEST IN INTEREST RATE DERIVATIVES FOR THE PURPOSE OF**
 10 **MITIGATING PORTFOLIO RISK. A DOMESTIC CREDIT UNION MUST NOTIFY THE**
 11 **DIRECTOR AT LEAST 60 DAYS BEFORE IT BEGINS A PROGRAM TO INVEST IN**
 12 **INTEREST RATE DERIVATIVES UNDER THIS SUBDIVISION. A DOMESTIC CREDIT**
 13 **UNION MUST CONDUCT AN INVESTMENT PROGRAM DESCRIBED IN THIS**
 14 **SUBDIVISION IN A SAFE AND SOUND MANNER, AND ANY INVESTMENTS IN**
 15 **INTEREST RATE DERIVATIVES MUST MEET THE STANDARDS FOR AN OBLIGATION**
 16 **DESCRIBED IN SECTION 431(1) (D) .**

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

27 ~~—— (2) The written contract, lease, or licensing agreement~~

1 ~~described in subsection (1) shall provide at least all of the~~
2 ~~following.~~

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

5 (2) ~~(b) That the~~ A domestic credit union will retain ~~THAT~~
6 **UTILIZES THE SERVICES OF A VENDOR UNDER SUBSECTION (1) RETAINS**
7 permanent and exclusive ownership of all internal information and
8 member information in the possession of the vendor. ~~, that the~~ **THE**
9 vendor ~~may~~ **SHALL** not disclose any of that information to third
10 parties except as explicitly authorized in writing by the domestic
11 credit union; ~~, and that the vendor may~~ **SHALL** not use any of that
12 information for the vendor's own purposes except as explicitly
13 authorized in writing by the domestic credit union; **AND IF THE**
14 **VENDOR OR ANY SUBCONTRACTOR OF THE VENDOR HAS ACCESS TO ANY MEMBER**
15 **INFORMATION, THE VENDOR OR THAT SUBCONTRACTOR ARE SUBJECT TO**
16 **REGULATION AND EXAMINATION BY THE DIRECTOR.**

17 ~~—— (c) That the vendor will provide contingency planning and~~
18 ~~disaster recovery provisions to reconstruct the transactions of the~~
19 ~~domestic credit union and to resume automated information~~
20 ~~processing within a reasonable time after a failure of the~~
21 ~~automated information processing services.~~

22 ~~—— (d) That upon termination of the contract, lease, or licensing~~
23 ~~agreement, the vendor shall return copies of all internal~~
24 ~~information and member information in an electronic form usable to~~
25 ~~the domestic credit union, and disclose any fees related to the~~
26 ~~return of the information in electronic form.~~

27 ~~—— (e) The extent to which the vendor is liable for~~

1 ~~nonperformance, breach, or fraud or other dishonesty.~~

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

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

8 ~~—— (h) A description of the ownership of the hardware, software,~~
9 ~~or systems utilized in the performance of the automated information~~
10 ~~processing services.~~

11 ~~—— (i) An allocation of responsibility for delivering internal~~
12 ~~information or member information to the vendor, and liability for~~
13 ~~loss of internal information or member information before it is~~
14 ~~delivered.~~

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

23 ~~—— (4) A domestic credit union shall not purchase automated~~
24 ~~information processing services from a vendor unless the domestic~~
25 ~~credit union and the vendor, and any subcontractors of the vendor,~~
26 ~~furnish the commissioner with an assurance in writing that the~~
27 ~~performance of the services is subject to examination and~~

1 ~~regulation to the same extent as if the services were performed by~~
2 ~~the domestic credit union on its own premises.~~

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

4 (a) "Automated information processing" means automated
5 processing, updating, and storage of internal information or member
6 information.

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

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

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

14 (D) ~~(e)~~—"Vendor" means a person who supplies hardware,
15 software, or systems used for automated information processing
16 services to a domestic credit union or performs automated
17 information processing services for a domestic credit union. The
18 term includes a subcontractor of a vendor.

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

24 (a) Except for insurance described in subdivision (b), the
25 purchase of the insurance coverage by a member is voluntary and a
26 copy of the written election to purchase the insurance is on file
27 at the domestic credit union.

1 (b) If the insurance is a condition of a loan, the member who
2 is borrowing may purchase or provide the insurance from a carrier
3 of the member's choice or may assign any existing insurance
4 coverage.

