



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5017 (Substitute H-2 as passed by the House)
House Bill 5018 (Substitute H-1 as passed by the House)
House Bill 5019 (Substitute H-2 as passed by the House)
House Bill 5020 (Substitute H-1 as passed by the House)
House Bill 5021 (as passed by the House)
House Bill 5022 (Substitute H-1 as passed by the House)
Sponsor: Representative Anthony G. Forlini (H.B. 5017)
Representative Peter Pettalia (H.B. 5018)
Representative Paul Clemente (H.B. 5019)
Representative Lana Theis (H.B. 5020)
Representative Tom Barrett (H.B. 5021)
Representative Leslie Love (H.B. 5022)

House Committee: Financial Services
Senate Committee: Banking and Financial Institutions

Date Completed: 3-1-16

CONTENT

Each of the bills would amend the Credit Union Act as described below.

House Bill 5017 (H-2) would do the following:

- **Create the "Credit Union Regulatory Fund" and require fees, fines, and other money received by the Director of the Department of Insurance and Financial Services (DIFS) to be deposited into the Fund for credit union regulatory purposes.**
- **Require a credit union board to appoint either a general manger (as currently required) or a chief executive officer (CEO).**
- **Allow a credit union board to delegate to the general manager or CEO certain responsibilities that currently may not be delegated.**
- **Require a credit union board to meet six times, rather than nine times, each year.**
- **Allow a credit union board to appoint nonvoting associate board members.**
- **Allow a credit union to provide insurance protection and expense reimbursement to board members, associate board members, and committee members.**
- **Allow a credit union to accept a legal entity as a member if it did business within the geographic area of the credit union's field of membership.**
- **Specify conditions under which a credit union could accept as a member the estate of a deceased member.**
- **Require a credit union to deliver to the Department of Treasury money or property in an account designated inactive, and terminate membership, if the designation were not removed within three years, rather than five years.**
- **Allow a general manager or CEO, rather than a credit union board, to terminate a membership or suspend services to a member for certain reasons; include inappropriate behavior among those reasons; and allow the member to appeal to the credit union board.**
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- Allow a credit union to purchase the assets, or assume the liabilities, of another depository institution.
- Make an exception to the requirement that a credit union's investment or contractual obligations in land and buildings not exceed 5% of the credit union's assets without the Director's approval.
- Allow a credit union to establish charitable donation accounts, provide educational scholarships, and invest in interest rate derivatives.
- Allow a credit union to perform financial counseling services for nonmembers under a reciprocal arrangement with another financial institution.
- Revise requirements governing the use of a vendor's automated information processing services.
- Delete provisions allowing a credit union to contract with a borrower for the borrower to reimburse the credit union for third party costs under certain circumstances.
- Prohibit a credit union from loaning to a borrower an amount that exceeded 25% of its unimpaired capital, rather than \$20,000 or 25% of its net worth.
- Allow the Director to require a credit union to develop a plan for divestiture of an investment that had been permitted but became impermissible.

House Bill 5018 (H-1) would allow a domestic credit union, with prior written notice to the Director, instead of prior approval of Director, to conduct its business solely by mail or through electronic communication without having a physical location where members may transact business with the credit union.

House Bill 5019 (H-2) would do the following:

- Allow a domestic credit union to organize, invest in, or loan money to a credit union service organization that provided investment administration and other services related to small business equity interests or venture capital fund investments, if various conditions were met; or that provided trust services.
- Create an exception to a requirement that a credit union service organization agree to obtain an annual audit from a certified public accountant.

House Bill 5020 (H-1) would do the following:

- Provide for the confidentiality of information related to an examination of a credit union.
- Allow the Director to share information, including confidential information, with other regulatory agencies and law enforcement agencies; receive information from them; and enter into agreements governing information sharing and use.
- Require any request for confidential information to be made to the Director, and require the Director to determine whether to disclose the information within seven days.
- Provide that the Director's decision not to disclose confidential information would be subject to judicial review; allow a court to order disclosure only of information that was relevant and otherwise unobtainable by the requesting party; and allow the Director to appeal the order.
- Allow the Director to suggest best practices or other improvements in operation not required by law or regulation, or to address safety and soundness of a credit union.
- Require the Director to issue guidance to promote consistency and due process in the examination process.

