ARTICLE 3
DOMESTIC CREDIT UNION ORGANIZATION AND STRUCTURE

PART 1
FORMATION AND OPERATION

490.301 Domestic credit union; membership; organization; approval by commissioner; notice; disapproval; request to reconsider; hearing; appeal; retention by commissioner of original certificate of organization and bylaws; delivery; form.

Sec. 301. (1) Seven individuals, a majority of whom are residents of this state and all of whom are within the proposed field of membership of the domestic credit union, may file an application to organize a domestic credit union under this act. This subsection does not apply to the organization of a corporate credit union under this act.

(2) A domestic credit union is organized in the following manner:

(a) The applicants shall file an application in the form prescribed by the commissioner. The application shall contain all of the following information:

(i) The name and all proposed assumed names of the domestic credit union.

(ii) The location of the principal place of business and any initial branches of the domestic credit union.

(iii) The names and addresses of the applicants and the number of shares subscribed by each.

(iv) The par value of the shares of the domestic credit union. The par value of a share shall not exceed $100.00.

(v) The proposed field of membership.

(vi) Any other information required by the commissioner.

(b) The applicants shall deliver the application to the commissioner, with an application fee in an amount established by the commissioner.

(c) Within 60 days after receipt of an application or the last amendment or supplement to the application, the commissioner shall do all of the following:

(i) Examine the information contained in the application and conduct any investigation the commissioner considers necessary pertaining to the organization of the new domestic credit union.

(ii) Determine whether the organization of the proposed domestic credit union will benefit its members.

(iii) Determine whether a federal agency authorized to insure share and deposit accounts has issued a firm commitment to provide that insurance for the domestic credit union.

(iv) Determine whether organization of the domestic credit union is consistent with the purposes of this act.

(v) Approve or disapprove the proposed field of membership only on the basis of safety and soundness.

(d) The commissioner approves or disapproves of the organization of the domestic credit union.

(e) If the commissioner approves, he or she issues a certificate of approval.

(3) The decision to approve or disapprove of the organization of a domestic credit union under subsection (2) is discretionary with the commissioner. The commissioner shall notify the applicants of his or her decision. If the commissioner approves, he or she shall issue a certificate of organization and approved bylaws of the domestic credit union. If all of the organizers sign the certificate of organization and adopt the bylaws and return the certificate of organization and bylaws to the commissioner, the commissioner shall issue the certificate of approval authorizing the commencement of business. If the commissioner disapproves, he or she shall state the reasons for the decision and the applicant may request a hearing to reconsider the decision before the commissioner within 30 days after the mailing of a copy of the decision to the applicants. Within 10 days after receipt of a request for a hearing to reconsider, the commissioner shall set a date for the hearing that is within 60 days after the date the request was received. If the commissioner does not approve the organization of the domestic credit union after the hearing to reconsider, the applicants may file an appeal of the commissioner's decision in the circuit court for the county stated in the application as the location of the principal office of the domestic credit union or in the circuit court for Ingham county within 30 days after the date of mailing by certified mail of a copy of the decision to the applicants. If the applicants appeal to the circuit court, the commissioner shall retain the exhibits introduced at the hearing and shall forward them to the circuit court. The applicants shall pay the cost of preparation of the stenographer's record of the hearing to reconsider.

(f) If a certificate of approval authorizing a domestic credit union to commence business is issued under subsection (2), the domestic credit union is organized for purposes of this act.
(5) The commissioner shall retain the original certificate of organization and the original bylaws. The commissioner shall deliver the certificate of approval and a copy of the approved bylaws to the domestic credit union.

(6) The commissioner shall prescribe the form of the certificate of organization and the bylaws and shall furnish them upon request to a domestic credit union or a person who is considering organization of a domestic credit union.


490.302 Organization of credit union by 2 or more credit unions.

Sec. 302. Two or more credit unions may file an application to organize a corporate credit union under this act.


490.303 Amendment to certificate of organization or bylaws.

Sec. 303. (1) If approved by a majority of the members present at a duly constituted annual or special meeting of the members, the membership may amend the certificate of organization or bylaws of a domestic credit union or delegate authority to the credit union board, or rescind the authority of the credit union board, to amend the certificate of organization or bylaws.

(2) Any proposed action to amend the certificate of organization or the bylaws or to delegate authority to amend the certificate of organization or bylaws to the credit union board under subsection (1) shall be stated in a notice of the meeting.

(3) An amendment to the certificate of organization or bylaws of a domestic credit union is not effective unless it is submitted to the director for review and approved by the director.


490.304 Principal place of business; notice of change in location; establishment and maintenance of branches; service centers; assumed names.

Sec. 304. (1) If a domestic credit union changes the location of its principal place of business in this state, the domestic credit union must provide the director with written notice at least 7 days before the change of location.

(2) A domestic credit union shall file the address of the principal place of business and the names and titles of the officials and senior management employees of the domestic credit union with the director on a form prescribed by the director. If the name or title of an official or senior management employee of a domestic credit union changes, the credit union shall provide the director with written notice of the change within 7 days after the change.

(3) A domestic credit union may establish and maintain branches. The credit union shall provide written notice to the director of the location of a branch before establishing the branch.

(4) A domestic credit union and 1 or more domestic or foreign credit unions or other financial organizations may establish and maintain service centers. One or more of the financial organizations that establish a service center may operate the service center, or the financial organizations organizing the service center may contract with another person to operate the service center. A domestic credit union may refer to a service center as a branch.

(5) Subject to all of the following, a domestic credit union may adopt or change 1 or more assumed names:

(a) The domestic credit union shall give written notice of a proposed assumed name to the director at least 30 days before using the assumed name.

(b) The director may deny a domestic credit union the right to use an assumed name or terminate a credit union's right to use an assumed name if the director determines that the assumed name is confusing or misleading for any other reason.

(c) A domestic credit union using an assumed name shall clearly and conspicuously disclose the name of the credit union and the assumed name in all signs, advertising, mailings, and similar materials and shall clearly and conspicuously disclose the assumed name and the name of the credit union in all legal documents, certificates of deposit, signature cards, loan agreements, account statements, checks, drafts, and other similar documents.

(d) An assumed name may contain the phrase "credit union".


490.305 Books and records; availability; court order.

Sec. 305. (1) A domestic credit union shall maintain its books and records at its principal place of business.
filed with the director under section 304 and make the books and records available for examination by the
director or his or her authorized agent, except as follows:

(a) A credit union may maintain specified books and records at a location in this state other than its
principal place of business if it gives notice to the director of the location of the specified books and records
and can produce those books and records at its principal place of business within 3 business days after a
request from the commissioner to examine them.

(b) Except as required by other applicable law, a credit union may store records 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.

(c) A domestic credit union may maintain records specific to a branch located outside of this state at that
branch if the credit union can make the originals of those records available to the director within this state
within 3 business days after a request from the director to examine them. If a law applicable in the state where
the branch is located prohibits the removal of the original records from that state, the credit union shall notify
the director of that law and provide copies of the records to the director.

(2) If a domestic credit union does not make its books and records available to the director or his or her
authorized agent in the manner described in subsection (1), the director may obtain an order from the circuit
court of the county in which the credit union is located that requires the credit union to produce the books and
records for examination.


### 490.306 Conducting business by mail or electronic communication.

Sec. 306. With prior written notice to the director, a domestic credit union may conduct its business solely
by mail or through electronic communication without having a physical location where members may transact
business with the credit union. A domestic credit union conducting business under this section shall maintain
a principal place of business in this state.


**Compiler's note:** The repealed section pertained to filing of a suspicious activity report by a domestic credit union with a federal agency.

## PART 2

**DISSOLUTION**

### 490.331 Voluntary or involuntary dissolution.

Sec. 331. (1) A domestic credit union may voluntarily dissolve under subsection (2) or be involuntarily
dissolved under subsection (3).

(2) A domestic credit union may voluntarily dissolve if all of the following are met:

(a) At least 30 days before the vote described in subdivision (b), the credit union board mails a notice to
each member of the domestic credit union that it is considering dissolution. The credit union board shall not
include the notice with any other mailing sent to the member. The notice shall include all of the following:

(i) A brief explanation of why the board is considering dissolution.

(ii) A brief summary of the major positive and negative effects of the proposed dissolution.

(iii) A request for written comments on the proposed dissolution.

(b) By an affirmative vote of 2/3 of all of the directors entitled to vote, the credit union board approves of a
plan of dissolution and submits the plan and any member comments to the commissioner for preliminary
review.

(c) Before the vote of the members under subdivision (g), the commissioner reviews the dissolution plan
and any member comments on the dissolution plan and grants preliminary approval. The commissioner shall
grant preliminary approval of the dissolution plan only if the commissioner is satisfied of all of the following:

(i) The dissolution plan adequately discloses to the members information concerning the advantages and
disadvantages of the proposed dissolution.

