

HOUSE BILL No. 5173

November 10, 2011, Introduced by Reps. Tlaib, Meadows, Jackson, Brown, Segal, Liss, Barnett, Slavens, Hovey-Wright, Lindberg, Townsend, Cavanagh, Switalski, Irwin and Howze and referred to the Committee on Banking and Financial Services.

A bill to amend 2003 PA 215, entitled
"Credit union act,"
by amending section 431 (MCL 490.431).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 431. (1) A domestic credit union may invest funds ~~not~~
2 ~~used in~~ **IT DOES NOT USE TO MAKE** loans to members in any of the
3 following:

4 (a) Securities, obligations, or other instruments of or issued
5 by or fully guaranteed as to principal and interest by the United
6 States or an agency or instrumentality of the United States, or in
7 any trust or trusts established for investing directly or
8 collectively in those securities, obligations, or instruments.

9 (b) Securities, obligations, or other instruments of or issued
10 by any state of the United States, the District of Columbia, the

1 Commonwealth of Puerto Rico, or a territory organized by Congress 7
2 or any of their political subdivisions.

3 (c) Securities, obligations, or other instruments of any
4 central liquidity facility or corporate credit union established
5 under the laws of this state, the laws of another state or
6 territory of the United States, or the laws of the United States 7
7 or any federal reserve bank.

8 (d) An obligation that meets all of the following:

9 (i) In the domestic credit union's prudent judgment, which may
10 be based in part ~~upon~~ **ON** estimates ~~which~~ **THAT** it believes are
11 reliable, there is adequate evidence that the obligor of the
12 obligation will be able to perform all it undertakes to perform in
13 connection with the obligation, including all debt service
14 requirements, and that the obligation may be sold with reasonable
15 promptness at a price that corresponds to its fair value.

16 (ii) The investment characteristics of the obligation are not
17 considered distinctly or predominantly speculative.

18 (iii) The obligation is not in default in the payment of
19 principal or interest.

20 (iv) The obligation is a marketable obligation in the form of a
21 bond, note, or debenture, commonly regarded as an investment
22 security, and salable under ordinary circumstances with reasonable
23 promptness at a fair value.

24 (e) Shares or certificates of an open-end management
25 investment company registered with the securities and exchange
26 commission under the investment company act of 1940, ~~title I of~~
27 ~~chapter 686, 54 Stat. 789, 15 U.S.C. USC 80a-1 to 80a-3 and 80a-4~~

1 ~~to~~ 80a-64, if all of the following conditions are met:

2 (i) ~~Not less than~~ **AT LEAST** 90% of the ~~fund's assets consist of~~
3 ~~and are~~ **COMPANY'S PORTFOLIO CONSISTS OF OR IS** limited to securities
4 in which a domestic credit union may invest directly.

5 (ii) The domestic credit union has an equitable and undivided
6 interest in the underlying assets of the ~~fund~~ **COMPANY**.

7 (iii) The domestic credit union is not liable for acts or
8 obligations of the ~~fund~~ **COMPANY**.

9 (iv) The domestic credit union's investment in any 1 ~~fund~~
10 **COMPANY** does not exceed the amount of its net worth.

11 (f) Investments in mortgage-backed securities either issued by
12 or guaranteed by a private organization if the securities involved
13 meet the investment standards for an obligation described in
14 subdivision (d).

15 (G) **SHARES OF STOCK OR OTHER EQUITY INTERESTS IN A BUSINESS**
16 **DEVELOPMENT CORPORATION INCORPORATED UNDER THE BUSINESS DEVELOPMENT**
17 **CORPORATION ACT, IF THE AGGREGATE PURCHASE PRICE OF THOSE INTERESTS**
18 **DOES NOT EXCEED 10% OF THE NET WORTH OF THE CREDIT UNION.**

19 (2) A domestic credit union other than a corporate credit
20 union shall not invest more than 25% of its net worth in an obligor
21 or affiliate of ~~the~~ **AN** obligor. This subsection does not apply to
22 the extent that the investment is insured or guaranteed by the
23 United States government or an agency of the United States
24 government or a state or local government, or the investment is in
25 a corporate credit union.

26 (3) A domestic credit union may not invest in or hold common
27 stock or another equity investment except as provided in **SUBSECTION**

1 (1) (G) AND section 401(2), or in bank and bank holding company
2 stock legally acquired before December 19, 1986. If a domestic
3 credit union possesses capital stock or another equity investment
4 as the result of a loan default, it shall dispose of that
5 investment within a reasonable period of time that does not exceed
6 1 year, or a longer period of time approved by the commissioner for
7 that domestic credit union.

8 (4) In addition to investments authorized by this act, a
9 domestic credit union may make any other type of investment
10 approved by the commissioner by rule, order, or declaratory ruling.

11 (5) A domestic credit union shall maintain files containing
12 credit and other information adequate to demonstrate evidence of
13 prudent business judgment in exercising the investment powers
14 granted under this act or by rule, order, or declaratory ruling of
15 the commissioner.

16 Enacting section 1. This amendatory act does not take effect
17 unless Senate Bill No. ____ or House Bill No. 5169(request no.
18 01519'11) of the 96th Legislature is enacted into law.