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

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

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

27 (5) ~~If~~ **BEFORE** a domestic credit union makes an insurance

1 program available to its members, the domestic credit union shall
2 ~~maintain documentary evidence that it has investigated various~~
3 ~~plans of insurance and has determined that the provisions relating~~
4 ~~to costs and benefits and other provisions of the plan selected~~
5 ~~protect and serve the interest of its members. The commissioner may~~
6 ~~inspect the documentary evidence on request.~~ **CONDUCT A REASONABLE**
7 **DUE DILIGENCE REVIEW OF THAT PRODUCT. THE DOMESTIC CREDIT UNION**
8 **SHALL PROVIDE THE DIRECTOR WITH ACCESS TO ANY FILES THAT ARE**
9 **RELEVANT TO THAT REVIEW ON REQUEST.**

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

14 (7) If authorized by the credit union board, a domestic credit
15 union may furnish to an insurance carrier or an agent membership
16 lists of addresses without compensation from the insurance carrier
17 or agent. For an appropriate fee, if authorized by the credit union
18 board, a domestic credit union may mail marketing materials about
19 an insurance program to its membership.

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

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

26 (2) A borrower may repay ~~his or her~~ **A** loan from a domestic
27 credit union in whole or in part at any time the domestic credit

1 union is open for business or otherwise capable of receiving
2 payment on the loan.

3 ~~—— (3) A domestic credit union may contract with a borrower for~~
4 ~~the borrower to reimburse the domestic credit union for any~~
5 ~~specifically identified third party costs related to a loan~~
6 ~~originally paid by the domestic credit union, and for any amount~~
7 ~~specifically identified in the loan agreement as an incentive if~~
8 ~~the borrower prepays the loan in full within 3 years of the date~~
9 ~~that the loan is made and the originally scheduled amortization~~
10 ~~period of the loan is more than 5 years.~~

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

23 (4) ~~(5)~~ A domestic credit union shall process a loan to an
24 official or employee in the same manner as a loan to other members,
25 except that the applicant shall not participate in the approval
26 process for his or her loan.

27 (5) ~~(6)~~ A domestic credit union may provide open-end or

1 closed-end credit arrangements for its members if the credit union
2 board has established a policy for those credit arrangements.

3 Unless prohibited by the agreement for the open-end credit
4 arrangement, a domestic credit union may under an open-end credit
5 arrangement unilaterally increase the approved limit or may
6 increase the approved limit on the request of the member.

7 (6) ~~(7)~~—A domestic credit union may participate in loans to
8 credit union members jointly with other credit unions, credit union
9 service organizations, or other financial institutions.

10 (7) ~~(8)~~—A domestic credit union may participate in a
11 guaranteed loan program of the federal or state government under
12 the terms and conditions specified in the law establishing that
13 program.

14 (8) ~~(9)~~—A domestic credit union may offer reduced rate loans
15 and other extensions of credit to its employees, other than
16 employees who are ~~directors~~, **BOARD MEMBERS**, supervisory committee
17 members, credit committee members, or members of any other
18 committee that performs significant ongoing functions relating to
19 the ongoing operations of the domestic credit union, under a policy
20 adopted by its credit union board.

21 (9) ~~(10)~~—The credit union board, or the credit committee if
22 the domestic credit union has a credit committee that does not
23 include any credit union employees, must approve of any loan or
24 other extension of credit to or purchase of an obligation of the
25 general manager **OR CHIEF EXECUTIVE OFFICER**.

26 (10) ~~(11)~~—A domestic credit union shall not make a loan or
27 extend a line of credit if an official or senior management

1 employee will receive a commission, fee, or compensation other than
2 salary if the loan or line of credit is approved. HOWEVER, THIS
3 SUBSECTION DOES NOT LIMIT OR PROHIBIT ARRANGEMENTS THAT COMPENSATE
4 EMPLOYEES WHO ARE NOT SENIOR MANAGEMENT EMPLOYEES BASED ON THE
5 VOLUME OF LOANS GENERATED BY THOSE EMPLOYEES.