(ii) The dissolution does not circumvent a pending supervisory action that is initiated by the commissioner
or another regulatory agency because of a concern over the safety and soundness of the domestic credit union.

(iii) The dissolution plan does not provide any official or employee of the domestic credit union with any
remuneration or other economic benefit in connection with the dissolution of the domestic credit union.

(d) If the commissioner grants preliminary approval under subdivision (c), the credit union board shall call
a special meeting of the members to vote on the dissolution plan and mail to each member notice of the
meeting and proposed dissolution 90 days and 60 days before the date of the special meeting. Each notice shall include all of the following:

(i) A summary of the positive and negative effects of the proposed dissolution.
(ii) A statement that the officials and employees will not receive any remuneration or other economic benefit in connection with the dissolution of the domestic credit union.
(iii) A statement that any interested person may obtain more detailed information about the dissolution from the domestic credit union at its principal place of business or by any method approved in advance by the commissioner.
(iv) A statement that the credit union board may substantively amend the proposed plan of dissolution before the special meeting based on comments from regulatory authorities or any other reason and that the credit union board may terminate the proposed plan of dissolution.
(v) Instructions for obtaining a copy of the dissolution plan.
(vi) The date of the special meeting and a statement that the vote on the dissolution will close on that date.
(vii) Any other information required by the commissioner.

(e) Thirty days before the special meeting of the members, the credit union board mails a notice of the meeting and proposed dissolution. The notice shall include all of the information described in subdivision (d) for the 90-day and 60-day notices and shall include the date, time, and place of the special member meeting, a ballot and postage-paid return envelope, and a summary of the methods permitted for casting votes.

(f) If the plan of dissolution is substantively amended by the credit union board, at least 30 days before the vote of the members on the plan the credit union board shall mail a notice to each member. The notice shall contain the information concerning the amended plan of dissolution that is described in subdivision (d) for a notice under that subdivision.

(g) At a special meeting of members, the members approve of the dissolution and the plan of dissolution by a 2/3 vote of members voting. A member may vote in person or by mail. With the prior approval of the commissioner, a domestic credit union may accept member votes by an alternative method that is reasonably calculated to ensure each member has an opportunity to vote.

(h) The domestic credit union files with the commissioner all of the following:

(i) Certified copies of records of all proceedings held by the credit union board and members of the domestic credit union.
(ii) Copies of member comments submitted to the domestic credit union under subdivision (a)(iii).
(iii) If that consent or approval is required, a certified copy of the consent or approval of a federal regulatory authority.

(i) If subdivisions (a) through (h) are met and the commissioner determines that the notices to members were accurate, timely, and not misleading and that conduct of the vote on the dissolution plan was fair and lawful, the commissioner shall approve the dissolution and the credit union board may implement the dissolution plan.

(3) If the commissioner determines that a domestic credit union is insolvent or revokes the domestic credit union’s certificate of organization under section 201(4), the commissioner may involuntarily dissolve the domestic credit union and either appoint a receiver under part 2 of article 2 or appoint a conservator under part 3 of article 2.


PART 3
OFFICER, OFFICIALS, AND DIRECTORS

490.341 Organizational meeting; annual meeting; membership; committees; qualifications; notice of meeting; removal; vacancy.

Sec. 341. (1) The organizers shall hold an organizational meeting of a domestic credit union organized under this act. The organizational meeting of the domestic credit union is the first annual meeting of the members required under section 351.

(2) Each board member of a domestic credit union shall be a member of the domestic credit union. The bylaws shall establish the number of board members, but a credit union board must consist of 5 or more individuals. A board member shall hold office for the term established in the bylaws and until a successor takes office.

(3) If the bylaws of a domestic credit union provide for a credit committee or a supervisory committee, that committee shall consist of 3 or more individuals and may have alternate committee members, as established in the bylaws, each of whom is a member of the domestic credit union. The bylaws shall provide whether the credit union board may appoint or the members may elect committee members and their terms of office and
the duties of the committee. Except as provided in section 345, a current board member, officer, loan officer, credit committee member, or other employee of the domestic credit union shall not serve on the supervisory committee.

(4) If the bylaws of a domestic credit union do not provide for a credit committee or a supervisory committee, the credit union board shall perform the duties of the credit committee or the supervisory committee or delegate those duties as it considers advisable.

(5) A corporate credit union organized under this act shall have at least 1 member of the credit union board, the supervisory committee, if any, and the credit committee, if any, who is a resident of this state.

(6) A domestic credit union shall provide the director with a record of the names and addresses of the members of the credit union board and the members of the credit and supervisory committees, if any, within 30 days after their election.

(7) If the director considers it appropriate, the director may call a meeting of the credit union board, for any purpose, by giving a notice of the time, place, and purpose of the meeting at least 3 days before the meeting to the board members. The director shall deliver the notice to the board members' last known addresses as shown by the books of the domestic credit union.

(8) Each individual elected or appointed to serve as a board member, 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 ongoing operations of the domestic credit union, shall meet all of the following criteria:

(a) He or she is a member of the domestic credit union, in good standing according to reasonable criteria established by the credit union board.

(b) He or she is acceptable as a bonding risk by a bonding company licensed to do business in this state.

(c) He or she has not been removed as a board member, officer, committee member, or employee of a financial institution by a federal regulator, a state regulator other than the director, or a court of competent jurisdiction.

(d) The director has not removed him or her as a board member, officer, committee member, or employee of a credit union, financial institution, or other legal entity pursuant to the director's enforcement powers under any law of this state.

(e) He or she has not been convicted within the preceding 20 years of a crime involving dishonesty or breach of trust.

(f) He or she is not habitually negligent in paying his or her financial obligations as determined by criteria reasonably established by the credit union board.

(g) He or she has not been convicted by a court of competent jurisdiction of a violation, or found in violation by a court of competent jurisdiction or the director, of any law of this state enforced or administered by the director.

(9) If an individual no longer meets 1 or more of the requirements of subsection (8) while serving as a board member, 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 ongoing operations of the domestic credit union, he or she is immediately removed from that office without further action of the members or credit union board and the domestic credit union shall appoint or elect a replacement to fill the vacancy in the manner described in the bylaws.

(a) Except as provided in section 345(3), filling a vacancy on the board until a successor is elected by the members.

(b) Establishing the maximum amount of secured and unsecured loans made by the domestic credit union, subject to section 423(11) and any limitations under the bylaws of the domestic credit union adopted and approved by the director.

(c) Employing a general manager or chief executive officer and fixing his or her compensation.

(d) Approving an annual operating budget.

(e) Appointing special committees that the board considers necessary.

(f) Determining the par value of shares under section 301.

(g) Recommending changes in the bylaws to the members.

(h) Adopting investment policies.

(i) Adopting other policies the board considers necessary for the operation of the domestic credit union.

(j) Establishing the titles of the board officers who hold the positions described in subsection (1). The credit union board shall not establish any misleading titles for those officers.

(k) Performing any other duties required by the members.

(4) A credit union board shall perform, or, subject to subsection (5), delegate to the general manager or chief executive officer of the domestic credit union according to guidelines established by the credit union board that may include the authority to further delegate 1 or more duties, all of the following duties:

(a) Approving, disapproving, or otherwise acting on applications for membership.

(b) Determining the interest rates on loans and on deposits.

(c) Hiring employees other than the general manager or chief executive officer and fixing their compensation.

(d) Making and selling investments according to investment policies adopted by the board.

(e) Designating 1 or more depositaries for funds.

(f) Establishing procedures to implement policies of the credit union board.

(g) Establishing internal controls as necessary.

(h) Determining the amount of a dividend after providing for any required reserves and declaring the dividend.

(i) Establishing the maximum individual shareholdings of members.

(j) Acquiring, selling, or encumbering real property.

(k) Borrowing money under section 401(2)(j).

(l) Fixing the amount of the surety bonds for all officers and employees who handle money.

(m) Specifying forms and procedures for applications for membership and set criteria for use in determining whether to accept an applicant into membership.

(5) If a credit union board delegates a duty described in subsection (4)(i) to (m) to the general manager or chief executive officer, and the general manager or chief executive officer acts pursuant to that delegation, the general manager or chief executive officer shall provide a summary of the actions he or she took to the credit union board at the next regularly scheduled meeting of the credit union board.

(6) A credit union board may do any of the following:

(a) By resolution, designate a general manager or chief executive officer and define his or her duties.

(b) Appoint an executive committee that consists of at least 3 board members. An executive committee may act on any matter specifically authorized by the board.

(c) Remove a board member by a 2/3 vote of the credit union board, for cause or for any reason set forth in the bylaws. In addition to removal under section 341(9), the domestic credit union's bylaws may also provide for immediate removal of a board member from that office without further action of the members or credit union board if 1 or more events specified in the bylaws occur.

(d) If the domestic credit union does not have a supervisory committee, remove a credit committee member by a 2/3 vote of the credit union board.

