

# HOUSE BILL No. 5876

June 1, 1992, Introduced by Reps. Randall, Gnodtke, Murphy, Bankes, Middaugh, London, Ostling, Jaye and Robertson and referred to the Committee on Corporations and Finance.

A bill to amend sections 1, 4, 5a, 6, 6b, 8, 9, 11a, 12, 14, 16, 16a, 17, 18, 20, 23, 25, 26, and 31 of Act No. 285 of the Public Acts of 1925, entitled as amended

"An act to provide for the organization, operation, and supervision of credit unions; to provide for the conversion of a state credit union into a federal credit union or a credit union organized and supervised under the laws of any other state or territory of the United States and for the conversion of a federal credit union or a credit union organized and supervised under the laws of any other state or territory of the United States into a state credit union; and to provide for the merger of credit unions organized and supervised under the laws of this state, credit unions organized and supervised under the laws of any other state or territory of the United States, and federal credit unions,"

sections 4, 8, 9, 16, 17, 20, 23, 25, and 26 as amended and sections 6b, 11a, and 16a as added by Act No. 278 of the Public Acts of 1986, section 5a as amended by Act No. 369 of the Public Acts of 1980, section 6 as amended by Act No. 2 of the Public Acts of 1991, and section 14 as amended by Act No. 3 of the Public Acts

of 1992, being sections 490.1, 490.4, 490.5a, 490.6, 490.6b, 490.8, 490.9, 490.11a, 490.12, 490.14, 490.16, 490.16a, 490.17, 490.18, 490.20, 490.23, 490.25, 490.26, and 490.31 of the Michigan Compiled Laws.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Section 1. Sections 1, 4, 5a, 6, 6b, 8, 9, 11a, 12, 14, 16,  
2 16a, 17, 18, 20, 23, 25, 26, and 31 of Act No. 285 of the Public  
3 Acts of 1925, sections 4, 8, 9, 16, 17, 20, 23, 25, and 26 as  
4 amended and sections 6b, 11a, and 16a as added by Act No. 278 of  
5 the Public Acts of 1986, section 5a as amended by Act No. 369 of  
6 the Public Acts of 1980, section 6 as amended by Act No. 2 of the  
7 Public Acts of 1991, and section 14 as amended by Act No. 3 of  
8 the Public Acts of 1992, being sections 490.1, 490.4, 490.5a,  
9 490.6, 490.6b, 490.8, 490.9, 490.11a, 490.12, 490.14, 490.16,  
10 490.16a, 490.17, 490.18, 490.20, 490.23, 490.25, 490.26, and  
11 490.31 of the Michigan Compiled Laws, are amended to read as  
12 follows:

13       Sec. 1. Any 7 residents of this state may apply to the com-  
14 missioner for permission to organize a credit union. A credit  
15 union is organized in the following manner:

16       (a) The applicants shall file an application on forms fur-  
17 nished by the commissioner. The application shall state ALL OF  
18 THE FOLLOWING:

19       (1) The name and location of the proposed credit union.

20       (2) The names and addresses of the organizers and the number  
21 of shares subscribed by each.

1 (3) The par value of the shares of the credit union ~~which~~  
2 THAT shall not exceed ~~\$10.00~~ \$25.00 each.

3 (4) ~~Such~~ ALL other information ~~as~~ the commissioner may  
4 require.

5 (b) The application shall be forwarded to the commissioner,  
6 together with the sum of \$25.00 which shall be paid into the  
7 state treasury to the credit of the general fund.

8 (c) Within 60 days after receipt of an application or the  
9 last amendment or supplement ~~thereto~~ TO THE APPLICATION, the  
10 commissioner shall determine whether ~~or not~~ the organization of  
11 the proposed credit union would benefit its members, ~~that~~ a  
12 firm commitment to insure share and deposit accounts has been  
13 issued under the provisions of title II of the ~~national~~ FEDERAL  
14 credit union act up to the maximum provided under that act, ~~that~~  
15 and that it will be consistent with the purposes of this act.  
16 The approval ~~for permission~~ to organize a credit union is dis-  
17 cretionary with the commissioner.

18 (d) The commissioner shall notify the applicants of his OR  
19 HER decision. If the decision is favorable, he OR SHE shall  
20 issue in duplicate certificates of organization and approved  
21 bylaws. Upon execution of the certificates of organization and  
22 adoption of bylaws by the organizers and their return to the com-  
23 missioner a certificate of approval authorizing the commencement  
24 of business shall be issued. If ~~it~~ THE DECISION is not favor-  
25 able, he OR SHE shall state the reasons ~~therefor~~ FOR THE  
26 DECISION. The applicant may request a hearing before the  
27 commissioner within 30 days after the mailing of a copy of the

1 decision to the applicant and the commissioner, within 10 days  
2 after receipt of a request for a hearing, shall set a date  
3 ~~therefor~~ FOR THE HEARING at a time and place convenient to the  
4 commissioner and the applicants, but not longer than 60 days  
5 ~~thereafter~~ AFTER THE DATE THE REQUEST WAS RECEIVED. If the  
6 decision ~~upon~~ AFTER the hearing is not favorable to the appli-  
7 cant, ~~he~~ THE APPLICANT may file an appeal upon the record in  
8 the circuit court ~~of~~ FOR the county stated in the application  
9 as the location for the proposed credit union or ~~of~~ Ingham  
10 county within 30 days after the date of mailing by certified mail  
11 of a copy of the decision to the applicant. In case of an  
12 appeal, the commissioner shall retain the exhibits introduced at  
13 the hearing and shall forward them to the circuit court. ~~before~~  
14 ~~which the appeal is heard.~~ The cost of preparation of the  
15 stenographer's record shall be borne by the ~~applicants~~  
16 APPLICANT.

17 (e) Upon issuance of the certificate of approval authorizing  
18 the credit union to commence business, the credit union shall be  
19 ~~deemed~~ CONSIDERED organized under this act.

20 (f) The original certificate of organization and the origi-  
21 nal bylaws shall be filed in the office of the commissioner.  
22 ~~The commissioner shall file a duplicate of the certificate of~~  
23 ~~organization with the clerk of the county in which the credit~~  
24 ~~union will have its place of business.~~ The certificate of  
25 approval and a copy of the bylaws approved by the commissioner in  
26 writing shall be returned to the credit union.

1 (g) The commissioner shall prepare an approved form of  
2 certificate of organization and a form of bylaws ~~—~~ consistent  
3 with this act ~~—~~ and shall furnish them upon request without  
4 charge to credit unions and persons desiring to organize credit  
5 unions.

6 Sec. 4. (1) A credit union shall have the powers specified  
7 or implied ~~in this section, as well as the powers specified or~~  
8 ~~implied by other sections of~~ this act or any other act of this  
9 state addressing the activities of credit unions.

10 (2) A credit union may do all of the following:

11 (a) Enter into contracts.

12 (b) Sue and be sued.

13 (c) Adopt and alter a seal.

14 (d) Individually or jointly with other credit unions, pur-  
15 chase, lease, or otherwise acquire and hold tangible personal  
16 property necessary or incidental to its operations. A credit  
17 union shall depreciate or appreciate ~~such~~ personal property in  
18 the manner and at the rates the commissioner may prescribe by  
19 rule or order from time to time.

20 (e) Sell, lease, assign, pledge, hypothecate, or otherwise  
21 dispose of, in whole or in part, its tangible personal property,  
22 including property obtained as a result of defaults under obliga-  
23 tions owing to it. A credit union may finance any sale of its  
24 personal property to any person at any interest rate permitted  
25 under this act or other applicable law for loans to its members  
26 for the purchase of equivalent property.

1 (f) Incur and pay necessary and incidental operating  
2 expenses.

3 (g) Receive the funds of its members either as payment on  
4 shares or as deposits. A credit union may have 1 or more classes  
5 of share or deposit accounts in the classifications and in the  
6 form and under the terms and conditions as authorized by its  
7 board of directors, subject to the limitations on payment of div-  
8 idends on shares provided in section 18. A credit union shall  
9 provide for the transfer and withdrawal of funds from accounts by  
10 the means and through the payment systems that the board of  
11 directors determines best serve the convenience and needs of  
12 members.