House Bill 5021 would revise requirements related to the effective date of a merger of domestic credit unions with other domestic credit unions or with foreign credit unions.

House Bill 5022 (H-1) would allow a domestic credit union to conduct a loan promotion raffle if certain conditions were met.

The bills also would refer to the "director", rather than the "commissioner", throughout the Act. (Executive Order 2013-1 created the Department of Financial and Insurance Services, abolished the Office of Financial and Insurance Regulation (OFIR), and transferred the duties of the Commissioner of OFIR to the Director of the Department.)

Each of the bills would take effect 90 days after its enactment.

All of the bills, except House Bill 5019 (H-2), are tie-barred to each other.

Each of the bills, except House Bill 5018 (H-1), is described in more detail below.

House Bill 5017 (H-2)

Credit Union Regulatory Fund

Currently, fees, fines, and other money received or collected by the Director or the Department under the Act must be deposited in the State Treasury and credited to DIFS for its operations. Under the bill, instead, a fee, a civil or administrative fine, or any other money received or collected by the Director, except a fine imposed for a violation of Section 217, would have to be deposited in the Credit Union Regulatory Fund.

The bill would establish the Fund in the Department of Treasury. In addition to the fees, fines, and other money mentioned above, the Fund would consist of money appropriated to it; donations of money made to the Fund from any source; and interest and earnings from Fund investments.

Upon appropriation, the Director would have to use money in the Fund only for credit union regulatory purposes, as he or she determined.

The State Treasurer would have to direct the investment of the Fund, and the Director would be its administrator for auditing purposes. Money in the Fund at the close of a fiscal year would remain in the Fund and not revert to the General Fund.

(Under Section 217, if a person is the subject of an outstanding notice or final order for a violation of Section 212(1), (2), or (3), Section 214, or any other law of the State that grants enforcement powers to the Director, the person is prohibited from participating in the conducts of the affairs of the domestic credit union involved except voting as an individual member, and from serving or acting as an official or employee of any domestic credit union. Under Section 212(1), (2), and (3), the Director may serve upon a domestic credit union director, officer, or employee, or other person, a notice of intention to remove him or her from office or to prohibit the person from participating in the conduct of the affairs of a domestic credit union, if the person committed certain violations or engaged in certain conduct involving a breach of fiduciary duty or an unsafe or unsound practice in connection with the credit union. Section 214 allows the Director to suspend a person from office or prohibit a person from participating in the conduct of credit union affairs if he or she is charged with a felony involving dishonesty or breach of trust. Under the bill, this would apply to crime, rather than a felony, involving dishonesty or breach of trust.)

Duties of Credit Union Board

The Act requires a credit union board to perform certain duties that may not be delegated to another person or committee. The Act also lists other duties that a credit union board must perform or delegate to the general manager of the credit union.

The following duties currently must be performed by a board and may not be delegated, but could be delegated to a credit union general manager or CEO under the bill:

- Establishing the maximum individual shareholdings of members.
- Acquiring, selling, or encumbering real property.
- Borrowing money.
- Fixing the amount of surety bonds for officers and employees who handle money.
- Specifying forms and procedures for applications for membership and setting criteria for use in determining whether to accept an applicant into membership.

If a credit union delegated such a duty to the general manager or CEO, and the person acted pursuant to the delegation, he or she would have to give a summary of the actions taken to the credit union board at its next regularly scheduled meeting.

Currently, a credit union board must meet at least once every 62 days and at least nine times each calendar year, in person or by means of electronic devices. The bill, instead, would require a credit union board to meet at least six times in each calendar year and at least every other month.