(e) If there is no supervisory committee, suspend a member of the credit union board by a 2/3 vote of the credit union board. If a member of the credit union board is suspended under this subdivision or section 345(2), the remaining board members shall report the suspension and the cause for the suspension to the director within 3 days and shall call a special members' meeting that shall take place not fewer than 7 or more than 45 days after the suspension. At the special members' meeting, the remaining board members shall report the cause for the suspension, the suspended board member has the right to be heard, and the members shall decide whether to sustain or reverse the action of the supervisory committee or the credit union board. If the members sustain the action, they shall replace the suspended board member at the special members' meeting. If a supervisory committee suspends a majority of the credit union board under section 345(2), the remaining board members have general management of the affairs of the domestic credit union until the suspended
board members are reinstated or replaced at the special members’ meeting.

(f) Suspend or remove a member of the supervisory committee for failure to perform his or her duties in accordance with this act, the certificate of organization, or the bylaws by a 2/3 vote of the credit union board.

(g) By a majority vote, suspend or remove any officer from his or her duties as an officer.

(7) An individual who is elected or appointed to serve as a board member, associate board member, 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 ongoing operations of the domestic credit union, shall not receive compensation for his or her service as a board member, associate board member, or committee member, subject to the following:

(a) A domestic credit union may provide reasonable life, health, accident, disability, or similar insurance protection, and reimbursement for reasonable expenses that are incidental to the performance of official business of the credit union, to board members, associate board members, supervisory committee members, or credit committee members of the credit union or to the members of any other committee that performs significant ongoing functions relating to the ongoing operations of the domestic credit union.

(b) This section does not prevent an employee of a domestic credit union who serves on a credit union committee from receiving compensation for his or her duties as a credit union employee.

(8) If a loan made to or cosigned, endorsed, or guaranteed by a board member or a member of the supervisory, credit, or other committee is more than 2 months delinquent, the individual is automatically removed from his or her position as board member or committee member and he or she is ineligible to serve as a board member or committee member for 2 years. The director may waive the application of this provision in a given situation if the director determines that it is in the best interests of the domestic credit union to do so.

(9) The board of a domestic credit union shall meet at least 6 times in each calendar year and at least every other month. The board shall meet in person or by means of electronic communication devices that enable all participants in a meeting to communicate with each other.

(10) In addition to the board members required under section 341, the board of a domestic credit union may appoint 1 or more associate board members. All of the following apply concerning associate board members:

(a) A credit union board in its discretion shall determine whether to appoint associate board members, the number of associate board members, if any, and their duties. The credit union board has authority concerning the appointment and removal of individuals as associate board members.

(b) A credit union board shall not appoint an individual as an associate board member if he or she does not meet the eligibility requirements described in section 341(8) for board members.

(c) An individual appointed as an associate board member serves in an ex officio capacity. An associate board member may participate in meetings of a credit union board, but only in an advisory capacity; has no authority to vote or otherwise act as a board member; and is not considered a board member for purposes of this act.

(d) An associate board member must sign a confidentiality agreement, to ensure that any information concerning the credit union remains confidential and that he or she shall not disclose that information to any other person. Disclosure of confidential information by an associate board member without approval of the director is a violation of this act.

(11) A majority of the credit union board constitutes a quorum for the transaction of business.

(12) Unless specifically prohibited by the bylaws, if this act requires or allows a credit union board to take an action at a meeting, the board may take that action without a meeting if a consent in writing setting forth the action taken is signed by all of the board members who are entitled to vote on that matter. A written consent under this subsection shall contain 1 or more written approvals, each of which sets forth the action taken and bears the signature of 1 or more board members. The board members shall deliver their signed approvals to the secretary, and he or she shall file them in the corporate records of the domestic credit union. An action taken by written consent under this subsection is effective when all of the board members have approved the consent unless the consent specifies a different effective date. A consent signed by all of the board members has the same effect as a unanimous vote of the credit union board, and the domestic credit union may represent that the action was approved by a unanimous vote in any document filed with the director under this act.

(13) When he or she is first elected or appointed to the credit union board, a board member shall take and subscribe an oath that he or she will diligently and honestly perform the duties of the office and will not knowingly violate, or permit to be violated, any provisions of this act. The secretary shall file the oaths in the corporate records of the domestic credit union. An oath made by a board member under this subsection remains in effect as long as he or she remains in office.
490.343 Suspension or removal of members; majority of remaining members as quorum; appointment of temporary members.

Sec. 343. If 1 or more directors of a domestic credit union board are suspended or removed under this act, a majority of the remaining members of the board, including any replacement directors, constitute a quorum of the credit union board. If all of the directors of a domestic credit union are suspended or removed under this act, the commissioner shall appoint individuals to serve temporarily as directors until the suspensions or removals are terminated or until their successors are elected and take office.


490.344 Audits.

Sec. 344. (1) A domestic credit union with assets of $5,000,000.00 or more as of the end of the last calendar year shall obtain at least an annual audit, conducted by a certified public accountant or other professionally qualified individual, who may be self-employed or employed by another person. A domestic credit union with assets of less than $5,000,000.00 as of the end of the last calendar year shall do 1 of the following:

(a) If the credit union board does not proceed under subdivision (b), obtain at least an annual audit, conducted by a certified public accountant or other professionally qualified individual, who may be self-employed or employed by another person.

(b) If the domestic credit union has a supervisory committee, the credit union board may authorize the supervisory committee to conduct an annual audit of the domestic credit union.

(2) If a domestic credit union has a supervisory committee, the supervisory committee shall conduct or direct those supplementary audits, examinations, and verifications of members' accounts that it considers necessary or that the commissioner or the credit union board requires and submit reports of any supplementary audits to the credit union board.

(3) The supervisory committee or other auditor shall submit a written report of each annual audit to the credit union board. The domestic credit union shall provide a copy of the written report or a written summary of that report to any member who makes a written request, within 30 days after receipt of the request.

(4) An individual who is independent of a domestic credit union shall perform an audit of the domestic credit union under this section. An individual is not independent if any of the following apply at any time during the period covered by the audit or the period of the professional engagement or at the time the written audit report is presented:

(a) Unless the individual is a member of the supervisory committee and that committee is performing the audit under subsection (1), the individual performing the audit is an official or employee of the domestic credit union.

(b) The individual performing the comprehensive audit has a material direct or indirect financial interest in any closely held business investment with an official or employee of the domestic credit union.

(c) A situation, condition, or relationship exists that, in the opinion of the commissioner, prevents the individual performing the audit from performing the audit in an objective and independent manner.

(5) A supervisory committee or individual performing an audit under this section shall prepare and retain documentation sufficient to demonstrate that the audit was performed in accordance with the requirements of this section. The audit working papers shall include at least all of the following:

(a) The planning of the audit.

(b) The nature, timing, and extent of the auditing procedures performed.

(c) The conclusions and recommendations reached by the auditor from the information obtained by him or her.

(6) As used in this section:

(a) “Audit” means a comprehensive review of the internal policies, procedures, and controls of the domestic credit union and its compliance with them that is sufficient for the auditor to reach a reasonable conclusion that the financial statements of the domestic credit union fairly and accurately represent the condition of the domestic credit union.

(b) “Professionally qualified individual” means an individual who is self-employed, employed by another person, or employed by an organization, whose usual and customary occupation includes performing audits of businesses or other organizations and reporting audit findings to the board of the organization and authorized third parties and whose education and experience levels are similar to other individuals engaged in auditing as a usual and customary occupation.

490.345 Supervisory committee; duties; vacancies.
Sec. 345. (1) A domestic credit union may have a supervisory committee. If authorized by the bylaws, 1 board member who is not an officer of the domestic credit union may serve as a member of the supervisory committee. Otherwise, a board member may not serve as a member of the supervisory committee.

(2) If a domestic credit union has a supervisory committee, the supervisory committee may do any of the following:
   (a) By majority vote, call a special meeting of the members to consider any matter submitted to the special meeting of the members by the committee.
   (b) By a unanimous vote, suspend any member of the credit committee and report the suspension and the reason for the suspension to the credit union board. At its next meeting, the credit union board shall vote on whether to remove or reinstate the suspended credit committee member. A 2/3 vote of the credit union board is required to remove the suspended credit committee member.
   (c) By a unanimous vote, suspend a member of the credit union board for cause.
   (d) Access any credit union records.

(3) If a domestic credit union has a supervisory committee and the members elect the supervisory committee, the committee shall fill vacancies on the supervisory committee. If a domestic credit union has a supervisory committee and the credit union board appoints the supervisory committee, the credit union board shall fill vacancies on the supervisory committee. An individual appointed to fill a vacancy on the supervisory committee under this subsection shall serve for the remainder of the term of the vacant position.


PART 4
MEMBERS

490.351 Annual meeting; special meeting; voting; removal of member.
Sec. 351. (1) A domestic credit union shall hold an annual meeting of the members each calendar year in the manner indicated in the bylaws. The members shall elect the credit union board at the annual meeting.

