

DIVISION OF FINANCIAL INSTITUTIONS

MICHIGAN STATE-CHARTERED COMMUNITY CREDIT UNION GUIDELINES

Section 5 of the Michigan Credit Union Act states, A Credit union organization shall be limited to groups, of both large and small membership, having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district and one or more credit unions may be organized to serve such groups.

The community credit union is further defined as A community credit union may be organized whose field of membership is composed of individuals who have a common bond based on relatively close geographical proximity to one another, personal acquaintance among the residents, and the existence of a community of interests, activities, and objectives.

Every application for a community credit union charter will be considered on its own merits. Each of the qualifications set forth in the Act must be satisfied. The following guidelines, developed through analysis of the statutes and the histories of community credit unions set forth minimum requirements which must be satisfactorily answered by applicants prior to obtaining approval for a community charter.

Before any community charter is granted, the Division of Financial Institutions (DFI) must have satisfactory evidence that qualified people are available and willing to operate a successful credit union.

GEOGRAPHICAL PROXIMITY

Since community credit unions do not attract as high a percentage of their potential members as occupational credit unions, minimum potentials higher than for occupational charters is desirable. However, too large an area limits the opportunities for contact among the residents.

Where a compact, high-density population exists in an area, a charter should generally be limited to the corporate limits of a town or township. In areas with a relatively low population density, charters could be considered which cover areas as large as a number of townships or counties. The area involved must have a definite relationship to the other common bond factors and be clearly defined with accurate descriptions of boundaries.

PERSONAL ACQUAINTANCE AMONG THE RESIDENTS

The existence of, and the level of participation by residents in churches, service clubs, fraternal organizations, civic and other activities serve to evidence acquaintance among the residents of a community. The responsibility of providing satisfactory evidence of personal acquaintance is that of the charter applicant.

COMMUNITY OF INTERESTS, ACTIVITIES AND OBJECTIVES

Residents of communities having common local or centralized governmental units, i.e., city, township, school districts, are likely to have common interests and objectives. Residents that are attracted to and concentrate their purchasing and business activities in a common shopping and business area are more likely to have a community of interest. The existence of community civic organizations and planned activities, i.e., festivals, parades, etc. might be evidence of a community of interests, activities and objectives. The common bond relationship of persons employed at the same factory has always been recognized. Therefore, persons working but not residing in the community will be included in the field of membership. Industries in the community should evidence their support of the credit union by expressing their willingness to offer payroll deduction services. However, if interest and input is only evidenced by employer groups, a charter based on place of employment or an industrial park concept should be considered. Personal acquaintance among the residents, and a community of interests, activities, and objectives are factors which are often mutually interdependent. Personal acquaintance among residents will generally indicate a community of interests, activities and objectives, and vice versa.

CONVERSION OF AN EXISTING CU TO A COMMUNITY CU

Generally, the same criteria that apply to new charters will be applicable to conversion of an existing credit union to a community charter. Additionally, the factors discussed below will be considered.

In the best interests of present and potential credit union members, a charter expansion will not be considered for any existing credit union that evidences less than a satisfactory operation.

Loss of a sponsor's approval and/or payroll deduction can have a serious detrimental effect

on the best of credit unions. Therefore, applicants requesting expansion of a charter must supply written documentation from their present sponsor indicating the sponsor's position on the conversion to a community credit union and whether they are willing to continue payroll deduction services.

Applicants for conversion should be aware that a group representing the community credit union's original field of membership may apply for a charter to serve that field of membership.

COMMUNITY NEED

Section 1(c) of the Michigan Credit Union Act states the commissioner shall determine whether or not the organization of the proposed credit union would benefit its members. To satisfy this requirement the applicants must demonstrate that there is a community need for the proposed credit union. Factors considered when determining need are the number of credit unions satisfactorily serving the community and the extent to which the community is without credit union service.

EXCLUSION CLAUSES

The requirement that the applicants of a community credit union establish that a significant portion of the community is without satisfactory credit union service will preclude the need for any type of exclusion clause in the proposed field of membership.

NOTICE REQUIREMENT

It shall be the duty of the applicants of a proposed community credit union to notify, in writing, each credit union within the geographical boundaries of the proposed field of membership.

The notice must include the exact wording of the proposed field of membership. The notice must contain a statement that the credit union will have 30 days from the date of the notice to provide the Commissioner with written comments of any opposing viewpoints. The comments received will be used by the Commissioner in the determination of the community need for the credit union.

FINAL POLICY ADOPTED 4/28/81