Board Members

Currently, an individual who is elected or appointed to serve as a director, supervisory committee member, or credit committee member of a domestic credit union, or as a member of any other committee that performs significant ongoing functions relating to the operations of the domestic credit union, may not receive compensation for his or her service as a board or committee member. The bill would extend this to associate board members.

The bill would allow a domestic credit union to provide reasonable life, health, accident, disability, or similar insurance protection, and reimbursement for reasonable expenses that were incidental to the performance of official business of the credit union, to board members, associate board members, supervisory committee members, or credit committee members or to members of any other committee performing significant ongoing functions related to operations.

Also, under the bill, the section of the Act governing board members would not prevent an employee of a credit union who served on a credit union committee from receiving compensation for his or her duties as a credit union employee.

Associate Board Members

The Act requires a credit union board to consist of five or more members and establishes eligibility criteria for board members. Under the bill, in addition to the required board members, the board of a domestic credit union could appoint one or more associate board members, as provided below.

In its discretion, a credit union board would have to determine whether to appoint associate board members, the number of such members, if any, and their duties. The board would have authority concerning the appointment and removal of individuals as associate board members.

A credit union board could not appoint an individual as an associate board member if he or she did not meet the Act's eligibility requirements for board members.

An individual appointed as an associate board member would serve in an ex officio capacity. He or she could participate in board meetings, but only in an advisory capacity, would have

no authority to vote or otherwise act as a board member, and would not be considered a board member for purposes of the Act.

An associate board member would have to sign a confidentiality agreement. Disclosure of confidential information by an associate board member without approval of the Director would be a violation of the Act.

Credit Union Membership; Inactive Account; Termination or Suspension of Services

The Act allows a domestic credit union to accept a legal entity as a member if it is composed for the most part of the same general group as the membership of the credit union. The bill also would allow a domestic credit union to accept a legal entity as a member if it did business within the geographic area of the credit union's field of membership.

Currently, if an individual was a member of a domestic credit union at the time of his or her death, the credit union may accept the estate of the individual as a member. Under the bill, this would apply if the individual had been eligible for membership at the time of his or her death, and the personal representative of the individual's estate were eligible for membership in the credit union.

Under the Act, a domestic credit union may allow a member to designate as inactive an account on which his or her membership is based. If the designation is not removed within five years, the credit union must deliver all money or other property in the account to the Department of Treasury under the Uniform Unclaimed Property Act, and terminate any membership based on the account. The bill would require the credit union to take these actions if the designation were not removed within three years.

Currently, a credit union board may terminate the membership of, or terminate some or all services to, a member who does either of the following:

- Causes a loss to the credit union.
- Commits fraud or another misdeed against the credit union or against a person on its premises.

Under the bill, the general manager or CEO of a domestic credit union, or his or her designee, rather than the board, could suspend services to a member or terminate the membership of a person who took those actions or who engaged in inappropriate behavior involving another individual, such as physical or verbal abuse of another member or an employee of the credit union.

A member whose services were suspended or a person whose membership was terminated could appeal to the credit union board within 90 days after the date of the suspension or termination. The board would have final authority to resolve an appeal.

Powers of Credit Union

A domestic credit union has powers described in the Credit Union Act, specified or implied by the Act, and specified in any other law of the State.

The powers listed in the Act include purchasing any of the assets of another domestic credit union or, with the Director's approval, assuming any of the liabilities of another domestic credit union. Under the bill, instead, a domestic credit union could purchase any of the assets of another depository institution or, with the Director's approval, assume any of the liabilities of another depository institution.

Also, individually or jointly with other credit unions or other financial institutions, a domestic credit union may purchase, lease, construct, or otherwise acquire and hold land and buildings to provide adequate facilities for the transaction of business. A credit union's investment or contractual obligations in land and buildings may not exceed 5% of its assets without the Director's prior approval. The bill would make an exception to this limitation if all of the following requirements were met:

- Pro forma projections over the next three years were reasonably estimated to provide positive earnings and documented the ability of the credit union to meet its short- and long-term liquidity obligations.
- The Director had determined that the credit union was well capitalized.
- The credit union had not been the subject to a cease and desist order, or placed in receivership or conservatorship, by the Director within the preceding three years.
- The Director had determined that the credit union was in overall sound or fundamentally sound condition.

