

Application for Permission to Organize a State-Chartered Credit Union

The formation of a Michigan-chartered, de novo credit union is subject to the requirements of Article 3, Part 1 of the Michigan Credit Union Act, PA 2015 of 2003, as amended.

Prior to filing an application with the Department of Insurance and Financial Services (DIFS), it is strongly recommended that the organizers of the proposed credit union meet with DIFS personnel to discuss the field of membership and operational concepts of the proposed credit union. A draft of the application package including a business plan should be completed prior to the meeting.

Credit union membership is limited to persons who are members of a group(s), (a) of any size that have common bond of occupation, association, or religious affiliation; or (b) whose common bond is residence, employment, or place of religious worship within a geographic area; or (c) whose common bond is common interests, activities, or objectives.

Initially a new credit union should have at least 500 primary members in order to assure a reasonable chance of success and to be of service to members. Smaller groups may be able to obtain credit union service by aligning with an existing credit union. Capable persons must be available to volunteer their time to serve as chairperson, vice-chairperson, treasurer, directors and committee members, as applicable.

All members of the credit union have an **equal** share of the institution. Any excess capital over the par share value that may be contributed by persons or organizations is "donated capital," and those persons or organizations would receive no additional return or ownership from it.

The amount of net worth will determine the size of loans that can be made. The aggregate lending limit for a borrower of a credit union is 25% of its net worth, which is the credit union's undivided earnings and reserves. Therefore, it can be difficult for a startup credit union to make certain consumer loans or home mortgages. As a credit union grows, larger and more complex loan types may become more practical.

Michigan state-chartered credit unions are also required to have share (deposit) insurance from the National Credit Union Administration and must therefore meet the NCUA's requirements as well.

The following trade association may be of assistance to you:

Michigan Credit Union League
P.O. Box 8054
Plymouth, Michigan 48170-8054
Telephone 800-262-6285

The information contained on Pages 1 through 6 of this form is available for public inspection, examination, or copying pursuant to the provisions of the Freedom of Information Act, PA 442 of 1976, MCL 15.231 *et seq.*, and Section 205 of the Michigan Credit Union Act of 2003; MCL 490.205.

All supporting documentation provided is utilized to evaluate the safety and soundness of the request and protected under the provisions of Section 207 of the Michigan Credit Union Act of 2003; MCL 490.207 and therefore considered confidential and privileged and not subject to discovery or any request under the Freedom of Information Act, PA 442 of 1976, MCL 15.231 *et seq.*

1. It is the responsibility of the organizers to ensure that the statutory requirements in connection with this application are satisfied.
2. The application information must be typed and submitted on the attached forms. The application must also include a copy of the application for federal insurance of accounts filed with the NCUA. A copy of the application form for share insurance may be found at: [NCUA 9600 form](#).
3. The application must be filed with original signatures where applicable. **The filing of an application does not authorize the organizers to begin operation of a credit union.** An application may be formally withdrawn by written request of the Applicant, or it must be allowed to proceed to a decision.
4. The Department of Insurance and Financial Services (DIFS) will not accept an incomplete application. Complete responses to all applicable questions will expedite processing of the application.
5. DIFS may contact any or all organizers, individually or collectively, for information regarding this application. Each proposed organizer, director, and principal officer (chairperson, vice-chairperson, treasurer/general manager) must return to DIFS the Background Information Form (FIS 2348) with an original signature.
6. All information provided to DIFS as a result of the application will be made a part of the application file, except that information which warrants other treatment as determined by DIFS.
7. If additional space is necessary to fully answer any question, extra pages may be attached to this application.
8. Amendments to the application must be submitted in writing. Each amendment must clearly note the specific section, page, and item which is to be amended. Substantive amendments will be acknowledged in writing by DIFS.
9. Any questions pertaining to the completion of this application should be directed to Corporate Activities and Risk Assessment at 517-284-8822.
10. A completed application should be mailed to:

**DIFS OFFICE OF CREDIT UNIONS
ATTENTION: CORPORATE ACTIVITIES AND RISK ASSESSMENT
P.O. BOX 30220
LANSING, MI 48909-7720**

Application for Permission to Organize a Domestic Credit Union

Proposed Credit Union Name		Date of Application
Proposed Credit Union Street Address and Mailing Address		City, Village or Township
County	State MICHIGAN	Zip Code

Representative responsible for responding to questions relating to this application.

