

DEPARTMENT OF LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES
CREDIT UNIONS

(By authority conferred on the commissioner of the Office of Financial and Insurance Services by section 206 of 2003 PA 215, MCL 490.206; 1969 PA 306, MCL 24.201 to 24.328; and E.R.O. No. 2003-1)

R 490.1 Rescinded.

History: 1979 AC; 1981 AACS; 1987 AACS; 1995 AACS; 2005 AACS.

R 490.2 Rescinded.

History: 1987 AACS; 1995 AACS; 2005 AACS.

R 490.4 Rescinded.

History: 1995 AACS; 2005 AACS.

R 490.5 Rescinded.

History: 1979 AC; 1980 AACS; 1987 AACS; 1995 AACS; 2005 AACS.

R 490.6 Rescinded.

History: 1980 AACS; 1987 AACS; 1995 AACS; 2005 AACS.

R 490.9 Rescinded.

History: 1980 AACS; 1995 AACS.

R 490.10 Rescinded.

History: 1980 AACS; 1987 AACS; 1995 AACS; 2005 AACS.

R 490.11 Rescinded.

History: 1979 AC; 1980 AACS.

R 490.11a Rescinded.

History: 1987 AACS; 2005 AACS.

R 490.12 Rescinded.

History: 1987 AACS; 1995 AACS; 2005 AACS.

R 490.15 Rescinded.

History: 1979 AC; 1980 AACS.

R 490.15a Rescinded.

History: 1987 AACS; 1995 AACS; 2005 AACS.

R 490.16 Rescinded.

History: 1987 AACS; 1995 AACS; 2005 AACS.

R 490.17 Rescinded.

History: 1987 AACS; 1995 AACS; 2005 AACS.

R 490.21 Rescinded.

History: 1980 AACS; 1987 AACS.

R 490.22 Rescinded.

History: 1980 AACS; 1987 AACS.

R 490.23 Rescinded.

History: 1980 AACS; 1987 AACS.

R 490.24 Rescinded.

History: 1979 AC.

R 490.25 Rescinded.

History: 1979 AC; 1987 AACS.

R 490.31 Rescinded.

History: 1980 AACS; 1987 AACS.

R 490.41 Rescinded.

History: 1980 AACS; 1987 AACS; 2005 AACS.

R 490.51 Rescinded.

History: 1979 AC; 1995 AACS; 2005 AACS.

R 490.52 Rescinded.

History: 1979 AC; 1987 AACS; 1995 AACS; 2005 AACS.

R 490.81 Rescinded.

History: 1979 AC; 2005 AACS.

R 490.82 Rescinded.

History: 1979 AC; 1980 AACS; 2005 AACS.

R 490.94 Rescinded.

History: 1981 AACS; 1995 AACS; 2005 AACS.

R 490.95 Rescinded.

History: 1981 AACS; 2005 AACS.

R 490.96 Rescinded.

History: 1981 AACS; 2005 AACS.

R 490.97 Rescinded.

History: 1981 AACS; 2005 AACS.

R 490.98 Rescinded.

History: 1981 AACS; 2005 AACS.

R 490.99 Rescinded.

History: 1981 AACS; 1995 AACS; 2005 AACS.

R 490.101 Rescinded.

History: 1981 AACS; 1987 AACS.

R 490.102 Rescinded.

History: 1981 AACS; 1987 AACS.

R 490.103 Rescinded.

History: 1981 AACS; 1987 AACS.

R 490.104 Rescinded.

History: 1981 AACS; 1987 AACS.

R 490.105 Rescinded.

History: 1981 AACS; 1987 AACS.

R 490.111 Definitions.

Rule 1. (1) As used in these rules:

(a) "Act" means 2003 PA 215, MCL 490.101 to 490.601, and any amendments thereto.

(b) "Delinquent loan" means a loan on which the aggregate of payments made is less than the aggregate of principal and interest due under the terms of the loan.

(c) "Obligation" means a loan or a group of loans or an installment contract or a group of installment contracts on which the interest is computed on the basis of unpaid balances.

(d) "Months delinquent" means the number of whole months that have elapsed since a payment or partial payment has become due and remains unpaid. All payments or partial payments made shall apply successively to the first occurring payment that has become due and remains unpaid. The original terms of the promissory note or extension agreement, including loans in bankruptcy or judgment proceedings, are to be used for the purpose of calculating months delinquent.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 2005 AACS.

R 490.112 Corporate credit union; issuance of different classes of shares; priorities upon liquidation; investment in interest rate risk management instruments.

Rule 2. (1) A corporate credit union may issue different classes of shares that have different priorities upon liquidation, provided the commissioner approves before issue the characteristics of the subordinated shares. Shares subordinated to insured shares and the deposit insurer may be considered a form of capital.