Currently, a credit union may make charitable contributions, if the individual contributions and the aggregate amount of the contributions are reasonable. The bill also would allow a credit union to establish charitable donation accounts if they met the requirements of Federal regulations. Investment yields generated in a charitable donation account would have to be used for charitable donations. A credit union would have to notify the Director before establishing a charitable donation account.

The Act allows a credit union to perform various services for a person who is not a member of the credit union if the services are performed under a contractual arrangement in which another financial institution performs the same services for the credit union's members. The services include, for example, making cash advances, transferring funds, and cashing travelers' checks. The bill also would include financial counseling services.

In addition, the bill would authorize a credit union to provide educational scholarships. Subject to certain requirements, a credit union also could invest in interest rate derivatives for the purpose of mitigating portfolio risk.

Automated Information Processing Services

The Act requires a domestic credit union that uses automated information processing services of a vendor to enter into a written contract, lease, or licensing agreement with the vendor. The agreement must contain a number of provisions that the bill would delete, such as a provision that the vendor will provide contingency planning and disaster recovery provisions to reconstruct the transactions of the credit union and resume automated information processing within a reasonable time after a failure of the services; the extent to which the vendor is liable for nonperformance, breach, or fraud; and that each employee of the vendor with access to internal information is sufficiently bonded against fraud or other dishonesty.

Under the bill, if the vendor or any subcontractor of the vendor had access to any member information, the vendor or that subcontractor would be subject to regulation and examination by the Director. (This provision generally reflects a current requirement).

Member Insurance Programs

The Act allows a credit union board to offer insurance programs to members, individually or as a group, including programs at the individual member's own expense.

If a credit union makes an insurance program available to its members, the credit union must maintain documentary evidence that it has investigated various plans of insurance and determined that the provisions relating to costs and benefits and other provisions of the plan

selected protect and serve the interests of its members. The Director may inspect the documentary evidence on request. The bill would delete these provisions.

Under the bill, before a credit union made an insurance program available to its members, the credit union would have to conduct a reasonable due diligence review of that product. The credit union would have to give the Director access to any files that were relevant to the review upon request.

Loans by Credit Union

The Act allows a domestic credit union to contract with a borrower for the borrower to reimburse the credit union for any specifically identified third party costs related to a loan originally paid by the credit union, and for any amount specifically identified in the loan agreement as an incentive if the borrower prepays the loan in full within three years of the date it is made and the originally scheduled amortization period of the loan is more than five years. The bill would delete this provision.

Currently, a credit union board, or the credit committee if a credit union has a credit committee that does not include any credit union members, must approve of any loan or other extension of credit to or purchase of an obligation of the general manager. The bill also would require approval of a loan or extension of credit to or purchase of an obligation of the CEO.

The Act prohibits a credit union board from making a loan or extending a line of credit if an official or senior management employee will receive a commission, fee, or compensation other than salary if the loan or line of credit is approved. The bill specifies that this would not limit or prohibit arrangements that compensated employees who were not senior management employees based on the volume of loans they generated.

The Act prohibits a domestic credit union (other than a corporate credit union) from loaning more than \$20,000 or 25% of its net worth, whichever is greater, to a borrower and any affiliates of a borrower. The bill, instead, would prohibit a domestic credit union (other than a corporate credit union) from loaning an amount that exceeded 25% of its unimpaired capital to a borrower. All of the following would apply for this purpose:

- If the Director determined at any time that the interests of a group of more than one person were so interrelated that they should be considered as a unit for the purpose for which credit was extended, the total loans and extensions of credit and leases of members of that group would have to be combined and considered loans and extensions of credit and leases to one borrower.
- A credit union would not violate this provision solely because the indebtedness of such a group exceeded the percentage limitation at the time the Director determined that the indebtedness of the group should be combined (unless the credit union did not dispose of a certain amount of indebtedness or establish a reserve in a certain amount, as described in the bill).