13 (h) Impose fines on delinquent loan installments as may be  
14 provided in its bylaws.

15 (i) Make loans to its members for any purpose and upon any  
16 security, real or personal, or on an unsecured basis.

17 (j) Borrow from any source. Funds borrowed pursuant to this  
18 subdivision shall not be considered to be deposits and may be  
19 secured by a pledge of some or all of the credit union's assets.  
20 Except for a corporate central credit union, a credit union's  
21 borrowed funds may not, in the aggregate, exceed 50% of its  
22 shares, deposits, undivided earnings, and reserves without the  
23 approval of the commissioner.

24 (k) Make loans to a trade association of which it is a  
25 member. ~~Such~~ THESE loans shall not exceed, in the aggregate,  
26 1% of the credit union's shares, deposits, undivided earnings,  
27 and reserves.

1 (l) Provide debt counseling and other financial counseling  
2 services to its members. If ~~such~~ THE counseling includes debt  
3 management as defined in section 1a(f) with respect to a given  
4 member and the member has any delinquent indebtedness outstanding  
5 with the credit union at the time, the credit union shall not  
6 charge that member, directly or indirectly, a fee for providing  
7 the services involved.

8 (m) Disburse loan proceeds as the borrower directs.

9 (n) Act as trustee or custodian of retirement accounts or  
10 other accounts permitting tax deferrals under federal or state  
11 law, whether established on an individual basis or as part of an  
12 employer group program.

13 (o) Act as agent for its members and depositors in the pur-  
14 chase, sale, or other disposition of securities, interests in  
15 mutual funds, and interests or participations in any other type  
16 of investment, if the purchase, sale, or other disposition is  
17 done solely for the accounts of its members and depositors and is  
18 done on a nonrecourse basis.

19 (p) Discount, sell, assign, pledge, hypothecate, or other-  
20 wise dispose of, in whole or in part, its intangible personal  
21 property. The approval of the commissioner is required before a  
22 credit union may discount, sell, assign, pledge, hypothecate, or  
23 otherwise dispose of 20% or more of its intangible personal prop-  
24 erty within a 1-month period unless the credit union is in  
25 liquidation.

26 (q) Purchase any of the assets of another credit union or  
27 assume any of the liabilities of another credit union, with the

1 approval of the commissioner. A credit union may also purchase  
2 any of the assets of a credit union ~~which~~ THAT is in liquida-  
3 tion or receivership.

4 (r) Make deposits in or loans to banks, savings banks, sav-  
5 ings and loan associations, trust companies, and other credit  
6 unions, and purchase shares ~~in~~ OF mutual savings and loan asso-  
7 ciations and other credit unions if the bank, savings bank, sav-  
8 ings and loan association, trust company, or other credit union  
9 is insured by an agency of the United States; make deposits in,  
10 loans to, or purchase shares of a corporate central credit union;  
11 and invest funds as otherwise provided in section 16a.

12 (s) ~~Make~~ JOIN, MAKE deposits in or loans to, or purchase  
13 shares of any federal reserve bank, FEDERAL HOME LOAN BANK, and  
14 any central liquidity facility established under federal or state  
15 law.

16 (t) Hold membership in associations and organizations con-  
17 trolled by or fostering the interests of credit unions,  
18 ~~including~~ AND HOLD MEMBERSHIP IN a central liquidity facility  
19 organized under federal or state law.

20 (u) Engage in activities and programs of the federal govern-  
21 ment, a state, ~~or~~ A territory of the United States, or an  
22 agency or political subdivision of the federal government or a  
23 state or territory of the United States, if approved by the board  
24 of directors and not inconsistent with this act.

25 (v) Receive funds either as shares or deposits from other  
26 credit unions.



1 (w) Receive funds either as shares or deposits from a  
2 retirement plan that serves all or a portion of the credit  
3 union's members and potential members.

4 (x) Receive funds either as shares or deposits from a public  
5 employee retirement system or plan.

6 (y) Lease tangible personal property to its members, if the  
7 credit union does not acquire an interest in the property before  
8 selection of the property by the member.

9 (z) Purchase, sell, pledge, discount, or otherwise acquire  
10 and dispose of, in whole or in part, obligations of its members,  
11 in accordance with rules promulgated by the commissioner. This  
12 subdivision shall not apply to participation loans originated  
13 pursuant to section 16(6).

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

17 (bb) Establish, operate, participate in, and hold membership  
18 in systems that allow the transfer of credit union funds and  
19 funds of its members or other account holders by electronic or  
20 other means, including, but not limited to, clearinghouse associ-  
21 ations, data processing and other electronic networks, the fed-  
22 eral reserve system, or any other payment or liquidity program.

23 (cc) Service loans sold by the credit union, in whole or in  
24 part, to a third party.

25 (dd) Receive payments on shares or deposits from or make  
26 loans to the United States or an agency or instrumentality of the  
27 United States.

1 (ee) Act as a fiscal agent of, and maintain treasury tax and  
2 loan accounts of, the United States.

3 (ff) Receive payments on shares or deposits from a state,  
4 ~~or~~ A territory of the United States, or from an agency, politi-  
5 cal subdivision, or instrumentality of a state or territory of  
6 the United States. A credit union may act as fiscal agent for,  
7 maintain tax and loan accounts of, and make loans to an entity  
8 that the credit union has authority to receive payments from  
9 under this subdivision.

10 (gg) In addition to loan and investment powers otherwise  
11 authorized by this act, organize, invest in, and make loans to  
12 corporations or other organizations ~~which~~ THAT engage in activi-  
13 ties incidental to the conduct of a credit union or in activi-  
14 ties which further or facilitate the purposes of a credit union,  
15 or which furnish services to credit unions. The commissioner  
16 shall determine by rule or order the activities and services  
17 ~~which~~ THAT fall within the meaning of this subdivision. A  
18 credit union shall notify the commissioner of any ~~such~~ invest-  
19 ment or loan that would cause the aggregate of ~~such~~ THE invest-  
20 ments and loans to exceed 2% of the credit union's shares, depos-  
21 its, undivided earnings, and reserves. Investments and loans  
22 described in this subdivision shall not, in the aggregate, exceed  
23 5% of the shares, deposits, undivided earnings, and reserves of  
24 the credit union. A credit union may not invest in or make loans  
25 to a corporation or other organization pursuant to this subsec-  
26 tion unless the corporation or other organization agrees in  
27 writing to allow the commissioner to conduct an examination of

1 the corporation or other organization to the same extent that the  
2 commissioner is authorized to examine credit unions and agrees in  
3 writing to make ~~such~~ reports to the commissioner as the commis-  
4 sioner may require. ~~from time to time.~~

5 (hh) Individually or jointly with other credit unions or  
6 other financial organizations, purchase, lease, construct, or  
7 otherwise acquire and hold land and buildings for the purpose of  
8 providing adequate facilities for the transaction of present and  
9 potential future business. A credit union may use ~~such~~ land  
10 and buildings for ~~principal~~ HOME office functions, service cen-  
11 ters, and any other activity in which it engages. Excess space  
12 may be rented as a source of income. A credit union shall depre-  
13 ciate or appreciate ~~such~~ buildings owned by it in the manner  
14 and at the rates the commissioner may prescribe by rule or order  
15 from time to time. A credit union's investment and contractual  
16 obligations, direct, indirect, or contingent, in land and build-  
17 ings under this subdivision may not exceed 5% of its shares,  
18 deposits, undivided earnings, and reserves without the prior  
19 approval of the commissioner. This subdivision shall not affect  
20 the legality of investments in land and buildings made prior to  
21 ~~the effective date of this 1986 amendatory act~~ DECEMBER 19,  
22 1986. An agreement to acquire and hold buildings or land jointly  
23 with other credit unions or other financial organizations is  
24 subject to the prior approval of the commissioner. The commis-  
25 sioner shall act on a completed application within 30 days after  
26 the application is filed.

1       (ii) Own stock in a corporation that owns land or buildings  
2 used to provide the facilities described in subdivision (hh), but  
3 the investment in stock shall be treated as an investment in the  
4 land and buildings for all purposes under subdivision (hh). If a  
5 credit union owns less than 100% of the stock in such a corpora-  
6 tion, ~~such an~~ THE investment shall be treated as a joint agree-  
7 ment and subject to the commissioner's approval as required by  
8 subdivision (hh).