6 (11) ~~(12)~~ A domestic credit union shall not loan more than
7 \$20,000.00 or 25% of its net worth, whichever is greater, AN AMOUNT
8 THAT EXCEEDS 25% OF THE CREDIT UNION'S UNIMPAIRED CAPITAL to a
9 borrower. ~~and any affiliates of the borrower.~~ This subsection does
10 not apply to a corporate credit union. ALL OF THE FOLLOWING APPLY
11 FOR PURPOSES OF THIS SUBSECTION:

12 (A) IF THE DIRECTOR DETERMINES AT ANY TIME THAT THE INTERESTS
13 OF A GROUP OF MORE THAN 1 PERSON ARE SO INTERRELATED THAT THEY
14 SHOULD BE CONSIDERED AS A UNIT FOR THE PURPOSE FOR WHICH CREDIT WAS
15 EXTENDED, THE TOTAL LOANS AND EXTENSIONS OF CREDIT AND LEASES OF
16 PERSONS OF THAT GROUP SHALL BE COMBINED AND CONSIDERED LOANS AND
17 EXTENSIONS OF CREDIT AND LEASES TO 1 BORROWER UNDER THIS
18 SUBSECTION.

19 (B) A CREDIT UNION DOES NOT VIOLATE THIS SUBSECTION SOLELY
20 BECAUSE THE INDEBTEDNESS OF A GROUP DESCRIBED IN SUBDIVISION (A)
21 EXCEEDS THE PERCENTAGE LIMITATION DESCRIBED IN THIS SECTION AT THE
22 TIME OF A DETERMINATION BY THE DIRECTOR THAT THE INDEBTEDNESS OF
23 THAT GROUP SHALL BE COMBINED UNDER SUBDIVISION (A). HOWEVER, IT IS
24 A VIOLATION OF THIS SECTION IF THE CREDIT UNION DESCRIBED IN THIS
25 SUBDIVISION DOES NOT DO 1 OF THE FOLLOWING:

26 (i) SUBJECT TO SUBPARAGRAPH (ii), IF REQUIRED BY THE DIRECTOR,
27 WITHIN A REASONABLE TIME DISPOSE OF A SUFFICIENT AMOUNT OF THE

1 INDEBTEDNESS OF THE GROUP SO THAT THE AMOUNT OF THE REMAINING
2 INDEBTEDNESS IS WITHIN THE PERCENTAGE LIMITATION DESCRIBED IN THIS
3 SUBSECTION. AS USED IN THIS SUBDIVISION, "REASONABLE TIME" MEANS A
4 PERIOD OF TIME THAT THE DIRECTOR DETERMINES IS REASONABLE, AND, IF
5 THE CREDIT UNION IS MAKING A REASONABLE EFFORT TO DISPOSE OF THE
6 EXCESS INDEBTEDNESS IN A MANNER DESIGNED TO AVOID A LOSS OF ANY
7 PORTION OF THAT EXCESS INDEBTEDNESS, IS A PERIOD OF AT LEAST 180
8 DAYS.

9 (ii) IF PERMITTED BY THE DIRECTOR, IF THE CREDIT UNION IS WELL
10 CAPITALIZED, ESTABLISH A RESERVE IN THE AMOUNT THAT THE GROUP'S
11 INDEBTEDNESS EXCEEDS THE PERCENTAGE LIMITATION DESCRIBED IN THIS
12 SUBSECTION RATHER THAN DISPOSING OF THAT EXCESS AMOUNT UNDER
13 SUBPARAGRAPH (i) .

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

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

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

25 (b) Securities, obligations, or other instruments of or issued
26 by any state of the United States, the District of Columbia, the
27 Commonwealth of Puerto Rico, or a territory organized by Congress,

1 or any of their political subdivisions.

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

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

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

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

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

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

23 (e) Shares or certificates of an open-end management
24 investment company registered with the ~~securities and exchange~~
25 ~~commission~~**SECURITIES AND EXCHANGE COMMISSION** under the investment
26 company act of 1940, ~~title I of chapter 686, 54 Stat. 789, 15~~
27 ~~U.S.C. 80a-1 to 80a-3 and 80a-4~~ **15 USC 80A-1** to 80a-64, if all of

1 the following conditions are met:

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

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

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

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

11 (f) Investments in mortgage-backed securities either issued by
12 or guaranteed by a private organization if the securities involved
13 meet the investment standards for an obligation described in
14 subdivision (d).

15 (2) A domestic credit union other than a corporate credit
16 union shall not invest ~~more than~~ **AN AMOUNT THAT EXCEEDS** 25% of its
17 net worth in an obligor or affiliate of the obligor. This
18 subsection does not apply to the extent that the investment is
19 insured or guaranteed by the United States government or an agency
20 of the United States government or a state or local government, or
21 the investment is in a corporate credit union.