(2) A domestic credit union may hold a special meeting of the members in the manner indicated in the bylaws.

(3) At any meeting of the members, a member with 1 or more shares has 1 vote on any matter submitted to the members. A member may not vote by proxy. A member who is not a natural person may vote through an agent with authority to vote on that member's behalf.

(4) The members of a domestic credit union may remove a member of the credit union board or a credit or supervisory committee member elected by the members of the domestic credit union from office but only at a special meeting of the members called for that purpose.


490.352 Domestic credit union; membership; composition; field of membership; application; approval by commissioner; revision; extension.
Sec. 352. (1) The membership of a domestic credit union is comprised of each person that organized the domestic credit union, and each person that meets all of the following:
   (a) The person belongs to a group of persons that is within the domestic credit union's field of membership.
   (b) The person is accepted by the domestic credit union as a member.
   (c) The person pays any entrance or membership fee required by the domestic credit union.
   (d) The person pays for 1 or more shares, including a membership share if the domestic credit union requires ownership of a membership share.
   (e) The person complies with any other requirement for membership contained in the domestic credit union's bylaws.

(2) The credit union board of a domestic credit union shall establish the field of membership for a domestic credit union. The field of membership shall consist of 1 or more of the following:
   (a) One or more groups of any size that have a common bond of occupation, association, or religious affiliation.
   (b) One or more groups composed of persons whose common bond is residence, employment, or place of religious worship within a geographic area composed of 1 or more school districts, counties, cities, villages, or townships.
   (c) One or more groups whose common bond is common interests, activities, or objectives.
   (3) One or more credit unions may serve 1 or more groups described in subsection (2).
(4) A credit union board that establishes or revises the field of membership of the domestic credit union shall submit the proposed or revised field of membership to the commissioner for approval on an application form provided by the commissioner. The commissioner shall promptly notify an applicant when he or she determines that an application is complete and the date of that determination. If the application seeks to revise a field of membership to include 1 or more groups described in subsection (2)(b), the commissioner may require that the applicant provide additional information regarding the common bond of persons within the proposed geographical area or areas. The commissioner shall establish standards for obtaining this additional information.

(5) The commissioner has 60 days after the date of determination described in subsection (4) to approve or disapprove of an application under subsection (4). In reviewing an application under subsection (4), the commissioner must first determine whether the proposed field of membership meets the common bond requirements of subsection (2). If the commissioner determines that the proposed field of membership does not meet the common bond requirements of subsection (2), then the commissioner may only disapprove of the application on the basis of safety and soundness of the domestic credit union. If the commissioner does not approve or disapprove of the application, or extend the 60-day period under subsection (6), within that 60-day period, the application is considered approved as of the day after the 60-day period.

(6) The commissioner may extend the 60-day period described in subsection (5) for 1 or more additional 60-day periods for administrative reasons or to allow for public comment if the commissioner delivers notice of each 60-day extension in writing to the domestic credit union before the 60-day period and any prior 60-day extensions expire. An extension notice shall explain the reason for the extension. If the commissioner does not approve or disapprove of the application, or grant an additional 60-day extension, within a 60-day extension period, the application is considered approved as of the day after the 60-day extension period. The commissioner may grant any number of 60-day extensions, but the domestic credit union may treat any extension after the third 60-day extension as a disapproval of the application and may pursue any administrative or legal remedies available for a disapproval.

(7) If authorized in the bylaws of the domestic credit union, a member that is no longer in the field of membership of the domestic credit union because the field of membership is revised under this section, or the member leaves the field of membership, may continue as a member, on the same basis as any other member, or on a different basis if the bylaws establish a different basis for that continued membership.

(8) A domestic credit union shall respond to an application for membership within 30 calendar days after receiving it. If the domestic credit union determines that there is a sound business reason for the action, a domestic credit union may deny membership to any applicant for membership.


490.353 Membership; conditions.
Sec. 353. (1) Except as provided in this part, ownership of a share is a condition of membership in a domestic credit union. A domestic credit union may require ownership of a membership share rather than a share as a condition of membership. Except as provided in this section, a member may own only 1 membership share.

(2) A domestic credit union may accept and maintain deposits under section 401(2)(x) without the depositor subscribing to or paying for a share in the domestic credit union.

(3) If it is composed for the most part of the same general group as the membership of the domestic credit union, a domestic credit union may accept a legal entity as a member of a domestic credit union.

(4) If the domestic credit union elects, a single account jointly owned by 2 or more individuals may serve as the basis for membership of any of those individual owners who are otherwise eligible for membership if the account contains at least 1 share for each of them.

(5) If an individual was a member of the domestic credit union at the time of his or her death, a domestic credit union may accept the estate of the individual as a member.


490.354 Acceptance of trust as member; conditions.
Sec. 354. (1) A domestic credit union may accept a trust as a member if any of the settlors living at the time of application are eligible for membership, or if none of the settlors are living at the time of application and 1 or more beneficiaries are eligible for membership.

(2) An account owned by 1 or more individuals may be titled or retitled in the name of a trust or on a different basis if the bylaws establish a different basis for that continued membership.

(a) The trust is eligible for membership in the domestic credit union under subsection (1).

(b) Each owner consents in writing to titling or retitling the account in the name of the trust.
(c) Any beneficiaries listed on the account are removed as beneficiaries by the owners.
(d) The account is not an account that provides tax deferrals or any other tax benefit under state or federal law.
(3) If an account is retitled in the name of a trust under subsection (2), the membership of any individual or individuals who had owned all or an interest in the account is terminated unless he or she is a member based on ownership of another account, or he or she qualifies for, applies for, and is accepted into membership.  


490.355 Designation as inactive account.
Sec. 355. A domestic credit union may allow a member to designate an account on which his or her membership is based as inactive. If the account is the basis for the membership of more than 1 individual, each individual must agree to the designation. While an account is inactive, the member involved shall retain his or her membership but is not entitled to any of the privileges of membership. While an account is inactive, the domestic credit union shall not charge any fees to the account. The member who designated an account as inactive may remove the designation of inactive at any time. If the inactive designation is not removed within 3 years, the domestic credit union shall deliver all money or other property in the account to the department of treasury under the uniform unclaimed property act, 1995 PA 29, MCL 567.221 to 567.265, and terminate any membership based on the account.


490.356 Minor; deposit, investment, or withdrawal.
Sec. 356. A domestic credit union may issue shares to and receive deposits from a minor. The minor may withdraw the deposits or shares and any dividends or interest on the deposits or shares. A deposit, investment in a share, or withdrawal under this section by a minor is valid and enforceable and the minor is considered an adult with respect to that deposit, investment, or withdrawal.


490.357 Suspension of services or termination or withdrawal of membership.
Sec. 357. (1) The general manager or chief executive officer of a domestic credit union, or his or her designee, may suspend some or all services to a member, or terminate the membership of any person, that does any of the following:
(a) Causes a loss to the domestic credit union.
(b) Commits fraud or another misdeed against the domestic credit union or against a person on the premises of the domestic credit union.
(c) Engages in inappropriate behavior involving another individual, such as physical or verbal abuse of another member or an employee of the credit union.
(2) A member that has its services suspended or a person that has its membership terminated under subsection (1) may appeal the suspension or termination to the credit union board within 90 days after the date of the suspension or termination. The credit union board has final authority to resolve an appeal under this subsection.
(3) A member may withdraw from a domestic credit union at any time, but the domestic credit union may require a notice of withdrawal from the withdrawing member as a condition of withdrawal.
(4) When money becomes available, and after deducting all amounts owed to the domestic credit union by the member, a domestic credit union shall pay a person whose membership is terminated or that is a withdrawing member any amounts paid on shares or as deposits of the member and any dividends or interest accrued on the shares or deposits before the date of payment.
(5) Unless the withdrawal of a member occurs on a maturity date or within 7 days after a maturity date, a domestic credit union may require that a withdrawing member give a 60-day notice of intention to withdraw shares or a 30-day notice of intention to withdraw deposits. A domestic credit union that requires a notice of intention to withdraw may wait until the expiration of the applicable notice period before complying with subsection (4). A domestic credit union may waive an applicable notice period for a specific member or account in writing.
(6) After a termination or withdrawal under this section, a former member has no rights in a domestic credit union, but the termination or withdrawal does not release the former member from any remaining liability to the domestic credit union.

CAPITAL

490.361 Capital; share payments; entrance fee; secondary capital; liability of member for acts, debts, or obligations of domestic credit union; placement of lien on member account.

Sec. 361. (1) The capital of a domestic credit union consists of the payments that have been made to it by the members for shares. If authorized by the bylaws, a domestic credit union may charge an entrance fee.