(2) A corporate credit union may, with prior approval of the board of directors and consistent with safe and sound business practices, invest in interest rate risk management instruments for the sole purpose of managing interest rate risk.

History: 2005 AACS.

R 490.113 Credit committee or board of directors lending activity; recording requirements.

Rule 3. The credit committee shall maintain the minutes of all actions taken by the committee with regard to lending activity. If there is no credit committee, the board of directors shall maintain the minutes of all actions taken by the board with regard to lending

activity. The minutes shall contain, at a minimum, all of the following items of business dealing with lending activity:

(a) The names of the credit committee or board members in attendance while the credit committee or board is dealing with lending activity.

(b) Loans and lines of credit approved or rejected, including, at a minimum, all of the following information:

(i) The member's name and account number.

(ii) The amount of the proposed loan.

(iii) Whether the proposed loan is secured or unsecured.

(iv) The action taken on the proposed loan.

(c) A report of actions taken by each loan officer on loan requests since the last meeting of the credit committee or, if there is no credit committee, the board of directors.

(d) Extension agreements approved or denied.

(e) Releases of security.

History: 2005 AACS.

R 490.114 Accounting requirements for investments in mutual funds.

Rule 4. A credit union shall record each investment in shares or certificates of an open-end management investment company (mutual fund) at market value, determined at the end of each month.

History: 2005 AACS.

R 490.115 Overdrafts.

Rule 5. A credit union that issues a check or draft on a financial institution in excess of the balance of its demand deposit account in that institution then shown on the books of the credit union shall be considered to be operating in an unsafe and unsound manner unless all of the following conditions are satisfied:

(a) The excess is not more than the unused portion of the current line-of-credit agreements between the credit union and the institution.

(b) The line-of-credit agreement expressly provides that it will apply to cover overdrafts by the credit union.

(c) The board of directors of the credit union has approved the line-of-credit agreement.

History: 2005 AACS.

R 490.116 Delinquent loans.

Rule 6. (1) A credit union shall maintain a monthly delinquent loan report reflecting all loans that are at least 1 month delinquent. The report shall contain, at a minimum, all of the following information with respect to the borrower:

(a) Name.

(b) Account number.

- (c) Loan balance.
 - (d) Number of months delinquent.
 - (e) Any other information determined necessary by the board of directors to determine the condition of the loan.
- (2) The application of proceeds from a liquidation of collateral to a delinquent loan by a credit union shall reduce the balance due, but not the months delinquent, of that loan.

History: 2005 AACS.

R 490.117 Minimum required allowance for loan and lease loss.

Rule 7. (1) A credit union shall maintain an allowance for loan and lease loss account at an amount at least equal to the credit union's reasonably foreseeable loan and lease losses, which shall be calculated pursuant to all of the following provisions:

(a) Management shall make a realistic appraisal of the collectability of delinquent loans and leases, known bankruptcies, judgment accounts, and other loans and leases for which collectability is questionable. The resulting estimated loss represents the appraisal component of the allowance for loan and lease loss account. The total dollar amount of these loans and leases is subtracted from the total loan and lease amount before calculation of the experience component of the allowance for loan and lease loss account.

(b) The experience component is calculated as follows: The average of net loan and lease losses for the previous 5 years shall be calculated. This "experience" ratio shall be applied to the estimated total loan and lease balance to calculate the estimated loss in the remaining loan and lease portfolio. The average net loan and lease loss ratio shall be updated at each year end.

(c) The amount calculated that is based on the experience component shall be added to the estimated loss calculated that is based on the appraisal component to calculate the minimum amount the credit union shall maintain in the allowance for loan and lease loss account.

(2) Any deviation in the allowance for loan and lease loss calculated under subrule (1) of this rule shall be in compliance with generally accepted accounting principles and supported in writing by the certified public accountant or other professionally qualified individual who performed the most recent audit of the credit union.

(3) The credit union shall maintain documentation to support the balance in the allowance for loan and lease loss account as determined in subrules (1) or (2) of this rule. The credit union shall evaluate the adequacy of the allowance for loan and lease loss account at least quarterly.

(4) No loan may be charged to the allowance for loan and lease loss account without approval by the board of directors. The board minutes shall record the name, account number, and amount of each loan charged to the allowance for loan and lease loss account pursuant to section 386(2) of the act, MCL 490.386(2).

History: 2005 AACS.

R 490.118 Access to records.

Rule 8. A credit union may not purchase or receive recordkeeping services from an outside party unless both the credit union and the outside party, including any subcontractor, furnish

the commissioner with an assurance in writing that the performance of these services will be subject to examination and regulation to the same extent as if the services were performed by the credit union on its own premises.

History: 2005 AACS.