22 (3) A domestic credit union may not invest in or hold common
23 stock or another equity investment except as provided in section
24 401(2), or in bank and bank holding company stock legally acquired
25 before December 19, 1986. If a domestic credit union possesses
26 capital stock or another equity investment as the result of a loan
27 default, it shall dispose of that investment within a reasonable

1 period of time that does not exceed 1 year, or a longer period of
2 time approved by the ~~commissioner~~**DIRECTOR** for that domestic credit
3 union.

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

8 (5) A domestic credit union shall maintain files containing
9 credit and other information adequate to demonstrate evidence of
10 prudent business judgment in exercising the investment powers
11 granted under this act or by rule, order, or declaratory ruling of
12 the ~~commissioner~~**DIRECTOR**.

13 (6) IF A DOMESTIC CREDIT UNION INVESTS FUNDS IN A SECURITY,
14 OBLIGATION, OR OTHER INSTRUMENT THAT AT THE TIME IS PERMITTED UNDER
15 THIS SECTION, THE INVESTMENT SUBSEQUENTLY BECOMES IMPERMISSIBLE
16 BECAUSE OF A CHANGE IN CIRCUMSTANCES OR LAW, AND THE DIRECTOR FINDS
17 THAT CONTINUING TO HOLD THE INVESTMENT WILL HAVE AN ADVERSE EFFECT
18 ON THE SAFETY AND SOUNDNESS OF THE CREDIT UNION, THE DIRECTOR MAY
19 REQUIRE THAT THE CREDIT UNION DEVELOP A REASONABLE PLAN FOR THE
20 DIVESTITURE OF THE INVESTMENT.

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

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

27 (b) An obligation of a member if before the domestic credit

1 union agrees to purchase the obligation the member agrees in
 2 writing to refinance the obligation within 60 days after the
 3 purchase in a manner that will result in the obligation meeting
 4 subdivision (a).

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

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

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

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

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

25 (B) **THE** credit union board approves the sale ~~there~~ **OR THE**
 26 **SALE IS APPROVED BY SENIOR MANAGEMENT EMPLOYEES TO WHOM THE CREDIT**
 27 **UNION BOARD HAS, IN A WRITTEN BOARD POLICY, DELEGATED THE AUTHORITY**

1 TO APPROVE SALES DESCRIBED IN THIS SUBSECTION.

2 (C) THERE is a written agreement for the sale, and the
3 domestic credit union retains the written agreement and a schedule
4 of the obligations covered by the agreement at its principal place
5 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 another
14 loan.

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

17 (A) THE pledge meets the conditions of the pledge policy
18 adopted by the credit union board ~~—~~ and the credit union board
19 approves the pledge.

20 (B) THE PLEDGE MEETS THE CONDITIONS OF THE PLEDGE POLICY
21 ADOPTED BY THE CREDIT UNION BOARD AND THE PLEDGE IS APPROVED BY
22 SENIOR MANAGEMENT EMPLOYEES TO WHOM THE CREDIT UNION BOARD HAS, IN
23 A WRITTEN BOARD POLICY, DELEGATED THE AUTHORITY TO APPROVE PLEDGES
24 DESCRIBED IN THIS SUBDIVISION. IF 1 OR MORE PLEDGES ARE APPROVED BY
25 A SENIOR MANAGEMENT EMPLOYEE UNDER THIS SUBDIVISION, HE OR SHE
26 SHALL PROVIDE A SUMMARY OF THE PLEDGES TO THE CREDIT UNION BOARD AT
27 THE NEXT REGULARLY SCHEDULED MEETING OF THE CREDIT UNION BOARD.

1 (8) An agreement to pledge an obligation of a member shall
2 identify the obligations covered by the agreement and set forth the
3 responsibilities of each party if an obligation covered by the
4 agreement is subject to collection, loss, foreclosure, or default.

5 (9) This section does not permit a domestic credit union to
6 pledge an obligation of a member unless authorized in section
7 401(2).

8 (10) For a fee, a domestic credit union may agree to service
9 all or part of an obligation it purchases or sells.

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

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

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

19 (a) Senate Bill No.____ (request no. 02769'15) or House Bill
20 No. 5018.

21 (b) Senate Bill No.____ (request no. 02771'15) or House Bill
22 No. 5020.

23 (c) Senate Bill No.____ (request no. 02772'15) or House Bill
24 No. 5021.

25 (d) Senate Bill No.____ (request no. 02773'15) or House Bill
26 No. 5022.