9       (jj) Sell, lease, assign, mortgage, pledge, hypothecate, or  
10 otherwise dispose of, in whole or in part, its land and build-  
11 ings, including land and buildings obtained as a result of  
12 defaults under obligations owing to it, and stock in a corpora-  
13 tion described in subdivision (ii). A credit union may finance  
14 the sale of its land and buildings to any person at any interest  
15 rate permitted under this act or other applicable law for loans  
16 to its members for the purchase of land and buildings.

17       (kk) Perform services for members of other credit unions  
18 organized under this act, the laws of another state or territory  
19 of the United States, or the laws of the United States pursuant  
20 to a written contractual arrangement. A credit union may allow  
21 other credit unions organized under this act, the laws of another  
22 state or territory of the United States, or the laws of the  
23 United States to perform services for its members pursuant to a  
24 written contractual arrangement. All services provided pursuant  
25 to this subdivision shall be performed in accordance with  
26 ~~Michigan law~~ THE LAWS OF THIS STATE.

1 (ll) Perform services for persons who are not its members if  
2 ~~such~~ THE services are performed pursuant to a contractual  
3 arrangement whereby other financial organizations perform the  
4 same services for the credit union's members. For purposes of  
5 this subdivision, "services" means 1 or more of the following:

6 (i) Cash advances.

7 (ii) Funds transfers.

8 (iii) Cashing travelers checks.

9 (iv) Any other services specified by the commissioner by  
10 rule or order.

11 (MM) GUARANTEE THE SIGNATURE OF A MEMBER IN CONNECTION WITH  
12 ANY TRANSACTION INVOLVING TANGIBLE OR INTANGIBLE PROPERTY IN  
13 WHICH THE MEMBER HAS OR SEEKS TO ACQUIRE AN INTEREST.

14 (3) The commissioner may promulgate rules authorizing credit  
15 unions to exercise additional powers considered necessary to  
16 effectuate the purposes of credit unions and to permit credit  
17 unions to meet their members' financial needs, if ~~such~~ THESE  
18 ADDITIONAL powers are not inconsistent with this act or other  
19 applicable Michigan law.

20 Sec. 5a. The shareholdings of a member who fails to com-  
21 plete payment of 1 share within 1 year after admission to member-  
22 ship, or of a member whose share balance is reduced to less than  
23 ~~\$5.00~~ THE PAR VALUE OF 1 SHARE and is not increased to at least  
24 ~~\$5.00~~ THE PAR VALUE OF 1 SHARE within 1 year after the reduc-  
25 tion, shall be returned to the member, if the member can be  
26 located, or may be escheated, subject to Act No. 63 of the  
27 Public Acts of 1949, as amended, being sections 567.201 to

1 567.206 of the Michigan Compiled Laws, and the membership shall  
2 be terminated.

3       Sec. 6. (1) Credit unions shall be under the supervision of  
4 the commissioner. Each credit union shall report its financial  
5 condition at least annually before January 31 ~~—~~ for its previ-  
6 ous calendar year and more often if requested by the commissioner  
7 ~~—~~ on forms supplied by the commissioner. Additional reports  
8 may be required. Credit unions shall be examined at least annu-  
9 ally by the commissioner except that the commissioner may accept  
10 the audit of a certified public accountant in place of an  
11 examination. Each credit union shall pay an operating fee and  
12 other fees as provided in this section.

13       (2) The commissioner shall charge annually an operating fee  
14 to each credit union. The operating fee shall be sufficient to  
15 defray the estimated expenses to be incurred by the financial  
16 institutions bureau in performing all credit union examinations  
17 and the supervision of credit unions. Each credit union shall be  
18 invoiced by the commissioner for the operating fee before July 1  
19 of each year and shall pay the operating fee indicated on the  
20 invoice before July 16 of each year. The operating fee shall be  
21 computed on the total assets of the credit union as of  
22 December 31 of the previous year as shown on the statement of  
23 condition of the credit union filed with the financial institu-  
24 tions bureau pursuant to subsection (1). The operating fee shall  
25 be the greater of \$250.00 or a fee computed by adding all of the  
26 following:

1 (a) A base fee as determined by the commissioner of not less  
2 than \$1.75 or more than \$3.50 per \$1,000.00 of assets up to  
3 \$500,000.00.

4 (b) A fee of 40% of the base fee per \$1,000.00 of assets  
5 greater than \$500,000.00 up to \$1,000,000.00.

6 (c) A fee of 30% of the base fee per \$1,000.00 of assets  
7 greater than \$1,000,000.00 up to \$5,000,000.00.

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

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

12 (3) The commissioner shall not require a credit union to pay  
13 an operating fee more often than annually. A corporate central  
14 credit union shall pay an operating fee in the same manner as  
15 other credit unions but the fee shall not exceed \$80,000.00  
16 annually. If the commissioner fails to transmit an examination  
17 report to a credit union during the preceding calendar year, the  
18 credit union shall receive an operating fee credit of not less  
19 than 30% or more than 70% against its next annual operating fee.  
20 The credit percentage shall be determined annually by the commis-  
21 sioner and applied equally to all credit unions receiving a  
22 credit.

23 (4) All funds received by the commissioner from the federal  
24 government for the purpose of reimbursing the financial institu-  
25 tions bureau for the costs of credit union examinations and  
26 supervision services shall be paid into the state treasury to the  
27 credit of the financial institutions bureau. The funds received

1 under this subsection shall be used only for costs relating to  
2 the examination and supervision of state chartered credit  
3 unions.

4 (5) For failure to file reports when due, unless excused for  
5 cause by the commissioner, the credit union shall pay \$25.00 for  
6 each day of its delinquency. If the report is not filed within  
7 15 days, the commissioner may revoke the credit union's certifi-  
8 cate of approval and take possession of the business and property  
9 of the credit union and maintain possession until the commis-  
10 sioner permits it to continue business or its affairs are finally  
11 liquidated.

12 (6) If the commissioner determines that the credit union is  
13 insolvent or is in an unsound or unsafe condition, the commis-  
14 sioner may serve notice on the credit union of his or her inten-  
15 tion to revoke the certificate of approval. If for a period of  
16 15 days after the notice the violation or unsound or unsafe con-  
17 dition continues, the commissioner may revoke the certificate and  
18 take possession of the business and property of the credit union  
19 and maintain possession until the commissioner permits it to con-  
20 tinue business or its affairs are finally liquidated PURSUANT TO  
21 SECTION 20(2).

22 (7) Amendments to the bylaws or certificate of organization  
23 of a credit union properly adopted shall be filed with the com-  
24 missioner with the payment of a fee of \$10.00 for each amendment,  
25 but not in excess of \$30.00 for any 1 filing.

26 (8) Except as provided in subsection (4), all fees required  
27 by this ~~section~~ ACT shall be paid into the state treasury to



1 the credit of the financial institutions bureau and the money in  
2 this account shall be used only for the operation of the finan-  
3 cial institutions bureau.

4       Sec. 6b. (1) Whenever, in the opinion of the commissioner,  
5 a director, officer, committee member, employee, agent, or other  
6 person participating in the affairs of a credit union has commit-  
7 ted a violation of law, ~~or~~ a rule, or a cease and desist order  
8 ~~which~~ THAT has become final, ~~or~~ has engaged or participated  
9 in an unsafe or unsound practice in connection with the credit  
10 union, or has committed or engaged in an act, omission, or prac-  
11 tice ~~which~~ THAT constitutes a breach of his or her fiduciary  
12 duty as a director, officer, committee member, employee, agent,  
13 or other person participating in the affairs of the credit union  
14 and the commissioner determines that the credit union has suf-  
15 fered or will probably suffer substantial financial loss or other  
16 damage or that the interests of its shareholders or depositors  
17 could be seriously prejudiced by reason of the violation or prac-  
18 tice or breach of fiduciary duty, the commissioner may serve upon  
19 the individual a written notice of the commissioner's intention  
20 to remove the individual from his or her position with the credit  
21 union.

