

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 596 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Shirley Johnson
Committee: Banking and Financial Institutions

Date Completed: 9-29-99

RATIONALE

The credit union Act provides for the organization, operation, and supervision of credit unions. Among its many provisions, the Act allows for the establishment of a corporate central credit union; that is, a credit union that serves no individual person but instead has a membership that consists of other credit unions. In Michigan, as in many other states, there is one corporate central credit union. This entity provides various financial services to its credit union membership.

Reportedly, from time to time corporate central credit unions have found it advantageous to merge or consolidate operations with the corporate central credit unions of other states. Currently, under the Act, all members of a corporate central credit union's board of directors must be Michigan residents. It has been pointed out that if Michigan's corporate central credit union wished to merge with another state's corporate central credit union, the residency requirement would prevent the resulting entity from being located in Michigan because the board of directors would include members from another state. It has been suggested that the residency requirement be changed to allow a director of a corporate central credit union to be a resident of another state.

CONTENT

The bill would amend the credit union Act to eliminate a current requirement that all members of a corporate central credit union's board of directors, supervisory committee (if any), and credit committee (if any) be residents of Michigan, and instead require that one member of the board or of the committees (if any) be a resident of Michigan.

MCL 490.8

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The current requirement that all members of the board of directors of a corporate central credit union be Michigan residents is outdated and overly restrictive. In the future, Michigan's corporate central credit union may find it desirable to merge operations with the corporate central credit union of another state or states. By allowing an out-of-State member to be on the corporate central credit union's board of directors, the bill would permit the corporate central credit union to continue to be headquartered in Michigan.

Legislative Analyst: G. Towne

FISCAL IMPACT

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

Fiscal Analyst: M. Tyszkiewicz

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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.