The bill would allow a domestic credit union, as additional security for a loan transaction with a borrower, to permit a person that was not a member of the credit union to act as an additional borrower, a cosigner, or a guarantor of the loan.

Investments

The Act allows a domestic credit union to invest funds that are not used in loans to members in various securities, obligations, or other instruments described in the Act.

Under the bill, if a credit union invested funds in a security, obligation, or other instrument that at the time was permitted, the investment subsequently became impermissible because

of a change in circumstances or law, and the Director found that continuing to hold the investment would have an adverse effect on the safety and soundness of the credit union, the Director could require the credit union to develop a reasonable plan for the divestiture of the investment.

Pledge of Obligation

The Act allows a domestic credit union to pledge all or any part of an obligation of a member if the pledge meets the conditions of the pledge policy adopted by the credit union board and the board approves the pledge.

The bill also would allow a domestic credit union to pledge all or part of an obligation of a member if the pledge met the conditions of the pledge policy adopted by the board and were approved by senior management employees to whom the board had, in a written policy, delegated the authority to approve pledges. If a senior management employee approved any pledges under this provision, he or she would have to give a summary of the pledges to the board at its next regularly scheduled meeting.

(The Act defines "senior management employee" as a credit union's general manager or an assistant general manager or the chief financial officer of the credit union. The bill instead would define the term as any individual who is designated as a senior policy-making employee of a credit union by its board.)

Other Provisions

Currently, if a person participating in the conduct of the affairs of a domestic credit union is charged by a county, state, or Federal authority with the commission of, or participation in, a felony involving dishonesty or breach of trust, the Director may, by written notice, suspend the individual from office or prohibit him or her from further participation in the conduct of the affairs of the credit union. The bill would refer to a crime, rather than a felony, involving dishonesty or breach of trust.

The Act allows a credit union to change the location of its principal place of business in the State, if it gives the Director written notice at least 30 days before the change. The bill, instead, would require a credit union to give the Director written notice at least seven days before changing the location of its principal place of business in the State.

The Act allows a credit union to store records that are more than three years old at an off-site facility or on alternative storage media if the records are available for examination by the Director or his or her appointed agent. The bill would remove the condition that the records be more than three years old.

House Bill 5019 (H-1)

Services Provided by Credit Union Service Organization

The Act allows a domestic credit union to organize, invest in, or loan money to one or more credit union service organizations that engage primarily in providing to credit unions any of the products or services listed in the Act. The bill would include trust services among the listed products and services.

The bill also would allow a domestic credit union to organize, invest in, or loan money to one or more credit union service organizations that engaged primarily in providing investment administration and other services related to small business equity interests or venture capital fund investments if all of the following requirements were met.

The target small business for a specific equity investment would have to be a member of at least one of the credit unions that had an ownership or investment interest in the credit union service organization; have its principal office in Michigan; and either have more than 50% of its assets in the State or employ more than 50% of its employees in the State.

Any venture capital fund established or funded by the credit union service organization would have to provide an amount equal to at least 51% of its available funds to member small businesses that had their principal offices or more than 50% of their employees in Michigan.

A credit union's aggregate investment in the credit union service organization that was offering small business equity and venture capital investment services could not exceed 10% of the credit union's net worth.

None of the officers or directors of a credit union that had an ownership interest or an investment in a credit union service organization could hold an equity position in any small business financed by that organization.

Aggregate credit union risk exposure through all funding sources, loans, or investments, to any entity or group of related entities, could not exceed 25% of net worth.

