

**SUBSTITUTE FOR
HOUSE BILL NO. 6328**

A bill to amend 1925 PA 285, entitled

"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 or any other federally insured depository institution 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 or any other federally insured depository institution 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,"

by amending section 17 (MCL 490.17), as amended by 1992 PA 246.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

13 ~~(c) If the regular reserve falls below the required percen-~~
14 ~~tage of the total of outstanding loans and risk assets, the~~
15 ~~credit union shall replenish the reserve by regular contributions~~
16 ~~in such amounts as may be needed to maintain the required reserve~~
17 ~~amount.~~ A CREDIT UNION SHALL ESTABLISH AND MAINTAIN RESERVES IN
18 SUCH AMOUNTS AS MAY BE REQUIRED TO QUALIFY FOR INSURANCE OF ITS
19 ACCOUNTS UNDER FEDERAL LAW AND AS OTHERWISE REQUIRED BY THE
20 COMMISSIONER.

21 (2) A credit union shall establish an allowance for loan
22 losses account based upon its reasonably foreseeable loan
23 losses. ~~The allowance for loan losses account shall initially~~
24 ~~be established by charging the regular reserve account. For the~~
25 ~~purpose of calculating required transfers of income to regular~~
26 ~~reserves pursuant to subsection (1), any balances in the~~
27 ~~allowance for loan losses account may be included with the~~

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1 ~~balance in the regular reserve account.~~ A loan or any portion of
2 a loan shall be charged to the allowance for loan losses account
3 if any of the following occur:

4 (a) The board of directors considers the loan or any portion
5 of a loan uncollectible.

6 (b) The loan is past due 12 or more contractual payments and
7 there has not been a contractual payment made in the past 90 days
8 and judicial proceedings to collect the loan have not been
9 instituted.

10 (c) The commissioner orders the credit union to do so.

11 ~~-(3) The commissioner may define by rule the terms "gross~~
12 ~~income", "outstanding loans", and "risk assets" for the purpose~~
13 ~~of establishing the regular reserve.~~

14 (3) ~~-(4) In addition to a regular reserve, special~~ SPECIAL
15 reserves to protect the interests of members shall be established
16 when required by rule of the commissioner, or when found by the
17 board of directors of the credit union or by the commissioner, in
18 any special case, to be necessary for that purpose.

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

24 (4) ~~-(6)~~ This section does not apply to a corporate central
25 credit union except to the extent determined by the commissioner
26 to be necessary to protect the interests of the members and other

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1 share and deposit account holders of the corporate central credit
2 union.