(2) If at any time after the effective date of this act a federal credit union is authorized by the federal regulatory authority with jurisdiction and by federal law to utilize 1 or more forms of secondary capital other than capital stock, the commissioner may by rule, order, or declaratory ruling allow a domestic credit union to utilize 1 or more forms of secondary capital other than capital stock. The rule, order, or declaratory ruling must include disclosure requirements concerning the conditions for return of the secondary capital and its liquidation priority.

(3) Unless otherwise provided by law or by agreement between the member and the domestic credit union, a member of a domestic credit union is not liable for the acts, debts, or obligations of the domestic credit union.

(4) Except as provided in this subsection or where prohibited by applicable state or federal law or otherwise agreed by contract, a domestic credit union has a lien on any share of a member, or any deposit account from which a member may withdraw for his or her own benefit without the consent of another person, for any obligation owed to the domestic credit union by that member or for any loan cosigned or guaranteed by that member. A domestic credit union does not have a lien on any individual retirement account or other account permitting tax deferrals or providing other tax benefits under state or federal law. A domestic credit union may refuse to allow a withdrawal from any account on which it has a lien if the member is delinquent in any outstanding obligation to the domestic credit union at the time of the withdrawal.


490.362 Dividend; declaration; payment; rate; amount.

Sec. 362. A credit union board may declare and pay a dividend on shares from current or accumulated net earnings, or both, but only after providing for required reserves, accrued and unpaid expenses, and established loan and lease losses. A domestic credit union may pay a dividend on partial or full shares and may pay the dividend at differing levels and at differing intervals based on the type of share accounts owned by a member, the liquidation priority of the share accounts, and the balances of the member's share accounts. A domestic credit union may determine the rate and amount of a dividend before the end of the dividend period involved. A domestic credit union shall not pay a dividend if payment would result in the insolvency of the domestic credit union.


490.363 Payment to general administrator or executor of deceased out-of-state resident.

Sec. 363. (1) If a deceased individual who resided in another state or country owns a share or deposit account in a domestic credit union, the credit union may pay all or part of the balance of the account to the special or general administrator or executor appointed in the state or country where the account holder resided at the time of death if the administrator or executor provides both of the following to the credit union:

(a) Authenticated copies of the letter or order of appointment authorizing him or her to collect, receive, and remove assets of the estate of the decedent.

(b) An affidavit by the administrator or executor that he or she is the representative of the estate of the decedent, that no proceeding is pending in any state with respect to the question of domicile of the decedent, and that to his or her knowledge and belief no letters or orders of appointment are outstanding in this state, no proceeding is pending in this state for the appointment of a fiduciary for the estate in this state, and there are no creditors of the estate in this state.

(2) A credit union that makes a payment to an administrator or executor under this section after receiving the affidavit and authenticated copies described in subsection (1) is released and discharged from liability to the same extent as if the credit union made the payment to a legally qualified resident executor or administrator.


PART 6
MERGER, CONSOLIDATION, CONVERSION

490.371 Credit unions; merger.

Sec. 371. (1) Two or more domestic credit unions may merge into 1 of the credit unions, or into a newly
formed domestic credit union, if all of the following are met:

(a) The credit union board of each constituent credit union by majority vote adopts a plan of merger that includes all of the following:

(i) The name of each constituent credit union and the name of the surviving credit union.

(ii) The terms and conditions of the proposed merger, including the manner and basis of converting the member shares in each constituent credit union into member shares in the surviving credit union, or into cash or other property, or into a combination of shares, cash, or other property.

(iii) A statement of any amendment to the certificate of organization of the surviving credit union affected by the merger or a statement that no changes are to be made in the certificate of organization of the surviving credit union.

(iv) Any other provisions concerning the proposed merger that the constituent credit unions consider necessary or desirable.

(b) If the credit union board of each constituent credit union adopts the plan of merger, the constituent credit unions submit the plan of merger to the director. Each constituent credit union shall submit the time and place of the meeting of the credit union board at which it approved the plan, the vote of the board members on approving the plan, and a copy of the resolution of the credit union board approving the plan to the director with the plan of merger.

(c) Subject to subsection (6), the members of each constituent credit union except the surviving credit union approve the plan of merger, at a special membership meeting called for that purpose or by mail ballot. If the vote is held at a special membership meeting, the credit union board shall provide each member with written notice of the meeting that states the purpose of the meeting, at least 7 days and not more than 30 days before the meeting. The plan of merger is approved if a majority of the members of the constituent credit union that vote on the merger vote in favor of the merger.

(d) If the membership of a constituent credit union approves of a plan of merger under subdivision (c), the credit union shall notify the director that the plan of merger is approved, the vote by which the members approved the plan, and a copy of the meeting notice if the plan was approved at a special membership meeting or the ballot and mailing date and closing date if the plan was approved by mail ballot of the members.

(e) The director grants final approval of the plan of merger. The director shall grant final approval of the plan if all of the requirements of subdivisions (a) to (d) are met.

(2) One or more domestic credit unions may merge with 1 or more foreign credit unions if both of the following are satisfied:

(a) The merger is permitted by the law of the jurisdiction under whose law each foreign constituent credit union is organized and each foreign constituent credit union complies with that law in effecting the merger.

(b) Each domestic constituent credit union complies with subsection (1).

(3) If a plan of merger under subsection (1) or (2) is approved, each constituent credit union shall execute and file a certificate of merger with the director that contains all of the following:

(a) The statements required in subsection (1)(a)(i) and (iii).

(b) A statement that the plan of merger has been approved by the members of the constituent credit unions required to vote under subsection (1)(c).

(c) A statement of any assumed names the surviving credit union will use in this state if the director approves. The statement shall specify each new assumed name of the surviving credit union, each current assumed name the surviving entity retains, and each assumed name transferred to the surviving entity from another constituent credit union.

(d) The proposed effective date of the merger.

(4) When a merger takes effect, all of the following apply:

(a) Every other constituent credit union merges into the surviving credit union and the separate existence of every constituent credit union except the surviving credit union ceases.

(b) All property, debts, causes of action, and other interests of, belonging to, or due to each constituent credit union are vested in the surviving credit union without further act or deed and without reversion or impairment.

(c) The surviving credit union has all of the liabilities of each constituent credit union.

(d) A proceeding pending against any constituent credit union may be continued as if the merger had not occurred or the surviving credit union may be substituted in the proceeding for the constituent credit union if the existence of the constituent credit union ceased.

(e) The certificate of organization of the surviving credit union is amended to the extent provided in the certificate of merger.

(f) The membership shares in each constituent credit union are converted into membership shares in the surviving credit union, cash, or other property as provided in the plan of merger. If a person is a member of
more than 1 of the constituent credit unions, the person is entitled to only 1 membership in the surviving
credit union.

(g) The surviving credit union is liable for, and is subject to service of process in a proceeding in this state
for the enforcement of, any obligation of a domestic constituent credit union.

(5) If the surviving credit union in a merger under subsection (2) is a foreign credit union, and the
surviving credit union transacts business in this state, it shall comply with the provisions of this act
concerning foreign credit unions.

(6) The director may waive the membership vote described in subsection (1)(c) for a constituent credit
union if he or she determines that it is in the best interests of the membership of the constituent credit union or
that the constituent credit union is insolvent or in imminent danger of becoming insolvent.

(7) Credit unions with different fields of membership may merge under this section.


490.372 Conversion of domestic credit union into foreign credit union.

Sec. 372. (1) A domestic credit union may convert into a foreign credit union under this section if all of the
following are met:

(a) At least 30 days before voting on a plan of conversion under subdivision (b), the credit union board
gives written notice to the credit union's members that it is considering a conversion. The credit union board
shall mail the notice to the credit union's members and shall not include any other mailing with the notice.
The notice shall include all of the following:

(i) A brief statement of why the credit union board is considering the conversion.

(ii) A brief statement of the major positive and negative effects of the proposed conversion.

(iii) A request for members' written comments on the proposed conversion.

(b) The credit union board approves of a plan of conversion and files the plan of conversion with the
commissioner. An affirmative vote of 2/3 of the entire credit union board is required to approve a plan of
conversion. The plan of conversion shall meet all of the following:

(i) The conversion plan discloses to the members information concerning the advantages and
disadvantages of the proposed conversion and contains a statement indicating any material differences in
powers of the converted credit union.

(ii) The conversion is not intended to circumvent a pending supervisory action initiated by the
commissioner or another regulatory agency because of a concern over the safety and soundness of the credit
union.

(iii) The converted credit union is likely to be economically viable.

(c) The members of the credit union approve of the plan of conversion by a 2/3 vote of the members voting
on the plan. Subject to subsection (2), a member may vote at a special meeting called to vote on the plan of
conversion or by mail ballot. Before the vote, the credit union board shall call a special meeting of the
members to provide information on the plan. At least 14 days before the meeting, the credit union board shall
mail to each member a notice of the meeting and a ballot with a postage paid return envelope. The notice shall
state the date, at least 15 days following the meeting, by which the member must return the ballot and the
methods permitted for casting a vote, describe briefly the reasons for and the major positive and negative
effects of the conversion, and state how members may obtain copies of the conversion plan. The credit union
board shall count the votes cast by members upon the expiration of the time given to the members to return
their ballots.