22       (2) Whenever, in the opinion of the commissioner, a direc-  
23 tor, officer, committee member, employee, or agent of a credit  
24 union, by conduct or practice with respect to that credit union  
25 or other financial institution or other business organization  
26 that resulted in substantial financial loss or other damage, has  
27 evidenced his or her personal unfitness to continue as a

1 director, officer, committee member, employee, or agent, ~~and~~ and  
2 whenever, in the opinion of the commissioner, any other person  
3 participating in the conduct of the affairs of a credit union, by  
4 conduct or practice with respect to that credit union or other  
5 financial institution or other business organization that  
6 resulted in substantial financial loss or other damage, has evi-  
7 denced his or her personal unfitness to participate in the con-  
8 duct of the affairs of the credit union, the commissioner may  
9 serve upon the director, officer, committee member, employee,  
10 agent, or other person participating in the affairs of the credit  
11 union, a written notice of the commissioner's intention to remove  
12 him or her from his or her position with the credit union or to  
13 prohibit his or her further participation in any manner in the  
14 conduct of the affairs of the credit union.

15 (3) With respect to a director, officer, committee member,  
16 employee, agent, or other person participating in the affairs of  
17 a credit union or any other person ~~to~~ UPON whom notice is  
18 ~~sent~~ SERVED pursuant to subsection (1) or (2), if the commis-  
19 sioner considers it necessary for the protection of the credit  
20 union or the interests of its shareholders or depositors that the  
21 director, officer, committee member, employee, agent, or other  
22 person participating in the affairs of the credit union, be sus-  
23 pended from his or her position with the credit union or prohib-  
24 ited from further participation in any manner in the conduct of  
25 the affairs of the credit union, the commissioner may serve upon  
26 the director, officer, committee member, employee, agent, or  
27 other person participating in the affairs of the credit union, a

1 written notice suspending him or her from his or her position  
2 with the credit union or prohibiting him or her from further par-  
3 ticipation in any manner in the conduct of the affairs of the  
4 credit union. The suspension or prohibition shall become effec-  
5 tive upon service of the notice and, unless stayed by a court in  
6 proceedings authorized by subsection (5), shall remain in effect  
7 pending the completion of the administrative proceedings pursuant  
8 to the notice served under subsection (1) or (2) and until the  
9 commissioner dismisses the charges specified in the notice or, if  
10 an order of removal or prohibition is issued against the direc-  
11 tor, officer, committee member, employee, agent, or other person  
12 participating in the affairs of the credit union, until the  
13 effective date of that order. Copies of the notice shall also be  
14 served upon the credit union of which the suspended person is a  
15 director, officer, committee member, employee, or agent, or in  
16 the conduct of whose affairs he or she has participated.

17 (4) A notice of intention to remove a director, officer,  
18 committee member, employee, agent, or other person participating  
19 in the affairs of the credit union, from his or her position with  
20 the credit union or to prohibit his or her participation in the  
21 conduct of the affairs of a credit union shall contain a state-  
22 ment of the facts constituting grounds for the removal or prohi-  
23 bition, and shall fix a time and place at which a hearing will be  
24 held. The hearing shall be held not earlier than 30 days and not  
25 later than 60 days after the date of service of the notice,  
26 unless an earlier or a later date is set by the commissioner at  
27 the request of the director, officer, committee member, employee,

1 agent, or other person participating in the affairs of the credit  
2 union and for good cause shown. Unless the director, officer,  
3 committee member, employee, agent, or other person participating  
4 in the affairs of the credit union appears at the hearing in  
5 person or by a duly authorized representative, he or she shall be  
6 considered to have consented to the issuance of an order of  
7 removal or prohibition. In the event of consent, or if upon the  
8 record made at the hearing the commissioner finds that any of the  
9 grounds specified in the notice have been established, the com-  
10 missioner may issue such orders of suspension or removal of such  
11 person from his or her position with the credit union or prohibi-  
12 tion from participation in the conduct of the affairs of the  
13 credit union, as the commissioner considers appropriate. The  
14 order shall become effective at the expiration of 30 days after  
15 service upon the credit union and the director, officer, commit-  
16 tee member, employee, agent, or other person participating in the  
17 affairs of the credit union concerned except in the case of an  
18 order issued upon consent, which shall become effective at the  
19 time specified in the order. The order shall remain effective  
20 and enforceable except to the extent it is stayed, modified, ter-  
21 minated, or set aside by action of the commissioner or a review-  
22 ing court.

23       (5) A person or credit union aggrieved and directly affected  
24 by an order of the commissioner may appeal to the circuit court  
25 ~~in~~ FOR the county in which the main office of the credit union  
26 is located or to the circuit court in Ingham county within 30  
27 days after issuance of the order. Unless specifically ordered by

1 the court, the commencement of proceedings for judicial review  
2 under this section shall not operate as a stay of an order issued  
3 by the commissioner.

4       Sec. 8. (1) The organizational meeting shall be the first  
5 annual meeting. At the annual meeting the credit union shall  
6 elect a board of directors of not less than 5 members to hold  
7 office for such terms as the bylaws provide and until successors  
8 qualify. If the bylaws provide for a credit committee or a  
9 supervisory committee, the committee shall have at least 3 mem-  
10 bers, may have alternate members, and shall be appointed by the  
11 board of directors or elected by the members in such numbers and  
12 for such terms as the bylaws provide. The credit committee and  
13 the supervisory committee shall have and perform such duties as  
14 this act and the bylaws provide. If the bylaws do not provide  
15 for a credit committee or a supervisory committee, the board of  
16 directors shall perform the duties of the credit committee or the  
17 supervisory committee or delegate those duties as it considers  
18 advisable. A member of the supervisory committee shall not be a  
19 director, officer, loan officer, credit committee member, or  
20 other employee of the credit union while serving on the supervi-  
21 sory committee.

22       (2) All of the members of the board of directors, ~~—of~~ the  
23 supervisory committee, if any, ~~—~~ and ~~—of~~ the credit committee,  
24 if any, of a corporate central credit union shall be ~~Michigan~~  
25 residents OF THIS STATE.

26       (3) A record of the names and addresses of the members of  
27 the board ~~—~~ AND the members of the credit and supervisory

1 committees, if any, ~~and the officers~~ shall be filed with the  
2 commissioner ~~—~~ within 10 days of their election.

3 (4) A member of the board of directors or the credit or  
4 supervisory committee shall hold at least 1 share fully paid in.

5 (5) ~~When~~ IF the commissioner ~~deems~~ CONSIDERS it expedi-  
6 ent, the commissioner may call a meeting of the board of direc-  
7 tors of ~~any~~ A credit union, for any purpose, by giving a notice  
8 of the time, place, and purpose of the meeting at least 3 days  
9 prior to the meeting to the directors either by personal service  
10 or by registered or certified mail sent to their last known  
11 addresses as shown by the books of the credit union.

12 Sec. 9. (1) At their first meeting the directors shall  
13 elect from their own number the following officers: a chair-  
14 person, vice-chairperson, treasurer, and secretary, of whom the  
15 last 2 named may be the same individual. ~~Any reference in the~~  
16 ~~bylaws of a credit union to the position of clerk shall mean the~~  
17 ~~secretary.~~ The directors shall have general management of the  
18 affairs of the credit union, particularly ALL OF THE FOLLOWING:

19 (a) To act on applications for membership.

20 (b) To determine the interest rates on loans and on  
21 deposits.

22 (c) To fix the amount of the surety bond which shall be  
23 required of all officers and employees handling money.

24 (d) To declare dividends, and to transmit to the members  
25 recommended amendments to the bylaws.

1 (e) ~~to~~ EXCEPT AS PROVIDED IN SECTION 11A(3), TO fill  
2 vacancies on the board and on the credit committee until  
3 successors are chosen and qualify.

4 (f) To determine the maximum individual share holdings and  
5 the maximum individual loans ~~which~~ THAT can be made with and  
6 without security, subject to ~~such~~ limitations upon loans as may  
7 have been placed upon them by the bylaws previously adopted and  
8 approved by the commissioner.

9 (g) To have charge of investments other than loans to  
10 members.