Name	Title	Telephone Number
Address	City, Village or Township and State	Zip Code

"Credit Union" means a domestic or foreign credit union [Sec. 490.102(j)]; "Domestic Credit Union" means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition [Sec. 490.102(p)]; "Foreign Credit Union" means a credit union organized under the laws of another state or territory of the United States or a federal credit union [Sec. 490.102(v)].

Excerpts from the Michigan Credit Union Act:

- "Seven individuals, a majority of whom are residents of this state and all of whom are within the proposed field of membership of the domestic credit union, may file an application to organize a domestic credit union under this act. This subsection does not apply to the organization of a corporate credit union." Section 301(1)
- "The decision to approve or disapprove of the organization of a domestic credit union under subsection (2) is discretionary with the commissioner." Section 301(3)
- "The commissioner shall notify the applicants of his or her decision. If the director approves, he or she shall issue a certificate of organization and approved bylaws of the domestic credit union." Section 301(3)
- "The commissioner shall prescribe the form of the certificate of organization and the bylaws and shall furnish them upon request to a domestic credit union or a person who is considering organization of a domestic credit union." Section 301(6)
- "An amendment to the certificate of organization or bylaws is not effective unless it is submitted to the director for review and approved by the director." Section 303
- "The capital of a credit union consists of the payments that have been made to it by the members for shares." Section 361(1)

Proposed Organizers Certification

We, the undersigned proposed organizers, being residents of the state of Michigan and of lawful age, desire to organize a credit union. We hereby make application to the Director of the Department of Insurance and Financial Services for permission to organize a credit union under the provisions of state law. Each of us certifies the statements contained herein are true to his/her best knowledge and belief for the purpose of organizing a Michigan state-chartered credit union. By subscribing our names below, we further certify that we have a general understanding of the purposes and objectives of a credit union, including encouraging thrift among its members, and creating a source of credit.

Signature	Address	(Par \$ _____) Number of Shares Subscribed
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IMPORTANT: Provide the signatures of at least seven (7) persons of legal age, the majority of whom must be residents of the state of Michigan and all of whom be within the proposed field of membership of the domestic credit union and all of whom must subscribe to at least one (1) credit union share.

General Information

Common Bond

Membership in the proposed credit union must consist of one or more of the following:

- (a) of any size that have common bond of occupation, association, or religious affiliation; or
- (b) whose common bond is residence, employment, or place of religious worship within a geographic area; or
- (c) whose common bond is common interests, activities, or objectives.

Describe the specific nature of the common bond(s), the group(s) to be served and the geographic area(s) to be served, as appropriate.

Potential Membership

The number of persons estimated to be the potential membership is _____

The number of persons expected to join the credit union at organization is _____

The estimated member share subscriptions total is \$ _____

The par value of the shares of the proposed credit union shall be \$ _____
(Shall not exceed \$100.00)

Will an entrance fee be charged on joining the credit union? ☐ Yes ☐ No

If yes, state the amount of the entrance fee. \$ _____

If a business affiliation is proposed, will retirees be eligible for membership? ☐ Yes ☐ No

Will immediate family members be eligible for membership? ☐ Yes ☐ No

Will employees of the credit union be eligible for membership? ☐ Yes ☐ No

Will members who leave the field of membership be allowed to maintain membership? ☐ Yes ☐ No

Indicate the month(s) of the year in which the annual meeting will be held. State one month, or any two consecutive months: _____ , _____

Indicate the **minimum** voting age for members: _____

(The voting age is optional; however, it cannot exceed the age of majority. The response can be "None.")

Economic and Demographic Data

(For Geographic Charter Applications Only)

Define the geographical area which the proposed credit union will serve.
--

Population of the Service Area

Census Figure/Year	Current Estimate	Projected Population/Year
Source		

Additional Information

Include the current trend of commercial, industrial and residential development. Maps, charts, photographs and other relevant visual aids may be included

Benefit to Membership

In narrative form, state reasons for the Director of the Department of Insurance and Financial Services to find the organization of the proposed credit union to be consistent with the purposes of the Michigan Credit Union Act, PA 215 of 2003, as amended, (MCL 490.301 *et seq.*), and state the benefits to membership which will result from organizing the proposed credit union. Comments should include a discussion of potential for membership growth and how determined; income characteristics of the field of membership; market area competition, including competition from non-depository institutions; and services to be provided.