(d) The credit union files with the commissioner copies of member comments submitted to the credit union
under subdivision (a)(iii) and certified copies of records of all proceedings held by the credit union board and
members of the credit union.

(e) If required by the laws of the applicable jurisdiction, the credit union files with the commissioner a
certified copy of the consent or approval of the appropriate regulatory authority with jurisdiction over foreign
credit unions chartered by that authority.

(2) If the commissioner approves of the method before the vote, the credit union board may establish an
alternative method for accepting votes from members of a converting domestic credit union on the plan of
conversion under subsection (1)(c) if the alternative method is reasonably calculated to ensure each member
has an opportunity to vote.

(3) If all of the conditions required by this section are met and the commissioner determines that any
notices to members were accurate, timely, and not misleading, and that conduct of the vote on the conversion
plan was fair and lawful, the commissioner shall approve the conversion and the conversion is effective.

490.373 Conversion of domestic credit union into mutual savings bank or mutual savings association.

Sec. 373. (1) A domestic credit union may convert into a mutual savings bank or mutual savings association if all of the following are met:

(a) At least 30 days before voting on a plan of conversion under subdivision (b), the credit union board gives written notice to the credit union's members that it is considering a conversion. The credit union board shall mail the notice to the credit union's members and shall not include any other mailing with the notice. The notice shall include all of the following:

(i) A brief statement of why the credit union board is considering the conversion.
(ii) A brief statement of the major positive and negative effects of the proposed conversion.
(iii) A request for members' written comments on the proposed conversion.

(b) The credit union board approves of a plan of conversion and files the plan of conversion with the commissioner. An affirmative vote of 2/3 of the entire credit union board is required to approve a plan of conversion. The plan of conversion shall meet all of the following:

(i) The conversion plan discloses to the members information concerning the advantages and disadvantages of the proposed conversion and contains a statement indicating any material differences in powers between a credit union and a mutual savings bank or mutual savings association.
(ii) The conversion is not intended to circumvent a pending supervisory action initiated by the commissioner or another regulatory agency because of a concern over the safety and soundness of the credit union.
(iii) The conversion plan does not provide any official of the converting credit union with any remuneration or other economic benefit in connection with the conversion.
(iv) After conversion, the mutual savings bank or mutual savings association is likely to be economically viable.

(c) The credit union board shall call a special meeting of the members to vote on the conversion plan and mail to each member notice of the meeting and proposed conversion 90 days before the date of the special meeting. The notice shall include all of the following:

(i) A summary of the positive and negative effects of the proposed conversion.
(ii) A statement that the officials will not receive any remuneration or other economic benefit in connection with the conversion of the domestic credit union.
(iii) A statement that any interested person may obtain more detailed information about the conversion from the domestic credit union at its principal place of business, or by any method approved in advance by the commissioner.
(iv) A statement that the credit union board may substantively amend the proposed plan of conversion before the special meeting based on comments from regulatory authorities or any other reason and that the credit union board may terminate the proposed plan of conversion.
(v) Instructions for obtaining a copy of the conversion plan.
(vi) The date of the special meeting and a statement that the vote on the conversion will close on that date.
(vii) Any other information required by the commissioner.

(d) At least 60 days before the special meeting described in subdivision (c), the credit union board posts a copy of the notice required in subdivision (c) in each branch, service center, or other location in this state where members may transact business with the credit union, in at least 12-point type, displayed prominently in an area visible to members before they transact business.

(e) At least 60 days before the special meeting described in subdivision (c), if the credit union conducts any member transactions through the use of an internet website, the credit union board displays the information included in the notice required in subdivision (c) in a conspicuous location on that website.

(f) Thirty days before the special meeting of the members, the credit union board mails a notice of the meeting and proposed conversion. The notice shall include all of the information described in subdivision (c) for the 90-day notice and shall include the date, time, and place of the special member meeting, a ballot and postage-paid return envelope, and a summary of the methods permitted for casting votes.

(g) If the plan of conversion is substantively amended by the credit union board, at least 30 days before the vote of the members on the plan the credit union board shall mail a notice to each member. The notice shall contain the information concerning the amended plan of conversion described in subdivision (c) for a notice under that subdivision.

(h) At a special meeting of members, the members, by a 2/3 vote of members voting, approve of the conversion and the plan of conversion. A member may vote in person or by mail. With the prior approval of the commissioner, a domestic credit union may accept member votes by an alternative method that is
reasonably calculated to ensure each member has an opportunity to vote.
   (i) The domestic credit union files with the commissioner all of the following:
      (i) Certified copies of records of all proceedings held by the credit union board and members of the
domestic credit union.
      (ii) Copies of member comments submitted to the domestic credit union under subdivision (a)(iii).
      (iii) If that consent or approval is required, a certified copy of the consent or approval of any state or
federal regulatory authority with jurisdiction over the mutual savings bank or mutual savings association after
the conversion and, if a holding company is to be formed in connection with the conversion, the regulations of
the federal reserve board of governors or of the office of thrift supervision applicable to holding companies.
      (iv) Verification that deposits in the converted mutual savings bank or mutual savings association qualify
for federal insurance.
   (2) If the requirements of this section are met and the commissioner determines that the notices to
members were accurate, timely, and not misleading, and that conduct of the vote on the conversion plan was
fair and lawful, the commissioner shall approve the conversion and the conversion is effective.
   (3) Except as otherwise required by the commissioner, this section does not apply to a domestic credit
union that submitted to the commissioner a plan of conversion into a mutual savings bank or mutual savings
association before the effective date of this act.


490.374 Conversion of domestic credit union into bank, stock savings bank, or stock
savings and loan association.

Sec. 374. (1) A domestic credit union may convert into a bank, stock savings bank, or stock savings and
loan association if all of the following are met:
   (a) At least 30 days before voting on a plan of conversion under subdivision (b), the credit union board
gives written notice to the credit union's members that it is considering a conversion. The credit union board
shall mail the notice to the credit union's members and shall not include any other mailing with the notice.
The notice shall include all of the following:
      (i) A brief statement of why the credit union board is considering the conversion.
      (ii) A brief statement of the major positive and negative effects of the proposed conversion.
      (iii) A complete and accurate description of the differences between a credit union and a bank, stock
savings bank, or stock savings and loan association, as appropriate.
      (iv) A request for members' written comments on the proposed conversion.
   (b) By an affirmative vote of 2/3 of the entire credit union board, the credit union board approves of a plan
of conversion and files the plan of conversion with the commissioner. The conversion plan shall include all of
the following:
      (i) The member eligibility record date and the subscription offering priority established in connection with
any proposed stock offering.
      (ii) A business plan, including a detailed discussion of how the capital acquired in the conversion will be
used, expected earnings for at least a 3-year period following the conversion, and a justification for any
proposed stock repurchases.
      (iii) A full appraisal report, prepared by an independent appraiser, of the value of the credit union and the
pricing of the stock to be sold in the conversion transaction.
      (iv) A legal opinion that any proposed stock offering complies with state and federal law.
      (v) Copies of notices to be provided to members under subdivisions (d) and (e).
   (c) The commissioner grants preliminary approval of the plan of conversion approved by the credit union
board. The commissioner shall review the contents of the plan and member comments on the plan and grant
preliminary approval of the plan if the commissioner is satisfied of all of the following:
      (i) The conversion plan discloses to the members information concerning the advantages and
disadvantages of the proposed conversion, contains a complete and accurate description of the differences
between a credit union and a bank, stock savings bank, or stock savings and loan association, as appropriate,
and contains a statement indicating any material differences in powers between a credit union and a bank,
stock savings bank, or stock savings and loan association, as appropriate.
      (ii) The conversion is not intended to circumvent a pending supervisory action initiated by the
commissioner or another regulatory agency because of a concern over the safety and soundness of the credit
union.
      (iii) The conversion plan does not provide any official of the converting credit union with any
remuneration or other economic benefit in connection with the conversion.
      (iv) The conversion plan does not permit the converting credit union to loan funds or otherwise extend
credit to any person to purchase the capital stock of the bank, stock savings bank, or stock savings and loan association.

(v) After conversion, the bank, stock savings bank, or stock savings and loan association is likely to be economically viable.

(d) If the commissioner grants preliminary approval under subdivision (c), the credit union board shall call a special meeting of the members to vote on the conversion plan and mail to each member notice of the meeting and proposed conversion 90 days before the date of the special meeting. The notice shall include all of the following:

(i) A summary of the positive and negative effects of the proposed conversion.

(ii) A statement that the officials will not receive any remuneration or other economic benefit in connection with the conversion of the domestic credit union.