A credit union that was an owner or investor in the credit union service organization would have to ensure that the organization had enacted and complied with policy guidelines for outstanding obligations and that the guidelines included at least all of the following:

- A limit on the credit union service organization's exposure to not more than 50% of its total capital and surplus in an obligor or group of interrelated obligors.
- A description of the acceptable types of entities into which equity investment could be funded.
- A description of the acceptable business activities of entities into which investments could be funded.
- A description of the acceptable geographic area in which an entity's principal place of business would have to be located.
- A description of the acceptable concentration risk guidelines, relative to net worth, for equity investments, organized by industry, geographic regions, collateral, and any other material exposure factors.
- A description of the qualifications and experience required for personnel involved in making and administering equity investments.
- A requirement for origination and ongoing periodic underwriting analysis, including data necessary to analyze an entity's history or experience.
- A requirement for periodic market value analysis of all equity positions held.

For the purpose of these provisions, the bill would define "equity interests", "small business", and "venture capital fund".

Audit Requirement Exception

Under the Act, a credit union may organize, invest in, or loan money to a credit union service organization only if the organization meets various requirements. These include a requirement that the credit union service organization agrees to obtain an audit of the organization from a certified public accountant at least annually and provide a copy of each audit report to the credit union. Under the bill, this requirement would not apply to a credit union service organization that was consolidated for financial reporting purposes if the consolidated audit program were sufficient to provide reasonable and appropriate coverage to sufficiently test the organization's financial records.

House Bill 5020 (H-1)

Confidentiality of Examination-Related Information

Article 2 of the Act governs supervision of credit unions by the Director and contains requirements concerning examinations. The Director or his or her authorized agent is required to examine the condition and affairs of each domestic credit union, and is permitted to examine each foreign credit union, at least once every 18 months.

The Act specifies that the contents or a report of examination of a domestic credit union and examination-related documents prepared or obtained under the Act remain the property of the Director. A person who disseminates all or part of a domestic credit union's report of examination for purposes other than the legitimate business purposes of the credit union or as otherwise authorized by the Act is in violation of the Act and is subject to the administrative remedies granted to the Director. The bill would delete these provisions.

Under the bill, the contents of a report of examination and examination-related documents, materials, or information prepared or obtained under the Act would remain the property of the Director. Any document, material, or information related to an examination under the Act would be confidential by law and privileged, would not be subject to the Freedom of Information Act, would not be subject to subpoena, and would not be subject to discovery or admissible in evidence in any private civil action. The Director could, however, use the documents, materials, or information in furtherance of any supervisory activity or legal action brought as part of his or her duties.

The Director, or any person who received documents, materials, or information while acting under his or her authority, would not be permitted and could not be required to testify in any private civil action concerning any confidential documents, material, or information described above.

To assist in performing his or her duties, the Director could do any of the following:

- Share documents, materials, or information, including those that would be confidential and privileged, with other state, Federal, and international regulatory agencies and law enforcement agencies, if the recipient agreed to maintain the confidentiality and privileged status of the items.
- Enter into agreements governing the sharing and use of information that were consistent with these provisions.
- Receive documents, materials, or information, including otherwise confidential and privileged items, from regulatory and law enforcement officials of other domestic or foreign jurisdictions.

The Director would have to maintain as confidential or privileged any documents, materials, or information received with notice or the understanding that the items received were confidential or privileged under the laws of the jurisdiction that was the source of the documents, materials, or information.

The disclosure of any documents, materials, or information to the Director, or the sharing of documents, materials, or information, as described above, would not be a waiver of, and could not be construed as a waiver of, any privilege applicable to or claim of confidentiality in the documents, materials, or information.

A person to whom confidential and privileged information, documents, or materials were disclosed would be prohibited from further disseminating those items.

Any person on whom a demand for production of confidential and privileged information, documents, or materials was made, whether by subpoena, order, or other judicial or administrative process, would have to withhold production of the items and notify the Director of the demand. The Director could intervene for the purpose of enforcing these limitations or seeking the withdrawal or termination of the attempt to compel production.