The following information will be utilized to evaluate the safety and soundness of the request and is provided subject to Section 207 of the Michigan Credit Union Act of 2003; MCL 490.207. The information provided under this Section will be kept confidential and privileged and is not subject to discovery or any request under the freedom of information act, 1976 PA 442, MCL 15.231 *et seq.*

Management Systems

Describe the plans for the collecting of funds for share and loan payments, the type of books and records to be developed and maintained, the surety bond, and any special or out-of-the-ordinary program for publicizing or expanding the services of the credit union.

Describe the arrangements to be made for the bookkeeping and accounting functions of the proposed credit union.

Describe the arrangements to be made for data processing, if applicable.

Sponsor/Business Affiliation

State the complete name of the sponsor and describe the business or activity of the sponsor, if applicable.

If the credit union name refers to the sponsor name, has this reference been ☐ Yes ☐ No discussed with and approved by the sponsor?

Important: If authorization for use of the sponsor name has been obtained, include evidence of the authorization on sponsor letterhead, signed by an authorized sponsor official.

Indicate any assistance promised or offered by the sponsor.

- ☐ Payroll Deduction
- ☐ Office Space
- ☐ Clerical Assistance
- ☐ Other (Describe)

Did any person, other than an organizer, advise or assist in the preparation of this application? If yes, state the name of the person and describe the assistance provided.	☐ Yes	☐ No
---	------------------------------	-----------------------------

Prospects for Successful Operation

Business Potential: Share, Deposit, and Loan Projections

<u>Operating Year*</u>	<u>Net Share/Deposit Growth</u>	<u>Share/Deposit Total</u>	<u>Net Loan Growth</u>	<u>Loan Total</u>
First Year				
Second Year				
Third Year				

*An operating year is twelve (12) consecutive months of operation.

In narrative form, discuss the prospects for successful operation of the credit union. The discussion should include the assumptions made and the methods used in arriving at the deposit and share projections, loan projections, and income and expense projections. The projections should be related to, and consistent with, the products and services to be provided to the membership. Supplemental pages may be inserted following this page for explanation of the projections and expectations.

Pro Forma Balance Sheet

ASSETS	First Year	Second Year	Third Year
LOANS			
Unsecured Loans to Members			
Real Estate Loans to Members			
Secured Consumer Loans to Members			
All Other Loans			
TOTAL LOANS			
Less: Allowance for Loans Losses			
NET LOANS			
INVESTMENTS			
U.S. Government & Agency Securities			
Corporate Credit Union			
Other Credit Unions			
Commercial & Savings Banks			
Other Investments			
TOTAL INVESTMENTS			
OTHER ASSETS			
NCUSIF			
Net Fixed Assets (Property & Equipment)			
Miscellaneous Assets			
TOTAL ASSETS			
LIABILITIES AND EQUITY			
LIABILITIES			
Notes Payable			
Accrued Dividends / Interest Payable			
Other Liabilities			
TOTAL LIABILITIES			
SHARES AND DEPOSITS			
Share Drafts			
Regular Shares			
IRA / Keogh Retirement Accounts			
Share Certificates			
Other Shares / Deposits			
TOTAL SHARES AND DEPOSITS			
EQUITY			
Regular Reserves			
Special Reserves			
Other Reserves/Equity			
Undivided Earnings			
TOTAL EQUITY			
TOTAL LIABILITIES AND EQUITY			

Pro Forma Statement of Income and Expense

	First Year	Second Year	Third Year
INTEREST INCOME			
Loans			
Less: Interest Refunded (if any)			
Investments			
Other Income			
TOTAL INTEREST INCOME			
INTEREST / DIVIDEND EXPENSE			
Dividends on Shares			
Interest on Deposits			
Interest on Borrowed Funds			
TOTAL INT / DIV EXPENSE			
NET INTEREST INCOME			
OPERATING EXPENSES			
Employee Compensation and Benefits			
Office Occupancy Expense			
Office Operations Expense			
Professional & Outside Services			
Examination & Supervision Fees			
Provision for Loan Losses			
Other Operating Expenses			
TOTAL OPERATING EXPENSES			
NET OPERATING INCOME			
NON-OPERATING GAINS OR (LOSSES)			
Investments			
Disposition of Fixed Assets			
STATUTORY RESERVE TRANSFER			
NET INCOME AFTER TRANSFER			
OTHER ADDITIONS OR DEDUCTIONS			
Gain or Loss to Undivided Earnings			
Undivided Earnings Carried Forward			
UNDIVIDED EARNINGS AT YEAR-END			