11 (2) The duties of the officers shall be as determined in the  
12 bylaws. The board of directors may by resolution designate a  
13 general manager and define his or her duties. A member of the  
14 board ~~or~~ OR of ~~any~~ THE CREDIT OR SUPERVISORY committee, ~~or~~  
15 ~~an officer, except the treasurer,~~ IF ANY, shall not, as such, be  
16 compensated. A credit union, by vote of the board of directors,  
17 may use any titles that it chooses for the officials holding the  
18 positions described in this section ~~or~~ as long as ~~such~~ THESE  
19 titles are not misleading.

20 (3) The board may appoint an investment officer who shall be  
21 either a member of the board of directors or an employee of the  
22 credit union to act for it in the purchase and sale of securities  
23 or the making of loans to or the deposits in other credit  
24 unions. If the board of directors appoints an investment offi-  
25 cer, the investment officer shall act only within the limits of  
26 an investment policy and list of approved investments ~~which~~  
27 THAT the board of directors shall establish. The investment

1 officer shall make a report at each regular board of directors  
2 meeting.

3 (4) The board of directors may appoint an executive commit-  
4 tee, consisting of not less than 3 directors, which may act on  
5 any matter specifically authorized by the board.

6 (5) The board of directors shall have the authority and  
7 responsibility for the general direction of the business affairs,  
8 funds, and records of the credit union and shall be responsible  
9 for maintaining its safety and soundness.

10 Sec. 11a. (1) By a majority vote, the supervisory commit-  
11 tee, if any, may call a special meeting of the members to con-  
12 sider any matter submitted to the special meeting of the members  
13 by the committee. The committee shall fill vacancies in its own  
14 membership.

15 (2) The supervisory committee, if any, by a unanimous vote,  
16 may suspend any member of the credit committee and shall report  
17 such action AND THE REASON FOR THE ACTION to the board of  
18 directors. ~~for appropriate action.~~ AT ITS NEXT MEETING, THE  
19 BOARD OF DIRECTORS SHALL VOTE ON WHETHER TO REMOVE OR REINSTATE  
20 THE SUSPENDED CREDIT COMMITTEE MEMBER. A 2/3 VOTE OF THE BOARD  
21 MEMBERSHIP SHALL BE REQUIRED TO REMOVE THE SUSPENDED CREDIT COM-  
22 MITTEE MEMBER. IF THE CREDIT UNION DOES NOT HAVE A SUPERVISORY  
23 COMMITTEE, THE BOARD OF DIRECTORS BY A 2/3 VOTE OF THE BOARD MEM-  
24 BERSHIP MAY REMOVE A CREDIT COMMITTEE MEMBER.

25 (3) The supervisory committee, by a unanimous vote, may sus-  
26 pend or remove any member of the board of directors FOR CAUSE.  
27 If there is no supervisory committee, the board of directors, by



1 a 2/3 vote of the board membership, may take such an action.

2 ~~Upon the request of a suspended or removed director, made within~~

3 ~~15 days after the suspension or removal and supported by the~~

4 ~~lesser of 20 members or 10% of the membership, the credit union~~

5 IF A MEMBER OF THE BOARD OF DIRECTORS IS SUSPENDED, THE REMAINING

6 DIRECTORS SHALL REPORT THE SUSPENSION AND THE CAUSE FOR THE SUS-

7 PENSION TO THE COMMISSIONER WITHIN 3 DAYS AND shall call a spe-

8 cial members' meeting ~~—~~ which shall be held not less than 7 nor

9 more than 21 days after the ~~request~~ SUSPENSION. At the special

10 members' meeting THE CAUSE FOR THE SUSPENSION SHALL BE REPORTED,

11 THE SUSPENDED DIRECTOR SHALL HAVE THE RIGHT TO BE HEARD, AND the

12 members shall decide whether to sustain or reverse the action of

13 the supervisory committee or the board of directors. IF THE MEM-

14 BERS SUSTAIN THE ACTION, THEY SHALL REPLACE THE SUSPENDED BOARD

15 MEMBER AT THE SPECIAL MEMBERS' MEETING. IN THE EVENT THAT THE

16 SUPERVISORY COMMITTEE SUSPENDS A MAJORITY OF THE BOARD OF DIREC-

17 TORS, THE REMAINING BOARD MEMBERS SHALL HAVE GENERAL MANAGEMENT

18 OF THE AFFAIRS OF THE CREDIT UNION UNTIL THE SUSPENDED BOARD MEM-

19 BERS ARE REINSTATED OR REPLACED AT THE SPECIAL MEMBERS' MEETING.

20 (4) The board of directors, by a 2/3 vote of the board mem-

21 bership, may suspend or remove any member of the supervisory com-

22 mittee for failure to perform his or her duties in accordance

23 with this act, the certificate of organization, or the bylaws.

24 (5) The board of directors, by a majority vote, may suspend

25 or remove any officer from his or her duties as an officer.

26 (6) The members of the credit union may remove any

27 ~~official~~ MEMBER OF THE BOARD OF DIRECTORS OR ANY CREDIT OR

1 SUPERVISORY COMMITTEE MEMBER ELECTED BY THE MEMBERSHIP of the  
2 credit union from office but only at a special meeting of the  
3 members called for that purpose.

4       Sec. 12. The capital of a credit union shall consist of the  
5 payments that have been made to it by the ~~several~~ members  
6 ~~thereof~~ on shares. The credit union shall have a lien on the  
7 shares and deposits of a member in his OR HER individual, joint,  
8 or trust account ~~—~~ for any sum due to the credit union from  
9 said member or for any loan endorsed by ~~him~~ THE MEMBER. A  
10 credit union may charge an entrance fee as may be provided by the  
11 bylaws.

12       Sec. 14. Interest rates on loans made by a credit union  
13 shall not exceed ~~1 1/4% a month~~ 15% PER ANNUM on unpaid bal-  
14 ances, except that a rate of 16.5% or less per annum on unpaid  
15 balances may be charged on a loan which is made on or before  
16 December 31, 1993, for the purchase of a motor vehicle. Loans  
17 made for the purchase of a motor vehicle regardless of whether  
18 the loan specifies a term to maturity or is made pursuant to a  
19 line of credit, credit card, or other similar agreements are  
20 subject to the applicable interest rate ceiling of this section.  
21 Loans made by a credit union to another credit union as permitted  
22 under this act are not subject to the interest rate limitations  
23 of this section or any other provisions of ~~law~~ THE LAWS OF THIS  
24 STATE.

25       Sec. 16. (1) Loans to members shall be made subject to the  
26 conditions contained in the bylaws. A borrower may repay his or

1 her loan in whole or in part any day ~~the office of~~ the credit  
2 union is open for business.

3 (2) Except when the bylaws of a credit union ~~shall~~ other-  
4 wise provide, a director ~~, officer,~~ or member of either the  
5 credit committee or supervisory committee shall not borrow from  
6 the credit union in which he or she holds office beyond the  
7 amount of his or her holdings in shares and deposits.

8 (3) A credit union, through provision in its bylaws, at its  
9 option, may permit its directors, ~~officers,~~ credit committee  
10 members, and supervisory committee members to borrow in excess of  
11 their share and deposit holdings on such terms and conditions and  
12 in such amounts as the bylaws may provide. A director, officer,  
13 credit committee member, or supervisory committee member shall  
14 not act as a ~~co-maker~~ COSIGNER, GUARANTOR, or indorser for bor-  
15 rowers other than members of his or her immediate family.

16 (4) Loans to directors or members of the credit committee or  
17 supervisory committee shall be made in the same manner as are  
18 loans to other members, except that the applicant shall not pass  
19 on his or her own loan. The aggregate amount of loans to or  
20 guaranteed by directors and members of the credit committee and  
21 supervisory committee except to the extent they are secured by a  
22 specific pledge of shares or deposits shall not exceed 10% of the  
23 share capital of a credit union ~~—~~ and shall be shown in aggre-  
24 gate as a separate item in the balance sheet of the credit union  
25 ~~—~~ and in all reports rendered by the credit union.

