



Michigan Bankers Association

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**To:** Michigan Senate Banking and Financial Services Committee Members

**From:** John Llewellyn, Vice President Government Relations  
David Worthams, Policy Director  
Patricia Herndon, Advocacy Director

**Date:** February 16, 2016

**Re:** Support SB 748 - 752

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As you most likely are aware, the Michigan Credit Unions League (MCUL) is seeking a number of changes to the Credit Union Act (PA 215 of 2003); the authorizing act for Michigan-chartered credit unions. There are a number of items in that legislation that would be good to include in the Michigan Banking Code of 1999.

**ITEMS THAT ARE POSITIVES FOR BOTH CREDIT UNIONS AND BANKS:**

Our Industry faces many of the same issues that you will hear about from the MCUL. Issues of extensive oversight, maintaining adequate capital, providing strong customer service, and protecting Michigan consumers are just a few of the issues that we work together to address. While many of these issues lie within the federal realm, there are some that can be addressed through amendments to both the Michigan Credit Union Act of 2003 and the Michigan Banking Code of 1999, including:

1. Updating all references to the Office of Financial and Insurance Services (OFIS) services to the Department of Insurance and Financial Services (DIFS);
2. Creation of a segregated fund for the fees charged to banks charged for regular examination;
3. Allow institutions an opportunity to divest themselves of an investment that was once permitted but has become impermissible under the standards of safety and soundness;
4. Allowing an institution to close a branch in an emergency situation without requiring notice to DIFS prior to the closing (both credit union and bank branches should be treated the same under Michigan statute);
5. Requiring state regulators examine institutions in a consistent manner, and not just on the "best practices" of the day. In fact, prohibiting the ability of the director to sign off on any examination report that includes evaluation on "best practices" is the ideal for both credit unions and banks;
6. Use of the loan promotion raffle in addition to the savings promotion raffle.

The aforementioned items do indeed bring positive powers to both types of financial institutions. We respectfully request that you treat us the same as our credit union brethren.

**SPECIFIC BILLS SUPPORTED BY MICHIGAN BANKERS ASSOCIATION**

Chairman Booher, in anticipation of the need for legislation to make sure both banks and credit unions have an even playing field in terms of the powers each type of institution has available to them, has led the push for a series of bills that would amend the Michigan Banking Code to incorporate these common sense changes. The bills before you today will do the following:

1. SB 748(Booher) – Amends sections 2202 and 2203 of the Banking Code to create the State Banking Regulatory Fund. The bill also prohibits DIFS from taking action against a bank for not following best practices at the time of an examination. The bill also requires DIFS to issue clear examination guidance that will help promote consistency from bank exam to bank exam.
2. SB 749(Zorn) – Amends section 1201 of the Banking Code to update the definition of “Commission” and “Director” to mean the Director of DIFS.
3. SB 750(Nofs) – Amends section 4301 of the Banking Code to provide if a bank invests funds in an instrument that was allowed at the time of the investment, but then is later found to be impermissible due to a change in the law (or other circumstances) the Department may require a bank to develop a reasonable plan to divest itself from the investment.
4. SB 751(O’Brien) – Amends Section 4111 of the Banking Code to allow a bank (if authorized by its board of directors) to conduct a loan promotion raffle. A “loan promotion raffle” is a raffle conducted by a bank where the sole consideration required for a chance of winning designated prizes is the closing on a loan with the bank of at least a specified amount.
5. SB 752(MacGregor) – Is a companion bill that amends Sections 315a and 376a of the Michigan Penal Code to allow a bank to conduct a loan promotion raffle.

We urge your support for these bills and stand ready to address any questions that you may have.