Any request for discovery or disclosure of confidential and privileged information, documents, or materials, whether by subpoena, order, or other judicial or administrative process, would have to be made to the Director, who would have to determine within seven days whether to disclose the items. If the Director determined that the information, documents, or materials would not be disclosed, his or her decision would be subject to judicial review. After judicial review, a court could order disclosure of only the portions of the confidential and privileged information, documents, or materials that were relevant and otherwise unobtainable by the requesting party. The Director could appeal any court order that compelled disclosure and the order would be automatically stayed pending the outcome of the appeal.

The bill specifies that Article 2 would not prohibit the Director from releasing final, adjudicated actions that were open to public inspection under the Freedom of Information Act to a database or other clearinghouse service maintained by the National Credit Union Administration or its affiliates or subsidiaries.

Best Practices

Under the bill, in an addendum to a report of an examination, the Director or his or her authorized agent could suggest best practices or other improvements in the operation of a domestic credit union that were not required by law or regulation or to address safety and soundness of the credit union. The manner in which a domestic credit union addressed issues concerning its operations would be within the discretion of the credit union in the exercise of its business judgment, except as required by law or regulation or to address a concern over safety and soundness.

The Director could not take action against a domestic credit union based on its failure or refusal to follow a best practice or other recommended improvement in the credit union's operation that was suggested informally by an examiner or that was contained in an addendum to a report of examination.

Guidelines

The bill would require the Director, within one year after the bill's effective date, to issue guidance to promote consistency and due process in the examination process, including establishing guidelines that defined the scope of the process and clarified how examination issues would be resolved.

House Bill 5021

The Credit Union Act allows two or more domestic credit unions to merge into one of the credit unions, or into a newly formed domestic credit union, if various conditions are met. These include a requirement that the board of each constituent credit union adopts a plan of merger. The Act also allows one or more domestic credit unions to merge with one or more foreign credit unions if each domestic credit union complies with the requirements for a merger of domestic credit unions, and other conditions are met.

If a plan of merger is approved in either type of merger, each constituent credit union must execute a certificate of merger and file it with the Director. In addition to specific statements, the certificate of merger must contain the effective date of the merger if it is later than the

date the certificate is filed. The Director may not accept a certificate of merger and the merger is not effective if the specified effective date is more than 90 days after the date of filing.

The bill would delete the provisions concerning the effective date of a merger. Instead, a certificate of merger would have to contain the proposed effective date of the merger.

House Bill 5022 (H-1)

The Act allows a domestic credit union to conduct a savings promotion raffle if authorized by the credit union board and other conditions are met.

The bill also would allow a domestic credit union to conduct a loan promotion raffle if authorized by the credit union board. All of the following would apply to a loan promotion raffle:

- The credit union would have to conduct the raffle so that each token or ticket representing an entry in the raffle had an equal chance of being drawn.
- The credit union could not conduct the raffle in a manner that jeopardized the credit union's safety and soundness or misled its members.
- The Director could examine the conduct of the raffle and could issue a cease and desist order for a violation of these provisions.
- The credit union would have to maintain records sufficient to facilitate an audit of the raffle.

The bill would define "loan promotion raffle" as a raffle conducted by a domestic credit union where the sole consideration required for a chance of winning designated prizes is the closing of a loan with the credit union of at least a specified amount.

MCL 490.102 et al. (H.B. 5017)
490.201 et al. (H.B. 5018)
490.407 (H.B. 5019)
490.207 (H.B. 5020)
490.371 (H.B. 5021)
490.411 (H.B. 5022)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

House Bill 5017 (H-2)

The bill would result in increased administrative burdens for the Department of Treasury and the Department of Insurance and Financial Services related to the establishment and administration of the Credit Union Regulatory Fund. The bill would have no fiscal impact at the local level.

House Bills 5018 (H-1)-5022 (H-1)

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

Fiscal Analyst: Glenn Steffens

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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.