



# HOUSE BILL No. 4726

May 6, 1993, Introduced by Rep. Keith and referred to the Committee on Business and Finance.

A bill to amend section 4 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,"

as amended by Act No. 246 of the Public Acts of 1992, being section 490.4 of the Michigan Compiled Laws.

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

1       Section 1. Section 4 of Act No. 285 of the Public Acts of  
2 1925, as amended by Act No. 246 of the Public Acts of 1992, being

1 section 490.4 of the Michigan Compiled Laws, is amended to read  
2 as follows:

3       Sec. 4. (1) A credit union ~~shall have~~ HAS the powers  
4 specified or implied by this act or any other act of this state  
5 addressing the activities of credit unions.

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

7       (a) Enter into contracts.

8       (b) Sue and be sued.

9       (c) Adopt and alter a seal.

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

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

23       (f) Incur and pay necessary and incidental operating  
24 expenses.

25       (g) Receive the funds of its members either as payment on  
26 shares or as deposits. A credit union may have 1 or more classes  
27 of share or deposit accounts in the classifications and in the

1 form and under the terms and conditions as authorized by its  
2 board of directors, subject to the limitations on payment of div-  
3 idends on shares provided in section 18. A credit union shall  
4 provide for the transfer and withdrawal of funds from accounts by  
5 the means and through the payment systems that the board of  
6 directors determines best serve the convenience and needs of  
7 members.

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

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

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

19 (k) Make loans to a trade association of which it is a  
20 member. These loans shall not exceed, in the aggregate, 1% of  
21 the credit union's shares, deposits, undivided earnings, and  
22 reserves.

23 (l) Provide debt counseling and other financial counseling  
24 services to its members. If the counseling includes debt manage-  
25 ment as defined in section 1a(f) with respect to a given member  
26 and the member has any delinquent indebtedness outstanding with  
27 the credit union at the time, the credit union shall not charge

1 that member, directly or indirectly, a fee for providing the  
2 services involved.

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

4 (n) Act as trustee or custodian of retirement accounts or  
5 other accounts permitting tax deferrals under federal or state  
6 law, whether established on an individual basis or as part of an  
7 employer group program.

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

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

21 (q) Purchase any of the assets of another credit union or  
22 assume any of the liabilities of another credit union, with the  
23 approval of the commissioner. A credit union may also purchase  
24 any of the assets of a credit union that is in liquidation or  
25 receivership.

26 (r) Make deposits in or loans to banks, savings banks,  
27 savings and loan associations, trust companies, and other credit

1 unions, and purchase shares of mutual savings and loan  
2 associations and other credit unions if the bank, savings bank,  
3 savings and loan association, trust company, or other credit  
4 union is insured by an agency of the United States; make deposits  
5 in, loans to, or purchase shares of a corporate central credit  
6 union; and invest funds as otherwise provided in section 16a.

7 (s) Join, make deposits in or loans to, or purchase shares  
8 of any federal reserve bank, federal home loan bank, and any cen-  
9 tral liquidity facility established under federal or state law.

10 (t) Hold membership in associations and organizations con-  
11 trolled by or fostering the interests of credit unions, and hold  
12 membership in a central liquidity facility organized under fed-  
13 eral or state law.

14 (u) Engage in activities and programs of the federal govern-  
15 ment, a state, a territory of the United States, or an agency or  
16 political subdivision of the federal government or a state or  
17 territory of the United States, if approved by the board of  
18 directors and not inconsistent with this act.

19 (v) Receive funds either as shares or deposits from other  
20 credit unions.

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

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

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

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

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

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

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

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

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

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

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

5 (gg) In addition to loan and investment powers otherwise  
6 authorized by this act, organize, invest in, and make loans to  
7 corporations or other organizations that engage in activities  
8 incidental to the conduct of a credit union or in activities  
9 which further or facilitate the purposes of a credit union, or  
10 which furnish services to credit unions. The commissioner shall  
11 determine by rule or order the activities and services that fall  
12 within the meaning of this subdivision. A credit union shall  
13 notify the commissioner of any investment or loan that would  
14 cause the aggregate of the investments and loans described in  
15 this subdivision to exceed 2% of the credit union's shares,  
16 deposits, undivided earnings, and reserves. Investments and  
17 loans described in this subdivision shall not, in the aggregate,  
18 exceed 5% of the shares, deposits, undivided earnings, and  
19 reserves of the credit union. A credit union may not invest in  
20 or make loans to a corporation or other organization pursuant to  
21 this subsection unless the corporation or other organization  
22 agrees in writing to allow the commissioner to conduct an exami-  
23 nation of the corporation or other organization to the same  
24 extent that the commissioner is authorized to examine credit  
25 unions and agrees in writing to make reports to the commissioner  
26 as the commissioner may require.