26 (5) Upon written application by a member, the credit union  
27 may approve a line of credit or other open-end credit agreement,

1 and ~~may~~ IN THE ABSENCE OF DEFAULT OR PRIOR TERMINATION OF THE  
2 AGREEMENT SHALL grant loan advances to the member within the  
3 limit of that open-end credit agreement. If an open-end credit  
4 agreement has been approved, an additional loan application shall  
5 not be required by this act as long as the aggregate indebtedness  
6 does not exceed the approved limit. At its option, the credit  
7 union may require reapplication for an open-end credit agreement,  
8 either periodically or as circumstances warrant, AND SHALL COMMU-  
9 NICATE THAT REQUIREMENT TO THE MEMBER AS SOON AS IT IS  
10 DETERMINED. THE CREDIT UNION MAY NOT DEFER INFORMING THE MEMBER  
11 OF THE REQUIREMENT UNTIL THE MEMBER REQUESTS A LOAN ADVANCE.

12 (6) A credit union may participate in loans to credit union  
13 members jointly with other credit unions, credit union organi-  
14 zations, or other financial organizations. If a credit union  
15 incorporated under this act originates such a loan, it shall  
16 retain an interest in the loan of at least 10%.

17 (7) A credit union may participate in any guaranteed loan  
18 program of the federal or state government under the terms and  
19 conditions specified in the law under which such a program is  
20 provided.

21 Sec. 16a. (1) A credit union may invest funds not used in  
22 loans to members in any of the following:

23 (a) Securities, obligations, or other instruments of or  
24 issued by or fully guaranteed as to principal and interest by the  
25 United States or an agency or instrumentality of the United  
26 States, or in any trust or trusts established for investing

1 directly or collectively in such securities, obligations, or  
2 instruments.

3 (b) Securities, obligations, or other instruments of or  
4 issued by any state of the United States, the District of  
5 Columbia, the Commonwealth of Puerto Rico, any of the several  
6 territories organized by congress, or any of their political  
7 subdivisions.

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

13 (d) Investment securities, as follows:

14 (i) Investment securities, when in the credit union's pru-  
15 dent judgment, which may be based in part upon estimates which it  
16 believes to be reliable, there is adequate evidence that the  
17 obligor will be able to perform all it undertakes to perform in  
18 connection with the securities, including all debt service  
19 requirements, and that the securities may be sold with reasonable  
20 promptness at a price ~~which~~ THAT corresponds to their fair  
21 value.

22 (ii) The purchase of investment securities in which the  
23 investment characteristics are considered distinctly or predomi-  
24 nantly speculative, or the purchase of investment securities  
25 ~~which~~ THAT are in default, whether as to principal or interest,  
26 is prohibited.

1       (iii) As used in this subdivision, an "investment security"  
2 means a marketable obligation in the form of a bond, note, or  
3 debenture, commonly regarded as an investment security and  
4 ~~which~~ THAT is salable under ordinary circumstances with reason-  
5 able promptness at a fair value.

6       (e) Shares or certificates of an open-end management invest-  
7 ment company registered with the securities and exchange commis-  
8 sion under the investment company act of 1940, Public Law 96-477,  
9 94 Stat. 2275, 2295, if all of the following conditions are met:

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

13       (ii) The credit union has an equitable and undivided inter-  
14 est in the underlying assets of the fund.

15       (iii) The credit union is not liable for acts or obligations  
16 of the fund.

17       (iv) The credit union's investment in any 1 fund does not  
18 exceed the amount of its reserves and undivided earnings.

19       (2) A credit union shall not invest more than the amount of  
20 its reserves and undivided earnings in any obligor or related  
21 obligors except for investments authorized by subsection (1)(a)  
22 and (c), or authorized by section 4(2). This limitation shall  
23 not apply to a corporate central credit union.

24       (3) A credit union may not invest in or hold common stock or  
25 other equity investments except as provided in section 4(2) or  
26 bank and bank holding company stock legally acquired before ~~the~~  
27 ~~effective date of this 1986 amendatory act~~ DECEMBER 19, 1986.

1 If a credit union comes into possession of common stock or other  
2 equity investments as the result of a loan default, it shall dis-  
3 pose of such items within a reasonable period of time, not to  
4 exceed 2 years, or ~~such~~ A longer period of time as the commis-  
5 sioner may approve on a case by case basis.

6 (4) In addition to investments expressly permitted by this  
7 act, a credit union may make any other type of investment  
8 approved by the commissioner by rule or order.

9 Sec. 17. (1) The gross income of the credit union shall be  
10 determined at the end of each month. From this amount, there  
11 shall be set aside sums as a regular reserve in accordance with  
12 the following schedule:

13 (a) A credit union in operation for more than 4 years and  
14 having assets of \$500,000.00 or more shall set aside 10% of gross  
15 income until the regular reserve equals 4% of the total of out-  
16 standing loans and risk assets, then 5% of gross income until the  
17 regular reserve equals 6% of the total of outstanding loans and  
18 risk assets.

19 (b) A credit union in operation 4 years or less or having  
20 assets of less than \$500,000.00 shall set aside 10% of gross  
21 income until the regular reserve equals 7-1/2% of the total of  
22 outstanding loans and risk assets, then 5% of gross income until  
23 the regular reserve equals 10% of the total of outstanding loans  
24 and risk assets.

25 (c) If the regular reserve falls below the required percen-  
26 tage of the total of outstanding loans and risk assets, the  
27 credit union shall replenish the reserve by regular contributions

1 in such amounts as may be needed to maintain the required reserve  
2 amount.

3       (2) A credit union shall establish an allowance for loan  
4 losses account based upon its reasonably foreseeable loan  
5 losses. The allowance for loan losses account shall initially be  
6 established by charging the regular reserve account. For the  
7 purpose of calculating required transfers of income to regular  
8 reserves pursuant to subsection (1), any balances in the allow-  
9 ance for loan losses account may be included with the balance in  
10 the regular reserve account. A loan or any portion of a loan  
11 shall be charged to the allowance for loan losses account if any  
12 of the following occur:

13       (A) ~~(i)~~ The board of directors considers the loan or any  
14 portion of a loan uncollectible.

15       (B) ~~(ii)~~ The loan is past due 12 or more contractual pay-  
16 ments and there has not been a contractual payment made in the  
17 past 90 days and judicial proceedings to collect the loan have  
18 not been instituted.

19       (C) ~~(iii)~~ The commissioner orders the credit union to do  
20 so.

21       (3) The commissioner may define by rule the terms "gross  
22 income", "outstanding loans", and "risk assets" for the purpose  
23 of establishing the regular reserve.

24       (4) In addition to a regular reserve, special reserves to  
25 protect the interests of members shall be established when  
26 required by rule of the commissioner, or when found by the board



1 of directors of the credit union or by the commissioner, in any  
2 special case, to be necessary for that purpose.

3 (5) The commissioner may waive, in whole or in part and on a  
4 general or case by case basis, the reserve requirements of sub-  
5 section (1) when, in the commissioner's opinion, such a waiver is  
6 necessary or desirable to protect the public interest and fulfill  
7 the purposes of this act.

8 (6) This section does not apply to a corporate central  
9 credit union except to the extent determined by the commissioner  
10 to be necessary to protect the interests of the members AND OTHER  
11 SHARE AND DEPOSIT ACCOUNT HOLDERS of the corporate central credit  
12 union.

13 Sec. 18. (1) The board of directors may declare and pay  
14 dividends on shares from current or accumulated net earnings, or  
15 both, but only after provision for required reserves, accrued and  
16 unpaid expenses, and for established losses. DIVIDENDS, IF PAID,  
17 MAY BE PAID ON PARTIAL AS WELL AS FULL SHARES.

18 (2) Dividends may be paid on shares received during the  
19 first 10 days of any calendar month calculated from the first day  
20 of the calendar month and dividends may be paid on shares with-  
21 drawn during the last 3 business days of any calendar month  
22 ending a regular monthly, quarterly, semiannual, or annual divi-  
23 dend period calculated to the end of the calendar month. As to  
24 share accounts upon which dividends are calculated daily from  
25 date of deposit to date of withdrawal and paid whenever the  
26 member withdraws the dividends, the dividends shall be calculated  
27 and paid only for days the shares were actually on deposit.