Proposed Principal Office

A. Will the proposed principal office be leased? ☐ Yes ☐ No

Terms of the Proposed Lease	
Termination Clause? ☐ Yes ☐ No Renewal Option? ☐ Yes ☐ No	Annual Rent \$ _____

Anticipated Cost of Leasehold Improvements..... \$ _____

Portion of Leasehold Improvements to be Capitalized..... \$ _____

Purchase Price if Optioned \$ _____

Option may be exercised under the following conditions	
Name of Lessor	Address

Were any fixed assets purchased from an organizer or a party affiliated with an organizer? ☐ Yes ☐ No

If yes, attach evidence of the reasonableness of the cost of the asset, a copy of an independent appraisal, and/or other supporting evidence.

Is an organizer or a party affiliated with an organizer a principal in a lease or contract involving the proposed asset transaction? ☐ Yes ☐ No

If yes, explain the involvement. Furnish documentation to support the fair market value and the arms-length nature of the transaction. Attach a copy of the proposed lease or contract.

B. Will the proposed principal office facilities be obtained by other means? ☐ Yes ☐ No
If yes, explain the other means.

OPENING

The proposed credit union could be opened in temporary quarters on or before: _____

Statutory Criteria: New Credit Unions

(Source: The Michigan Credit Union Act, P.A. 215 of 2003, as amended)

SECTION #	DESCRIPTION
301	(1) Minimum seven (7) individuals may file an application • a majority of whom are residents of Michigan • all of whom are within the proposed field of membership
301(2)	Application to include: (a)(i) Name and all proposed assumed names of the credit union. (a)(ii) The location of the principal place of business and any initial branches. (a)(iii) Names and address of the applicants and the number of shares subscribed by each. (a)(iv) Par value of the shares (a)(v) Proposed field of membership (a)(vi) Any other information required by the commissioner (b) There may be a fee established by the commissioner
301(2)(c)	Consideration/Approval (i) Application will be examined and any investigation the commissioner considers necessary; (ii) Commissioner makes determination whether the proposed credit union will benefit its members; (iii) Determine if there is a firm commitment for deposit insurance; (iv) Determine if proposed credit union is consistent with the Purposes of the Michigan Credit Union Act; (v) Approve or disapprove the proposed field of membership.
301(3)	Approval is discretionary with the Director.
301(3)	Certificate of Organization and Bylaws issued upon approval.
301(3)	Certificate of Approval (authorizing the commencement of business) issued upon receipt of organizers' signed Certificate of Organization and adoption of Bylaws by organizers.
301(4)	Corporate existence (Upon issuance of the Certificate of Approval)
301(3)	Denial of Application • Applicant may request a hearing to reconsider (w/in 30 days after the decision is mailed); • Hearing with the commissioner scheduled (date shall be set within 10 days after receipt of request); • Hearing will be held within 60 days of receipt of request; • If still unapproved, the applicant may file an Appeal to Circuit Court (within 30 days after mailing of hearing decision). • Applicants shall pay the cost of preparation of the stenographer's record of the hearing to reconsider

Initial Primary References

(Source: The Michigan Credit Union Act, P.A. 215 of 2003, as amended)

SECTION #	DESCRIPTION
341	Organizational meeting, official qualifications
342	First meeting elections and board responsibilities
361, 362, 386	Capital
381	Confidentiality
382	Fiscal Year (Shall use calendar year)
383-384	Duties of officials
387	Requirement of Federal Deposit Insurance
401	Domestic Credit Union Powers
408	Information Processing Services

- All Sections of the Michigan Credit Union Act will be immediately applicable upon the commencement of business.
- All Michigan Credit Union Letters and Bulletins may also be immediately applicable.
- Refer also to the NCUA's Rules and Regulations applicable to FISCUs (particularly Part 741 "Requirements for Insurance" and Part 702 "Prompt Corrective Action").
- The Credit Union board and management are responsible for ensuring compliance with all other federal and state regulations applicable to the credit union's activities and operations.

Michigan Credit Union Act ([Table of Contents](#))

Michigan Credit Union [Bulletins](#)

Michigan Credit Union [Letters](#)

[Board of Directors Guide](#)

[NCUA Rules and Regulations](#) (some provisions applicable to state-charters: begin with Part 702, Part 713 and Part 741)