



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 975 (Substitute S-1 as reported)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

CONTENT

The bill would amend the credit union Act to allow a credit union to indemnify its officials, employees, and agents for the purposes of legal actions; and allow a credit union unilaterally to increase the approved limit on a line of credit or open-end credit agreement.

A credit union could indemnify a person who was a party to or was threatened to be made a party to a suit by reason of the fact that the person was or had been an official, employee, or agent of the credit union or was or had been serving, at the request of the credit union, as an official, employee, or agent of one or more credit unions or other enterprises. Indemnification could be granted against legal expenses, judgments, penalties, fines, and amounts paid in settlement, if the person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the credit union or its members. Unless ordered by a court, indemnification could be made by the credit union only as authorized in the specific case upon a determination that indemnification was proper in the circumstances because the person met the bill's applicable standard of conduct. This determination could be made by a majority vote of a quorum of the board, consisting of directors who were not parties to the action; or, if a quorum were not obtainable, by a majority vote of a committee of directors who were not parties to the action; by independent legal counsel in a written opinion; or by the members. Indemnification could not be made for a matter in which the person had been found liable to the credit union, unless the court determined that, despite the adjudication of liability, but in view of all circumstances of the case, the person was fairly and reasonably entitled to indemnification for the expenses that the court considered proper.

The Act allows a credit union, upon written application by a member, to approve a line of credit or other open-end credit agreement and to grant loan advances to the member within the limit of that open-end credit agreement. If an open-end credit agreement has been approved, an additional loan application is not required as long as the aggregate indebtedness does not exceed the approved limit. The bill specifies that, except to the extent that it had contracted to the contrary, a credit union could unilaterally increase the approved limit, or increase the approved limit upon the member's request, and reapplication would not be required for a loan as long as the indebtedness did not exceed the approved limit or a higher approved limit as subsequently established by the credit union.

MCL 490.16 et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 4-26-96

Fiscal Analyst: M. Barsch

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.