

CREDIT UNION ACT (EXCERPT)
Act 215 of 2003

PART 2
LOANS

490.421 Credit committee; powers; meetings; loan officers; appeals of loan rejections; designation of secretary; maintenance of records of activities.

Sec. 421. (1) If a domestic credit union has a credit committee, the credit committee has general supervision of all loans to members.

(2) A credit committee shall meet as often as the business of the domestic credit union requires. The credit committee shall consider applications for loans or review the credit decisions of the loan officers of the domestic credit union. A majority vote of the members of the committee who are present at a meeting is required to approve or disapprove of a loan to a member.

(3) A credit committee, or the credit union board if the domestic credit union does not have a credit committee, may appoint 1 or more loan officers and delegate to them the power to approve or reject loans or lines of credit or to make credit decisions concerning loans or lines of credit, subject to any limitations or conditions established by the credit committee.

(4) A member whose loan application is disapproved by a loan officer may appeal in writing to the credit committee, or to the credit union board if the domestic credit union does not have a credit committee.

(5) A domestic credit union may establish and use an automated loan approval and rejection process but may not use the automated process for appeals of loan rejections. If a domestic credit union uses an automated process, the domestic credit union shall establish a written procedure to ensure the proper functioning of the automated process.

(6) The credit committee shall designate a secretary of the credit committee. The secretary shall maintain records of the actions of the committee concerning its lending activities as required by the credit union board.

History: 2003, Act 215, Eff. June 1, 2004.

490.422 Loan agreement with member or another domestic credit union.

Sec. 422. (1) A loan made by a domestic credit union to another domestic credit union is not subject to any interest rate limitation contained in any law of this state.

(2) In addition to any other loan authorized by law, a domestic credit union may enter into a loan agreement under this subsection with a member. All of the following apply to a loan under this subsection:

(a) The loan may be for any amount up to \$1,000.00.

(b) The term of the loan shall be 30 days.

(c) The domestic credit union may charge a fee in addition to any interest in connection with the loan. A fee is in addition to interest authorized by law and is not part of the interest collected or agreed to be paid on loans within the meaning of a law of this state that limits the rate of interest which may be exacted in a transaction.

(d) The total interest, fees, and other costs of the loan shall not exceed 10% of the principal amount.

(e) A member shall not have more than 1 loan under this subsection outstanding with the credit union.

History: 2003, Act 215, Eff. June 1, 2004.

490.423 Loan conditions; repayment; rates, terms, or conditions to officials or family member; open-end credit arrangements; joint loans; guaranteed federal or state loan program; reduced rate loans and extensions; restriction; additional security.

Sec. 423. (1) A loan by a domestic credit union to a member shall conform to any conditions contained in the bylaws.

(2) A borrower may repay a loan from a domestic credit union in whole or in part at any time the domestic credit union is open for business or otherwise capable of receiving payment on the loan.

(3) Except as provided in subsection (8), a domestic credit union shall not agree to rates, terms, or conditions on any loan or line of credit that is made to or endorsed or guaranteed by an official or an immediate family member of an official that are more favorable than the rates, terms, and conditions for comparable loans or lines of credit to other credit union members. A domestic credit union shall not agree to rates, terms, and conditions on any loan or line of credit to any person that has a common ownership, investment, or other pecuniary interest in a business with an official or immediate family member of an official that are more favorable than the rates, terms, and conditions for comparable loans or lines of credit to other credit union members.

(4) A domestic credit union shall process a loan to an official or employee in the same manner as a loan to other members, except that the applicant shall not participate in the approval process for his or her loan.

(5) A domestic credit union may provide open-end or closed-end credit arrangements for its members if the credit union board has established a policy for those credit arrangements. Unless prohibited by the agreement for the open-end credit arrangement, a domestic credit union may under an open-end credit arrangement unilaterally increase the approved limit or may increase the approved limit on the request of the member.

(6) A domestic credit union may participate in loans to credit union members jointly with other credit unions, credit union service organizations, or other financial institutions.

(7) A domestic credit union may participate in a guaranteed loan program of the federal or state government under the terms and conditions specified in the law establishing that program.

(8) A domestic credit union may offer reduced rate loans and other extensions of credit to its employees, other than employees who are board members, supervisory committee members, credit committee members, or members of any other committee that performs significant ongoing functions relating to the ongoing operations of the domestic credit union, under a policy adopted by its credit union board.

(9) The credit union board, or the credit committee if the domestic credit union has a credit committee that does not include any credit union employees, must approve of any loan or other extension of credit to or purchase of an obligation of the general manager or chief executive officer.

(10) A domestic credit union shall not make a loan or extend a line of credit if an official or senior management employee will receive a commission, fee, or compensation other than salary if the loan or line of credit is approved. However, this subsection does not limit or prohibit arrangements that compensate employees who are not senior management employees based on the volume of loans generated by those employees.

(11) A domestic credit union shall not loan an amount that exceeds 25% of the credit union's unimpaired capital to a borrower. This subsection does not apply to a corporate credit union. All of the following apply for purposes of this subsection:

(a) If the director determines at any time that the interests of a group of more than 1 person are so interrelated that they should be considered as a unit for the purpose for which credit was extended, the total loans and extensions of credit and leases of persons of that group shall be combined and considered loans and extensions of credit and leases to 1 borrower under this subsection.

(b) A credit union does not violate this subsection solely because the indebtedness of a group described in subdivision (a) exceeds the percentage limitation described in this section at the time of a determination by the director that the indebtedness of that group shall be combined under subdivision (a). However, it is a violation of this section if the credit union described in this subdivision does not do 1 of the following:

(i) Subject to subparagraph (ii), if required by the director, within a reasonable time dispose of a sufficient amount of the indebtedness of the group so that the amount of the remaining indebtedness is within the percentage limitation described in this subsection. As used in this subdivision, "reasonable time" means a period of time that the director determines is reasonable, and, if the credit union is making a reasonable effort to dispose of the excess indebtedness in a manner designed to avoid a loss of any portion of that excess indebtedness, is a period of at least 180 days.

(ii) If permitted by the director, if the credit union is well capitalized, establish a reserve in the amount that the group's indebtedness exceeds the percentage limitation described in this subsection rather than disposing of that excess amount under subparagraph (i).

(12) As additional security for a loan transaction with a borrower, a domestic credit union may permit a person that is not a member of the domestic credit union to act as an additional borrower, a cosigner, or a guarantor of the loan.

History: 2003, Act 215, Eff. June 1, 2004;—Am. 2004, Act 471, Imd. Eff. Dec. 28, 2004;—Am. 2016, Act 152, Eff. Sept. 7, 2016.

490.424 Property and casualty insurance as condition to mortgage loan.

Sec. 424. (1) Except as provided in subsection (2), a domestic credit union that requires a mortgagor to maintain property and casualty insurance as a condition to receiving a mortgage loan shall not require an amount of property and casualty insurance that is greater than the replacement cost of the mortgaged building or buildings.

(2) A domestic credit union may require an amount of property and casualty insurance that is required of the domestic credit union as a condition of a sale, transfer, or assignment of all or part of the mortgage to a third party. This subsection does not require that the domestic credit union anticipate a sale, transfer, or assignment at the time the mortgage loan is made.

History: 2003, Act 215, Eff. June 1, 2004.