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

22 (ii) Own stock in a corporation that owns land or buildings  
23 used to provide the facilities described in subdivision (hh), but  
24 the investment in stock shall be treated as an investment in the  
25 land and buildings for all purposes under subdivision (hh). If a  
26 credit union owns less than 100% of the stock in such a  
27 corporation, the investment shall be treated as a joint agreement



1 and subject to the commissioner's approval as required by  
2 subdivision (hh).

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

11 (kk) Perform services for members of other credit unions  
12 organized under this act, the laws of another state or territory  
13 of the United States, or the laws of the United States pursuant  
14 to a written contractual arrangement. A credit union may allow  
15 other credit unions organized under this act, the laws of another  
16 state or territory of the United States, or the laws of the  
17 United States to perform services for its members pursuant to a  
18 written contractual arrangement. All services provided pursuant  
19 to this subdivision shall be performed in accordance with the  
20 laws of this state.

21 (ll) Perform services for persons who are not its members if  
22 the services are performed pursuant to a contractual arrangement  
23 whereby other financial organizations perform the same services  
24 for the credit union's members. For purposes of this subdivi-  
25 sion, "services" means 1 or more of the following:

26 (i) Cash advances.

1       (ii) Funds transfers.

2       (iii) Cashing travelers checks.

3       (iv) Any other services specified by the commissioner by  
4 rule or order.

5       (mm) Guarantee the signature of a member in connection with  
6 any transaction involving tangible or intangible property in  
7 which the member has or seeks to acquire an interest.

8       (NN) EXCEPT AS OTHERWISE PROVIDED IN THE INSURANCE CODE OF  
9 1956, ACT NO. 218 OF THE PUBLIC ACTS OF 1956, BEING SECTIONS  
10 500.100 TO 500.8302 OF THE MICHIGAN COMPILED LAWS, ENGAGE IN ANY  
11 ASPECT OF THE INSURANCE AND SURETY BUSINESS AS PRINCIPAL, UNDER-  
12 WRITER, AGENT, BROKER, SOLICITOR, OR INSURANCE COUNSELOR.

13       (OO) PURCHASE SHARES OF A CORPORATION ENGAGED, OR ORGANIZED  
14 FOR THE PURPOSE OF ENGAGING, IN ANY ASPECT OF THE INSURANCE AND  
15 SURETY BUSINESS AS A PRINCIPAL, UNDERWRITER, AGENT, BROKER,  
16 SOLICITOR, OR INSURANCE COUNSELOR. HOWEVER, THE CREDIT UNION  
17 SHALL AT ALL TIMES OWN AT LEAST 80% OF THE ISSUED AND OUTSTANDING  
18 VOTING SHARES OF THE CORPORATION.

19       (3) The commissioner may promulgate rules authorizing credit  
20 unions to exercise additional powers considered necessary to  
21 effectuate the purposes of credit unions and to permit credit  
22 unions to meet their members' financial needs, if these addi-  
23 tional powers are not inconsistent with this act or other appli-  
24 cable Michigan law.

25       Section 2. This amendatory act shall not take effect unless  
26 all of the following bills of the 87th Legislature are enacted  
27 into law:

- 1 (a) House Bill No. 4020.  
2 (b) House Bill No. 4021.  
3 (c) House Bill No. 4022.  
4 (d) Senate Bill No. \_\_\_\_\_ or House Bill No. 4727 (request  
5 no. 02862'93).  
6 (e) Senate Bill No. \_\_\_\_\_ or House Bill No. 4728 (request  
7 no. 02863'93).  
8 (f) Senate Bill No. \_\_\_\_\_ or House Bill No. 4729 (request  
9 no. 02864'93).