

SUBSTITUTE FOR
HOUSE BILL NO. 5020

A bill to amend 2003 PA 215, entitled
"Credit union act,"
by amending section 207 (MCL 490.207).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 207. (1) The ~~commissioner~~**DIRECTOR** or his or her
2 authorized agent shall examine the condition and affairs of each
3 domestic credit union, and may examine the condition and affairs of
4 any subsidiary of a domestic credit union, ~~not less frequently than~~
5 **AT LEAST** once every 18 months. The ~~commissioner~~**DIRECTOR** shall
6 determine whether the domestic credit union transacts its business
7 in the manner prescribed by law and the rules promulgated under
8 law.

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

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

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

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

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

26 (6) The contents of a report of examination ~~of a domestic~~
27 ~~credit union~~ and examination-related documents, **MATERIALS, OR**

1 INFORMATION THAT ARE prepared or obtained under this ~~section~~ ACT
2 remain the property of the ~~commissioner~~. A person who disseminates
3 all or part of a domestic credit union's report of examination for
4 purposes other than the legitimate business purposes of the
5 domestic credit union or as otherwise authorized by this act
6 violates this act and is subject to the administrative remedies
7 granted the ~~commissioner~~ under this part. DIRECTOR. ANY DOCUMENT,
8 MATERIAL, OR INFORMATION RELATED TO AN EXAMINATION UNDER THIS ACT
9 IS CONFIDENTIAL BY LAW AND PRIVILEGED, IS NOT SUBJECT TO THE
10 FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL 15.231 TO 15.246, IS
11 NOT SUBJECT TO SUBPOENA, AND IS NOT SUBJECT TO DISCOVERY OR
12 ADMISSIBLE IN EVIDENCE IN ANY PRIVATE CIVIL ACTION. HOWEVER, THE
13 DIRECTOR IS AUTHORIZED TO USE THE DOCUMENTS, MATERIALS, OR
14 INFORMATION IN THE FURTHERANCE OF ANY SUPERVISORY ACTIVITY OR LEGAL
15 ACTION BROUGHT AS PART OF THE DIRECTOR'S DUTIES.

16 (7) THE DIRECTOR, OR ANY PERSON THAT RECEIVED DOCUMENTS,
17 MATERIALS, OR INFORMATION WHILE ACTING UNDER THE DIRECTOR'S
18 AUTHORITY, IS NOT PERMITTED AND MAY NOT BE REQUIRED TO TESTIFY IN
19 ANY PRIVATE CIVIL ACTION CONCERNING ANY CONFIDENTIAL DOCUMENTS,
20 MATERIALS, OR INFORMATION DESCRIBED IN SUBSECTION (6).

21 (8) TO ASSIST IN THE PERFORMANCE OF THE DIRECTOR'S DUTIES
22 UNDER THIS ACT, THE DIRECTOR MAY DO ANY OF THE FOLLOWING:

23 (A) SHARE DOCUMENTS, MATERIALS, OR INFORMATION, INCLUDING THE
24 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION
25 THAT ARE SUBJECT TO SUBSECTION (6), WITH OTHER STATE, FEDERAL, AND
26 INTERNATIONAL REGULATORY AGENCIES, AND WITH STATE, FEDERAL, AND
27 INTERNATIONAL LAW ENFORCEMENT AUTHORITIES, PROVIDED THAT THE

1 RECIPIENT AGREES TO MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED
2 STATUS OF THE DOCUMENTS, MATERIALS, OR INFORMATION.

3 (B) RECEIVE DOCUMENTS, MATERIALS, OR INFORMATION, INCLUDING
4 OTHERWISE CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR
5 INFORMATION, FROM REGULATORY AND LAW ENFORCEMENT OFFICIALS OF OTHER
6 FOREIGN OR DOMESTIC JURISDICTIONS. THE DIRECTOR SHALL MAINTAIN AS
7 CONFIDENTIAL OR PRIVILEGED ANY DOCUMENTS, MATERIALS, OR INFORMATION
8 RECEIVED WITH NOTICE OR THE UNDERSTANDING THAT THE DOCUMENTS,
9 MATERIALS, OR INFORMATION THE DIRECTOR RECEIVES ARE CONFIDENTIAL OR
10 PRIVILEGED UNDER THE LAWS OF THE JURISDICTION THAT IS THE SOURCE OF
11 THE DOCUMENTS, MATERIALS, OR INFORMATION.

12 (C) ENTER INTO AGREEMENTS GOVERNING THE SHARING AND USE OF
13 INFORMATION THAT ARE CONSISTENT WITH THIS SUBSECTION.

14 (9) THE DISCLOSURE OF ANY DOCUMENTS, MATERIALS, OR INFORMATION
15 TO THE DIRECTOR, OR THE SHARING OF DOCUMENTS, MATERIALS, OR
16 INFORMATION UNDER SUBSECTION (8), IS NOT A WAIVER OF, AND SHALL NOT
17 BE CONSTRUED AS A WAIVER OF, ANY PRIVILEGE APPLICABLE TO OR CLAIM
18 OF CONFIDENTIALITY IN THOSE DOCUMENTS, MATERIALS, OR INFORMATION.

19 (10) THIS ARTICLE DOES NOT PROHIBIT THE DIRECTOR FROM
20 RELEASING FINAL, ADJUDICATED ACTIONS THAT ARE OPEN TO PUBLIC
21 INSPECTION UNDER THE FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL
22 15.231 TO 15.246, TO A DATABASE OR OTHER CLEARINGHOUSE SERVICE
23 MAINTAINED BY THE NATIONAL CREDIT UNION ADMINISTRATION OR ITS
24 AFFILIATES OR SUBSIDIARIES.