1       ~~(3) After March 31, 1966, the board of directors of any~~  
2 ~~credit union may declare and pay a dividend pursuant to this sec-~~  
3 ~~tion, the bylaws of any credit union to the contrary~~  
4 ~~notwithstanding.~~

5       Sec. 20. (1) The process of voluntary dissolution shall be  
6 as follows:

7       (a) The majority of the entire membership of the credit  
8 union, by ballot or written consent, may agree to a dissolution  
9 of the credit union.

10       (b) ~~Thereupon they~~ THEY shall file with the commissioner a  
11 statement of their consent to dissolution, attested by a majority  
12 of the ~~officers~~ MEMBERS OF THE BOARD OF DIRECTORS and including  
13 the names and addresses of ALL OF the ~~officers and~~ MEMBERS OF  
14 THE BOARD OF directors.

15       (c) The commissioner shall determine whether the credit  
16 union is solvent. If solvency is determined, he or she shall  
17 issue in duplicate a certificate to the effect that the provi-  
18 sions of this section relating to voluntary dissolution have been  
19 complied with AND THE CREDIT UNION SHALL BE DISSOLVED AND CEASE  
20 TO CARRY ON BUSINESS EXCEPT FOR THE PURPOSE OF LIQUIDATION.

21       ~~(d) The certificate shall be filed with the county clerk of~~  
22 ~~the county in which the credit union is located, whereupon the~~  
23 ~~credit union shall be considered dissolved and shall cease to~~  
24 ~~carry on business except for the purpose of liquidation.~~

25       (D) ~~(e)~~ The credit union shall continue in existence for  
26 the purpose of discharging its debts, collecting and distributing  
27 its assets, and doing all other acts required in order to wind up

1 its business, and may sue and be sued for the purpose of  
2 enforcing those debts and obligations until its affairs are fully  
3 adjusted and wound up, for a period of 3 years.

4 (2) The process for involuntary dissolution shall be as  
5 follows:

6 (a) If the commissioner shall determine that the credit  
7 union is insolvent OR HAS MADE A DETERMINATION TO REVOKE THE  
8 CREDIT UNION'S CERTIFICATE OF ORGANIZATION PURSUANT TO SECTION 6,  
9 the commissioner may take immediate possession of the assets of  
10 the credit union.

11 (b) Upon taking possession of the assets of the credit  
12 union, the commissioner may appoint a receiver for the credit  
13 union, which receiver may be a league, the national credit union  
14 administration, or a person designated by the commissioner, and  
15 the commissioner may prescribe the amount of bond and such other  
16 terms and conditions with which the receiver shall comply before  
17 entering upon his or her office.

18 (c) Upon qualifying the receiver shall take possession of  
19 the assets and proceed to liquidate the credit union, to collect  
20 all assets and distribute and pay all obligations, and distribute  
21 the remaining assets to the shareholders in accordance with their  
22 respective interests. The receiver, whether the commissioner or  
23 a receiver appointed by him or her, shall have full power and  
24 authority to sue and be sued, for the purpose of enforcing the  
25 debts and obligations due the credit union and do all things and  
26 perform all acts necessary to wind up the affairs of the credit  
27 union. The commissioner shall have power to issue ~~such~~ rules

1 as he or she ~~shall deem~~ CONSIDERS proper for the purpose of  
2 winding up the affairs of a credit union in involuntary  
3 dissolution.

4 ~~(d) Upon commencement of the liquidation, a certificate~~  
5 ~~shall be filed by the commissioner with the county clerk of the~~  
6 ~~county in which the credit union is located indicating the com-~~  
7 ~~mencement of liquidation, and upon the completion of the liquida-~~  
8 ~~tion and dissolution of the credit union, the commissioner shall~~  
9 ~~file with the county clerk of the county in which the credit~~  
10 ~~union is located a certificate indicating that the liquidation~~  
11 ~~and dissolution is complete and that the credit union has ceased~~  
12 ~~to do business.~~

13 (D) ~~(e)~~ A credit union shall be ~~deemed~~ CONSIDERED insol-  
14 vent when the total of share capital and deposit accounts is more  
15 than the value of the assets of the credit union as determined by  
16 an appraisal of assets made by the commissioner or other person  
17 authorized or directed by him or her to make such an appraisal.

18 ~~(f) The powers of the commissioner under this section shall~~  
19 ~~also apply to section 6.~~

20 (3) The commissioner may permit a credit union in either  
21 voluntary or involuntary dissolution because of insolvency to  
22 reorganize its affairs and continue in business, if a majority of  
23 the members of the credit union approve a scale-down of their  
24 share balances in an amount sufficient to offset the deficit in  
25 assets as determined by the commissioner, under such rules as the  
26 commissioner may establish not inconsistent with or contrary to  
27 law.

1       Sec. 23. If a credit union has completed or is about to  
2 complete the term of its corporate existence, the credit union  
3 may extend its corporate life by the affirmative vote of a major-  
4 ity of the members present at a duly constituted meeting called  
5 for the purpose and by delivery of a copy of the resolution cer-  
6 tified by the secretary and attested by the chairperson of the  
7 board of directors of the credit union to the commissioner.  
8 INSTEAD OF HAVING THIS MATTER CONSIDERED BY THE MEMBERS, THE  
9 BOARD OF DIRECTORS MAY ADOPT A RESOLUTION TO EXTEND THE CREDIT  
10 UNION'S CORPORATE EXISTENCE AND REPORT SUCH ACTION TO THE MEMBER-  
11 SHIP AT THE NEXT ANNUAL MEETING OF THE MEMBERSHIP. The commis-  
12 sioner shall authorize the credit union to continue its existence  
13 for the period of time stated in the resolution, or if no period  
14 is stated in the resolution, the commissioner shall authorize the  
15 credit union to continue its existence perpetually. ~~The commis-~~  
16 ~~sioner shall file a copy of his or her authorization for such~~  
17 ~~extension of corporate existence with the county clerk of the~~  
18 ~~county where the credit union is located.~~ The commissioner by  
19 rule shall determine the forms to be filed for the purpose of  
20 extending the charters of credit unions.

21       Sec. 25. (1) With the approval of the commissioner and upon  
22 the affirmative vote of 2/3 of the members who vote on the pro-  
23 posal, a credit union organized under this act may convert,  
24 subject to ~~the provisions of~~ this section, into a credit union  
25 chartered under the laws of the United States or any other state  
26 or territory of the United States. The board of directors, by a  
27 majority vote of the entire board, shall approve any conversion

1 plan prior to the plan being submitted to the commissioner for  
2 approval in accordance with this subsection. Before voting to  
3 approve ~~any such~~ THE plan, the board of directors shall give 30  
4 days' prior notice to the credit union's members that it is con-  
5 sidering a conversion. ~~Such~~ THE notice shall be mailed to the  
6 credit union's membership ~~—~~ and may be included as part of any  
7 mailing sent to the credit union's membership. The notice shall  
8 include a brief statement as to why the board is considering the  
9 matter and a brief statement of the major positive and negative  
10 effects of the proposed conversion. The notice shall also state  
11 that prior to the submission of the conversion plan to the mem-  
12 bers, the board is soliciting the comments of the membership in  
13 writing and that such comments may also be sent to the  
14 commissioner. Prior to approval of the contents of the conver-  
15 sion plan, the commissioner shall consider those comments submit-  
16 ted to the board or to the commissioner. The commissioner shall  
17 approve the contents of the conversion plan before the credit  
18 union presents the conversion plan to the members for a vote.  
19 The commissioner shall approve the contents of the conversion  
20 plan only if the commissioner is satisfied of both of the  
21 following:

22 (a) The conversion plan discloses to the members information  
23 concerning the advantages and disadvantages of the proposed con-  
24 version and contains a statement indicating any material differ-  
25 ences in powers.

26 (b) The conversion would be made for sound economic reasons  
27 and would not be made to circumvent a pending supervisory action

1 that is initiated by the commissioner because of a concern over  
2 the safety and soundness of the credit union.

