

# HOUSE BILL No. 6328

September 17, 2002, Introduced by Rep. Middaugh and referred to the Committee on Insurance and Financial Services.

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:~~

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

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

~~(c) If the regular reserve falls below the required percentage of the total of outstanding loans and risk assets, the credit union shall replenish the reserve by regular contributions in such amounts as may be needed to maintain the required reserve amount.~~

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

~~(2) A loan or any portion of a loan shall be charged to the allowance for loan losses account if any of the following occur:~~

1 (a) The board of directors considers the loan or any portion  
2 of a loan uncollectible.

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

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

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

11 (3) ~~-(4)~~ In addition to MAINTAINING a regular reserve AS  
12 REQUIRED BY LAW, special reserves MAY BE ESTABLISHED to protect  
13 the interests of members. ~~shall be established when required by~~  
14 ~~rule of the commissioner, or when found by the board of directors~~  
15 ~~of the credit union or by the commissioner, in any special case,~~  
16 ~~to be necessary for that purpose.~~

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

22 (4) ~~-(6)~~ This section does not apply to a corporate central  
23 credit union except to the extent determined by the commissioner  
24 to be necessary to protect the interests of the members and other  
25 share and deposit account holders of the corporate central credit  
26 union.