(iii) A statement that any interested person may obtain more detailed information about the conversion from the domestic credit union at its principal place of business, or by any method approved in advance by the commissioner.

(iv) If the conversion plan includes a distribution of a portion of the credit union's net worth to members, a statement describing the amount of the distribution, the form of the distribution, and eligibility requirements to receive a distribution.

(v) The par value and approximate number of shares of capital stock to be issued and sold under the proposed plan of conversion.

(vi) A statement that savings and share account holders will continue to hold accounts in the converted bank, stock savings bank, or stock savings and loan association identical as to dollar amount and general terms, and that their accounts will continue to be insured.

(vii) A statement that borrowers' loans will be unaffected by conversion, and that the amount, rate, maturity, security, and other conditions will remain contractually fixed as they existed before conversion.

(viii) A statement that the credit union board may substantively amend the proposed plan of conversion before the special meeting based on comments from regulatory authorities or any other reason and that the credit union board may terminate the proposed plan of conversion.

(ix) Instructions for obtaining a copy of the conversion plan.

(x) The date of the special meeting and a statement that the vote on the conversion will close on that date.

(xi) Any other information required by the commissioner.

(e) At least 60 days before the special meeting described in subdivision (d), the credit union board posts a copy of the notice required in subdivision (d) in each branch, service center, or other location in this state where members may transact business with the credit union, in at least 12-point type, displayed prominently in an area visible to members before they transact business.

(f) At least 60 days before the special meeting described in subdivision (d), if the credit union conducts any member transactions through the use of an internet website, the credit union board displays the information included in the notice required in subdivision (d) in a conspicuous location on that website.

(g) Thirty days before the special meeting of the members, the credit union board mails a notice of the meeting and proposed conversion to the members. The notice shall include all of the information described in subdivision (d) for the 90-day notice and shall include the date, time, and place of the special member meeting, a ballot and postage-paid return envelope, and a summary of the methods permitted for casting votes.

(h) If the plan of conversion is substantively amended by the credit union board, at least 30 days before the vote of the members on the plan the credit union board shall mail a notice to each member. The notice shall contain the information concerning the amended plan of conversion described in subdivision (d) for a notice under that subdivision.

(i) At a special meeting of members, the members, by a 2/3 vote of members voting, approve of the conversion and the plan of conversion. A member may vote in person or by mail. With the prior approval of the commissioner, a domestic credit union may accept member votes by an alternative method that is reasonably calculated to ensure each member has an opportunity to vote.

(j) The domestic credit union files with the commissioner all of the following:

(i) Certified copies of records of all proceedings held by the credit union board and members of the domestic credit union.

(ii) Copies of member comments submitted to the domestic credit union under subdivision (a)(iii).

(iii) If that consent or approval is required, a certified copy of the consent or approval of any state or federal regulatory authority with jurisdiction over the bank, stock savings bank, or stock savings and loan association after the conversion and, if a holding company is to be formed in connection with the conversion, the regulations of the federal reserve board of governors or of the office of thrift supervision applicable to
holding companies.

(iv) Verification that deposits in the converted bank, stock savings bank, or stock savings and loan association qualify for federal insurance.

(2) If the requirements of this section and the regulations of the federal agency providing federal deposit insurance regarding mutual-to-stock conversions are met, and the commissioner determines that the notices to members were accurate, timely, and not misleading, and that conduct of the vote on the conversion plan was fair and lawful, the commissioner shall approve the conversion and the conversion is effective.


490.375 Rights, obligations, relationships, and trusts of converting credit union.

Sec. 375. (1) Except as provided in subsection (2), if a conversion becomes effective under section 372, 373, or 374, the converted entity is a continuation of the converting credit union and all the property and interests in property and every cause of action, right, privilege, interest, and asset of the converting credit union is immediately and without any conveyance, transfer, or other action vested in the converted organization. Every right, obligation, and relationship of the converting credit union to or in respect to any person, estate, creditor, member, depositor, trust, trustee, collective bargaining agreement, or beneficiary of any trust or fiduciary function continue unimpaired. The converted organization shall continue to hold all the rights, obligations, relationships, and trusts, and the duties and liabilities connected with them, and shall execute and perform each and every trust and relationship in the same manner as if the credit union had not converted. The conversion does not release the converted organization from its obligations to pay and discharge all the liabilities created by law or incurred by the converting credit union before the conversion, or any tax imposed by the laws of this state up to the day of the conversion in proportion to the time that has elapsed since the last preceding tax payment, or any assessment, penalty, or forfeiture imposed or incurred under the laws of this state before the date of the conversion.

(2) Within 1 year after the conversion, the commissioner may for good cause require a converting credit union to divest itself of an asset that does not conform to the legal requirements relative to assets acquired and held by the converted organization.

(3) If a converting credit union was appointed in a fiduciary capacity by a court or governmental tribunal, agency, or officer, the converted organization shall file an affidavit with the appointing authority setting forth the fact of conversion, the name and address of the converted organization, and the amount of its capital and surplus. A converted organization acting as a fiduciary by appointment of a court is subject to removal by a court of competent jurisdiction.


490.376 Conversion of foreign credit union into domestic credit union.

Sec. 376. (1) A foreign credit union may convert to a domestic credit union if all of the following are met:

(a) The foreign credit union complies with the applicable law under which it is chartered for a conversion under that law.

(b) The credit union board files a certificate of organization with the commissioner, approved and executed in triplicate by a majority of the credit union board.

(c) After executing the certificate of organization, a majority of the directors adopt bylaws for the governance of the credit union consistent with this act and execute any other agreements or documents and take any other action required to complete the conversion.

(d) After an examination of the credit union and the proceedings of the directors and members concerning the conversion, the commissioner approves of the certificate of organization filed under subdivision (b).

(e) If the commissioner approves the certificate of organization, the commissioner shall notify the applicants of the commissioner’s decision and shall immediately issue a certificate of approval attached to the duplicate certificate of organization and return it to the credit union. The certificate shall indicate that the conversion complies with the laws of this state and that after conversion the credit union and all its members, officers, and employees have the same rights, powers, and privileges and are subject to the same duties, liabilities, and obligations that apply to domestic credit unions under this act.

(2) The credit union shall pay the expenses of the examination described in subsection (1)(d), in an amount established by the commissioner. The amount paid for the examination is not refundable.

(3) If the commissioner approves a conversion, the credit union shall pay an operating fee determined under section 201, on a prorated basis for the operating fee period in which the conversion becomes effective. The date that the conversion becomes effective is the basis for calculating the proration.

(4) If a conversion becomes effective under this section, the converted domestic credit union is a continuation of the converting foreign credit union and all the property and interests in property and every
cause of action, right, privilege, interest, and asset of the converting foreign credit union is immediately and without any conveyance, transfer, or other action vested in the converted domestic credit union. Every right, obligation, and relationship of the converting foreign credit union to or in respect to any person, estate, creditor, member, depositor, trust, trustee, collective bargaining agreement, or beneficiary of any trust or fiduciary function continue unimpaired. The converted domestic credit union shall continue to hold all the rights, obligations, relationships, and trusts, and the duties and liabilities connected with them, and shall execute and perform each and every trust and relationship in the same manner as if it had after the conversion assumed the trust or relationship and obligations and liabilities connected with the trust or relationship.

(5) Any directors of the foreign credit union converting to a domestic credit union under this section that meet the criteria described in section 341(8) may continue as directors of the domestic credit union.


PART 7
ADMINISTRATION

490.381 Disclosure of confidential information.
Sec. 381. Except as otherwise required by law, a director, officer, member of a committee, or employee of a domestic credit union shall not disclose any confidential information related to the conduct of the business of the domestic credit union that he or she has a duty not to disclose, including, but not limited to, personnel matters, matters involving actual or potential litigation or real estate transactions, or other matters related to strategic business endeavors of the domestic credit union, and shall not disclose any information concerning transactions between the domestic credit union and either its members or other persons. This subsection does not apply to any disclosure necessary to the conduct of the business of the domestic credit union.


490.382 Fiscal year; accounting principles.
Sec. 382. (1) A domestic credit union shall use the calendar year as its fiscal year.

(2) A domestic credit union shall follow generally accepted accounting principles in its accounting, unless a different accounting standard is required by state or federal statute, rule, or regulation.


490.383 Discharge of duties by officers; standards; indemnification.
Sec. 383. (1) An official of a domestic credit union shall discharge the duties of his or her position in good faith and with that degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position. In discharging his or her duties, an official may rely upon the opinion of legal counsel for the domestic credit union, upon the report of an independent appraiser selected with reasonable care by the board or by an officer of the domestic credit union, or upon financial statements of the domestic credit union represented to him or her to be correct by the general manager or the officer of the domestic credit union having charge of its records, or as stated in a written report by an independent public or certified public accountant or firm of accountants fairly to reflect the financial condition of the domestic credit union.