3       (2) Upon approval of the contents of the conversion plan by  
4 the commissioner, the credit union shall call a special meeting  
5 of the members to provide information on the conversion plan. At  
6 least 14 days prior to the meeting, a notice of the meeting, a  
7 copy of the conversion plan, and a ballot with postage paid  
8 return envelope shall be mailed to all members. After the spe-  
9 cial meeting is held, the members shall be given until a speci-  
10 fied date, which shall be at least 15 days after the meeting, to  
11 return their ballots. The votes cast by members shall be counted  
12 upon the expiration of the time given to the members to return  
13 their ballots. Certified copies of all proceedings held by the  
14 board of directors and members of the credit union shall be filed  
15 with the commissioner. In addition, the credit union shall fur-  
16 nish a certified copy of consent or approval of the national  
17 credit union administration or the regulatory authority of the  
18 applicable state or territory of the United States if the consent  
19 or approval is required by the laws of the United States or by  
20 the laws of the applicable state or territory of the United  
21 States. If a credit union converting into a credit union orga-  
22 nized under the laws of another state or territory of the United  
23 States intends to maintain an office in this state, it must  
24 comply with section 4h. If all of the conditions required by  
25 this section have been met, the commissioner shall approve the  
26 conversion and the conversion shall become effective. Two copies  
27 of the proceedings shall be filed in the office of the

1 commissioner. ~~, who shall certify and forward by registered~~  
2 ~~mail a copy of the proceedings to the county clerk of the county~~  
3 ~~in which the credit union is located.~~

4 (3) ~~When~~ IF the conversion becomes effective, all the  
5 property of the credit union, including all its right, title, and  
6 interest in and to all property of whatever kind, whether real,  
7 personal, or mixed and things in action, and every right, privi-  
8 lege, interest, and asset of any conceivable value or benefit  
9 then existing, belonging, or pertaining to it, or ~~which~~ THAT  
10 would inure to it, shall immediately by act of law and without  
11 any conveyance or transfer, and without any further act or deed,  
12 be vested in and remain the property of the converted credit  
13 union. The converted credit union shall have, hold, and enjoy  
14 the property in its own right as fully and to the same extent as  
15 the property was possessed, held, and enjoyed prior to the  
16 conversion. The converted credit union shall be considered to be  
17 a continuation of the same entity. All the rights, obligations,  
18 and relations of the credit union to or in respect to any person,  
19 estate, creditor, member, depositor, trust, trustee, or benefi-  
20 ciary of any trust or fiduciary function shall remain  
21 unimpaired. The credit union shall continue to hold all the  
22 rights, obligations, relations, and trusts, and the duties and  
23 liabilities connected with them, and shall execute and perform  
24 each and every trust and relation in the same manner as if the  
25 credit union had not converted. The conversion shall not release  
26 the credit union from its obligations to pay and discharge all  
27 the liabilities created by law or incurred by it before the



1 conversion, or any tax imposed by the laws of this state up to  
2 the day of the conversion in proportion to the time which has  
3 elapsed since the last preceding tax payment, or any assessment,  
4 penalty, or forfeiture imposed or incurred under the laws of this  
5 state up to the date of the conversion.

6       Sec. 26. (1) With the approval of the commissioner and com-  
7 pliance with the applicable law under which it is chartered, a  
8 credit union chartered under the laws of the United States or any  
9 other state or territory of the United States and meeting all the  
10 requirements to become a credit union under this act may convert  
11 to a credit union organized under this act. The required certif-  
12 icate of organization shall be executed in triplicate by a major-  
13 ity of the board of directors of the converting credit union and  
14 presented to the commissioner for appropriate examination and  
15 approval. After executing the certificate of organization, a  
16 majority of the directors may execute all other papers, including  
17 the adoption of bylaws for the general government of the credit  
18 union consistent with the provisions of this act, and to do what-  
19 ever may be required to complete its conversion. The directors  
20 of the converting credit union may continue to be directors of  
21 the credit union. If the commissioner approves the certificate  
22 of organization as presented by the board of directors, the com-  
23 missioner shall notify the applicants of the commissioner's deci-  
24 sion and shall immediately issue a certificate of approval  
25 attached to the duplicate certificate of organization and return  
26 it to the credit union. The certificate shall indicate that the  
27 laws of this state have been complied with and the credit union

1 and all its members, officers, and employees shall have the same  
2 rights, powers, and privileges and be subject to the same duties,  
3 liabilities, and obligations in all respects as shall be applica-  
4 ble to credit unions originally organized under this act.

5 (2) The approval of a conversion under this section by the  
6 commissioner shall be based on an examination of the credit union  
7 and the proceedings had by its directors and members with respect  
8 to conversion and a conversion shall not ~~be made to~~ defeat or  
9 defraud any of the creditors of the credit union. The expenses  
10 of ~~an~~ THE examination ~~which~~ shall be ~~computed in accordance~~  
11 ~~with section 6 shall be~~ paid by the credit union IN AN AMOUNT  
12 ESTABLISHED AND PUBLISHED BY THE COMMISSIONER. THE AMOUNT PAID  
13 FOR THE EXAMINATION IS NOT REFUNDABLE. UPON APPROVAL OF THE CON-  
14 VERSION, THE CREDIT UNION SHALL PAY AN OPERATING FEE, DETERMINED  
15 PURSUANT TO SECTION 6, ON A PRORATED BASIS FOR THE OPERATING FEE  
16 PERIOD IN WHICH THE CONVERSION BECOMES EFFECTIVE. THE DATE THAT  
17 THE CONVERSION BECOMES EFFECTIVE SHALL BE THE BASIS FOR THE  
18 PRORATION.

19 (3) ~~When~~ IF the conversion becomes effective, all the  
20 property of the converted credit union, including its right,  
21 title, and interest in and to all property of whatever kind,  
22 whether real, personal, or mixed, and things in action, and every  
23 right, privilege, interest, and asset of any conceivable value or  
24 benefit then existing, belonging or pertaining to it, or ~~which~~  
25 THAT would inure to it, shall immediately by act of law and with-  
26 out any conveyance or transfer and without any further acts or  
27 deeds, be vested in and remain the property of the converted

1 credit union. The converted credit union shall have, hold, and  
 2 enjoy the property in its own right as fully and to the same  
 3 extent as the property was previously possessed, held, and  
 4 enjoyed by it. The converted credit union shall be considered to  
 5 be a continuation of the same entity. All the rights, obliga-  
 6 tions, and relations of the credit union to or in respect to any  
 7 person, estate, creditor, depositor, member, trustee, or benefi-  
 8 ciary of any trust, or fiduciary function, shall remain  
 9 unimpaired. The credit union shall continue to hold all rights,  
 10 obligations, relations, and trusts and the duties and liabilities  
 11 connected with them, and shall execute and perform each and every  
 12 trust and relation in the same manner as if it had after the con-  
 13 version assumed the trust or relation and obligations and liabil-  
 14 ities connected with the trust or relation.

15       Sec. 31. (1) ~~Not later than July 1, 1974, each credit~~  
 16 ~~union except a credit union whose assets consist primarily of~~  
 17 ~~funds from other credit unions,~~ EACH CREDIT UNION EXCEPT A COR-  
 18 PORATE CENTRAL CREDIT UNION shall apply for AND MAINTAIN insur-  
 19 ance of member share and deposit accounts under ~~the provisions~~  
 20 ~~of~~ title II of the ~~national~~ FEDERAL credit union act. A  
 21 credit union ~~which~~ THAT has been denied a commitment for insur-  
 22 ance of its share and deposit accounts OR THAT HAS BEEN GIVEN  
 23 NOTICE BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND OF ITS  
 24 INTENT TO TERMINATE INSURANCE OF THE CREDIT UNION'S SHARES AND  
 25 DEPOSITS shall either dissolve, merge with another credit union  
 26 ~~which~~ THAT is insured under title II of the ~~national~~ FEDERAL  
 27 credit union act, or apply in writing within 30 days after denial

1 to the commissioner for additional time to obtain an insurance  
2 commitment.

3       (2) The commissioner shall grant additional time or times to  
4 obtain ~~the~~ OR REINSTATE AN insurance commitment, upon satisfac-  
5 tory evidence that the credit union has made or is making a sub-  
6 stantial effort to achieve the conditions precedent to issuance  
7 of the commitment. ~~Additional time or times shall not extend~~  
8 ~~later than July 1, 1979.~~