25 (11) A PERSON TO WHICH CONFIDENTIAL AND PRIVILEGED DOCUMENTS,
26 MATERIALS, OR INFORMATION IS DISCLOSED SHALL NOT FURTHER
27 DISSEMINATE THOSE CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS,

1 OR INFORMATION.

2 (12) ANY PERSON ON WHICH A DEMAND FOR PRODUCTION OF
3 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION IS
4 MADE, WHETHER BY SUBPOENA, ORDER, OR OTHER JUDICIAL OR
5 ADMINISTRATIVE PROCESS, MUST WITHHOLD PRODUCTION OF THE
6 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION
7 AND MUST NOTIFY THE DIRECTOR OF THE DEMAND. IF THE DIRECTOR IS
8 NOTIFIED OF A DEMAND UNDER THIS SUBSECTION, THE DIRECTOR MAY
9 INTERVENE FOR THE PURPOSE OF ENFORCING THE LIMITATIONS OF THIS
10 SECTION OR SEEKING THE WITHDRAWAL OR TERMINATION OF THE ATTEMPT TO
11 COMPEL PRODUCTION OF THE CONFIDENTIAL AND PRIVILEGED DOCUMENTS,
12 MATERIALS, OR INFORMATION.

13 (13) ANY REQUEST FOR DISCOVERY OR DISCLOSURE OF CONFIDENTIAL
14 AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION, WHETHER BY
15 SUBPOENA, ORDER, OR OTHER JUDICIAL OR ADMINISTRATIVE PROCESS, SHALL
16 BE MADE TO THE DIRECTOR, AND THE DIRECTOR SHALL DETERMINE WITHIN 7
17 DAYS WHETHER TO DISCLOSE THE DOCUMENTS, MATERIALS, OR INFORMATION
18 UNDER THIS ACT. IF THE DIRECTOR DETERMINES THAT THE DOCUMENTS,
19 MATERIAL, OR INFORMATION WILL NOT BE DISCLOSED, THE DIRECTOR'S
20 DECISION IS SUBJECT TO JUDICIAL REVIEW.

21 (14) THE JUDICIAL REVIEW OF A DECISION OF THE DIRECTOR UNDER
22 SUBSECTION (13) MAY INCLUDE IN CAMERA JUDICIAL REVIEW OF THE
23 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION.
24 AFTER JUDICIAL REVIEW, A COURT MAY ONLY ORDER DISCLOSURE OF THE
25 PORTIONS OF THE CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS,
26 OR INFORMATION THAT ARE RELEVANT AND OTHERWISE UNOBTAINABLE BY THE
27 REQUESTING PARTY.

1 (15) THE DIRECTOR MAY IMMEDIATELY APPEAL ANY COURT ORDER
2 DESCRIBED IN SUBSECTION (14) THAT COMPELS DISCLOSURE OF
3 CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, OR INFORMATION,
4 AND THE ORDER IS AUTOMATICALLY STAYED PENDING THE OUTCOME OF THE
5 APPEAL.

6 (16) IN AN ADDENDUM TO A REPORT OF AN EXAMINATION UNDER THIS
7 SECTION, THE DIRECTOR OR HIS OR HER AUTHORIZED AGENT MAY SUGGEST
8 BEST PRACTICES OR OTHER IMPROVEMENTS IN THE OPERATION OF A DOMESTIC
9 CREDIT UNION THAT ARE NOT REQUIRED BY LAW OR REGULATION OR TO
10 ADDRESS SAFETY AND SOUNDNESS OF THE DOMESTIC CREDIT UNION. THE
11 MANNER IN WHICH A DOMESTIC CREDIT UNION ADDRESSES ISSUES CONCERNING
12 ITS OPERATIONS IS WITHIN THE DISCRETION OF THE CREDIT UNION IN THE
13 EXERCISE OF ITS BUSINESS JUDGMENT, EXCEPT AS REQUIRED BY LAW OR
14 REGULATION OR TO ADDRESS A CONCERN OVER SAFETY AND SOUNDNESS. THE
15 DIRECTOR SHALL NOT TAKE ACTION AGAINST A DOMESTIC CREDIT UNION
16 UNDER THIS ACT BASED ON A FAILURE OR REFUSAL OF A DOMESTIC CREDIT
17 UNION TO FOLLOW A BEST PRACTICE OR OTHER RECOMMENDED IMPROVEMENT IN
18 THE OPERATION OF THE DOMESTIC CREDIT UNION THAT IS SUGGESTED
19 INFORMALLY BY AN EXAMINER OR THAT IS CONTAINED IN AN ADDENDUM TO A
20 REPORT OF EXAMINATION.

21 (17) WITHIN 1 YEAR AFTER THE EFFECTIVE DATE OF THE AMENDATORY
22 ACT THAT ADDED THIS SUBSECTION, THE DIRECTOR SHALL ISSUE GUIDANCE
23 TO PROMOTE CONSISTENCY AND DUE PROCESS IN THE EXAMINATION PROCESS
24 UNDER THIS SECTION, INCLUDING, BUT NOT LIMITED TO, ESTABLISHING
25 GUIDELINES THAT DEFINE THE SCOPE OF THE EXAMINATION PROCESS AND
26 CLARIFY HOW EXAMINATION ISSUES WILL BE RESOLVED.

27 Enacting section 1. This amendatory act takes effect 90 days

1 after the date it is enacted into law.

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

5 (a) Senate Bill No.____ (request no. 02768'15) or House Bill
6 No. 5017.

7 (b) Senate Bill No.____ (request no. 02769'15) or House Bill
8 No. 5018.

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

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