(2) A domestic credit union may indemnify a person who was or is a party or is threatened to be made a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or on behalf of the domestic credit union, because he or she is or was an official, employee, or agent of the domestic credit union or is or was serving at the request of the domestic credit union as an official, employee, or agent of 1 or more domestic credit unions or other profit or nonprofit enterprises, for attorney fees, judgments, penalties, fines, amounts paid in settlement, and other expenses actually and reasonably incurred by him or her in connection with the action, suit, or proceeding. A domestic credit union may only indemnify a person under this subsection 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 domestic credit union or its members, and with respect to a criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or a plea of nolo contendere or its equivalent, does not of itself create a presumption that the person did not act in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the domestic credit union or its members, and with respect to a criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(3) A domestic credit union may indemnify a person who was or is a party to or is threatened to be made a
party to a threatened, pending, or completed action or suit, by or on behalf of the domestic credit union to procure a judgment in its favor by reason of the fact that he or she is or was an official, employee, or agent of the domestic credit union or is or was serving at the request of the domestic credit union as an official, employee, or agent of 1 or more domestic credit unions or other profit or nonprofit enterprises, for actual and reasonable attorney fees, amounts paid in settlement incurred by the person in connection with the action or suit, and other expenses. A domestic credit union may only indemnify a person under this subsection if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the domestic credit union or its members and a domestic credit union shall not indemnify a person for a claim, issue, or matter in which the person has been found liable to the domestic credit union unless and only to the extent that the court in which the action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnification for the expenses that the court considers proper.

(4) To the extent that an official, employee, or agent of a domestic credit union is successful on the merits or otherwise in defense of an action, suit, or proceeding described in subsection (8), or in defense of any claim, issue, or matter in the action, suit, or proceeding, the domestic credit union shall indemnify the person for actual and reasonable attorney fees and other expenses incurred by him or her in connection with the action, suit, or proceeding and any action, suit, or proceeding brought to enforce the mandatory indemnification provided in this subsection.

(5) Unless ordered by a court, a domestic credit union shall indemnify a person under subsection (2) or (3) only for the action, suit, or proceeding specified by the domestic credit union in the determination described in this subsection and only if the domestic credit union obtains from 1 of the following a determination that indemnification of the person is proper in the circumstances because he or she has met the applicable standard of conduct set forth in subsection (2) or (3):

(a) The credit union board, by a majority vote of a quorum of the board consisting of directors who are or were not parties to the action, suit, or proceeding.

(b) If a quorum described in subdivision (a) is not obtainable, a committee of directors that consists of 2 or more directors who are or were not parties to the action, by majority vote.

(c) Independent legal counsel in a written opinion.

(d) The members.

(6) If a person is entitled to indemnification under subsection (2) or (3) for a portion of attorney fees, judgments, penalties, fines, amounts paid in settlement, and other expenses, but not for the total amount of the expenses, the domestic credit union may indemnify the person for the portion of the attorney fees, judgments, penalties, fines, amounts paid in settlement, or other expenses for which the person is entitled to indemnification.

(7) A domestic credit union may pay expenses incurred by a person in defending a civil or criminal action, suit, or proceeding described in subsection (2) or (3) before the final disposition of the action, suit, or proceeding if the domestic credit union receives an unlimited, general, secured, or unsecured guarantee by or on behalf of the person to repay the expenses if it is ultimately determined that the person is not entitled indemnification from the domestic credit union.

(8) An indemnification or advance of expenses provided under subsections (2) to (7) is not exclusive of other rights to which a person seeking indemnification or advancement of expenses is entitled under the bylaws or an agreement. The total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking the indemnification or advance of expenses. An indemnification provided under subsections (2) to (7) continues after the person ceases to be an official, employee, or agent and inures to the benefit of the heirs, executors, and administrators of the person.

(9) As used in subsections (2) to (8), “domestic credit union” includes all other credit unions that become related to a domestic credit union by a consolidation or merger and the resulting or continuing credit union. A person who is or was an official, employee, or agent of a domestic credit union that is consolidated or merged into the domestic credit union or is or was serving at the request of a credit union that is consolidated or merged into the domestic credit union as an official, partner, trustee, employee, or agent of 1 or more other credit unions, or other profit or nonprofit enterprises is in the same position under this section with respect to the resulting or continuing credit union as he or she would if he or she had served the resulting or continuing credit union in the same capacity.


490.384 Participation in deliberation or board action.

Sec. 384. (1) Unless the matter involves setting dividends, loan rates, or fees for services or other general

policy applicable to all members of the domestic credit union, a director, committee member, officer, or employee of a domestic credit union shall not in any manner, directly or indirectly, participate in the deliberation or board action on any matter that affects his or her pecuniary interest or the pecuniary interest of an entity other than the domestic credit union in which he or she is interested.

(2) If 1 or more directors are disqualified from participating in a matter before the credit union board pursuant to subsection (1), the remaining qualified directors present at the meeting, if constituting a quorum with the disqualified directors, may by majority vote exercise all the powers of the board with respect to the matter under consideration. If all of the directors are disqualified, the members of the domestic credit union shall act on the matter.

(3) If 1 or more committee members are disqualified from participating in a matter before the committee pursuant to subsection (1), the remaining qualified committee members, if constituting a quorum with the disqualified committee members, may by majority vote exercise all the powers of the committee with respect to the matter under consideration. If all of the committee members are disqualified, the credit union board shall act on the matter.

(4) As used in this section, an individual is “interested” in an entity if he or she meets any of the following:
   (a) Serves as a director, officer, or employee of the entity.
   (b) Has a business or deposit relationship with the entity.
   (c) Has an ownership interest in the entity that is more than a 10% equity interest.
   (d) Has a business, financial, or familial relationship with an individual who he or she knows has a pecuniary interest in the entity.


490.385 Payment to person claiming interest in account; restrictions.

Sec. 385. (1) A domestic credit union may refuse to make a payment from an account to a person claiming an interest in the account if the domestic credit union is uncertain under the agreement governing the account of who is entitled to receive that payment or if the domestic credit union has actual knowledge of a dispute between any account owners, beneficiaries with present vested rights in the account, or other persons concerning their respective ownership to the money in the account, the proposed withdrawal, or any previous withdrawals from the account.

(2) If a domestic credit union refuses to make a payment under subsection (1), the domestic credit union may notify the account owners, beneficiaries with present vested rights in the account, and other persons claiming an interest in the account in writing of the basis for its refusal and may refuse to make the payment until all interested parties consent in writing to the requested payment or a court with jurisdiction orders the domestic credit union to make the payment. The domestic credit union is not liable for any damages resulting from an action taken under this subsection.


490.386 Establishment and maintenance of reserves.

Sec. 386. (1) A domestic credit union shall establish and maintain reserves in an amount that qualifies the domestic credit union for insurance of its accounts under federal law and meets any requirement of the commissioner.

(2) A domestic credit union shall establish allowances for loan and lease losses account based on its reasonably foreseeable loan and lease losses and shall maintain the account in accordance with generally accepted accounting principles. A domestic credit union shall charge a loan or lease or any portion of a loan or lease to the allowance for loan and lease losses account if any of the following occur:
   (a) The credit union board considers the loan or lease or any portion of a loan or lease uncollectible.
   (b) The loan or lease is 12 or more contractual payments delinquent, the borrower has not made a contractual payment in the past 90 days, and the domestic credit union has not instituted judicial proceedings to collect the loan or lease.
   (c) The commissioner orders the domestic credit union to charge the loan or lease or any portion of a loan or lease to the allowance for loan and lease losses account.

(3) A domestic credit union shall establish special reserves to protect the interests of members if required by rule of the commissioner or if the credit union board or the commissioner decide that a special reserve is necessary to protect the interests of the members concerning a specific event.

(4) This section applies to a corporate credit union organized under this act only to the extent the commissioner determines is necessary to protect the interests of the members and other share and deposit account holders of the corporate credit union.

490.387 Insurance of member share and deposit accounts.

Sec. 387. (1) A domestic credit union that is not a corporate credit union shall apply for and maintain insurance of member share accounts and member deposit accounts from an agency of the federal government that provides that insurance.

(2) A credit union that is denied a commitment for insurance of its share and deposit accounts by the insuring federal agency or that is given notice by the insuring federal agency of the agency's intent to terminate insurance of the credit union's shares and deposits shall either dissolve, merge with another credit union that is insured by an agency of the federal government, or apply in writing to the commissioner within 30 days after the denial or notice for additional time to obtain an insurance commitment.

(3) The commissioner shall grant a credit union described in subsection (2) 1 or more additional periods of time to obtain or reinstate an insurance commitment if the commissioner receives satisfactory evidence that the credit union has made or is making a substantial effort to meet the conditions required by the insuring federal agency for issuance of an insurance commitment.

(4) A credit union may contract with an insurance carrier licensed to do business in this state for insurance of the balances of its accounts that exceed the amount insured by the insuring federal agency.