CREDIT UNION ACT (EXCERPT)
Act 215 of 2003

490.432 Purchase, sale, or pledge of member obligation.

Sec. 432. (1) If the purchase meets the conditions of a written policy of the credit union board, a domestic
credit union may purchase 1 or more of the following obligations:
   (a) An obligation of a member that satisfies this act, the bylaws, and the lending policies established by the
credit union board, other than any annual percentage interest rate requirement.
   (b) An obligation of a member if before the domestic credit union agrees to purchase the obligation the
member agrees in writing to refinance the obligation within 60 days after the purchase in a manner that will
result in the obligation meeting subdivision (a).

(2) A domestic credit union may purchase an obligation of a member under this section if the credit union
board approves the purchase of the obligation or a class of obligations that includes the obligation, there is a
written agreement for the purchase, and the domestic credit union retains the written agreement and a
schedule of the obligations covered by the agreement at its principal place of business.

(3) If a domestic credit union agrees to purchase a partial interest in an obligation of a member, the
agreement shall disclose the responsibilities of each party if the obligation is subject to collection, loss, or
foreclosure and shall provide that in the event of a loss each owner shares in the loss in proportion to the
owner's interest in the obligation.

(4) A domestic credit union may purchase an obligation of a member at a discount or premium if the
discount or premium is amortized monthly over the remaining term of the obligation.

(5) A domestic credit union may sell all or part of an obligation of a member if all of the following are met:
   (a) The sale meets the conditions of the sale policy adopted by the credit union board.
   (b) The credit union board approves the sale or the sale is approved by senior management employees to
       whom the credit union board has, in a written board policy, delegated the authority to approve sales described
       in this subsection.
   (c) There is a written agreement for the sale, and the domestic credit union retains the written agreement
       and a schedule of the obligations covered by the agreement at its principal place of business.

(6) An agreement to sell a partial interest in an obligation of a member shall not include a recourse or
repurchase provision other than 1 or more of the following:
   (a) A provision that requires the seller to repurchase the obligation because of a breach of warranty or
       misrepresentation.
   (b) A provision that allows the domestic credit union to repurchase the obligation at its discretion.
   (c) A provision that allows substitution of 1 loan for another loan.

(7) A domestic credit union may pledge all or any part of an obligation of a member if either of the
following is met:
   (a) The pledge meets the conditions of the pledge policy adopted by the credit union board and the credit
       union board approves the pledge.
   (b) The pledge meets the conditions of the pledge policy adopted by the credit union board and the pledge
       is approved by senior management employees to whom the credit union board has, in a written board policy,
deleagated the authority to approve pledges described in this subdivision. If 1 or more pledges are approved by
a senior management employee under this subdivision, he or she shall provide a summary of the pledges to
the credit union board at the next regularly scheduled meeting of the credit union board.

(8) An agreement to pledge an obligation of a member shall identify the obligations covered by the
agreement and set forth the responsibilities of each party if an obligation covered by the agreement is subject
to collection, loss, foreclosure, or default.

(9) This section does not permit a domestic credit union to pledge an obligation of a member unless
authorized in section 401(2).

(10) For a fee, a domestic credit union may agree to service all or part of an obligation it purchases or sells.

(11) A member shall not directly or indirectly give and a senior management employee shall not directly or
indirectly receive a fee, compensation, commission, gift, or other consideration as an inducement to purchase,
sell, or pledge an obligation of a member.