



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
OFFICE OF CREDIT UNIONS
DENICE SCHULTHEISS
DIRECTOR

ANITA G. FOX
DIRECTOR

DATE: August 20, 2021

LETTER NO.: 2021-CU-01

TO: The Board of Directors and Management of Michigan State-Chartered Credit Unions

SUBJECT: 2020 Calendar Year Activities of the Office of Credit Unions

The Office of Credit Unions (OCU) regulates and supervises state-chartered credit unions under the authority of the following statutes:

- Michigan Credit Union Act (2003 PA 215), as amended eff. Sept. 7, 2016
- Credit Union Multiple-Party Account Act (1968 PA 41)
- Beneficiary Accounts Act Credit Union Regulation (1992 PA 31)
- Electronic Funds Transfer Act (1978 PA 322)

OCU ensures Michigan's state-chartered credit unions are operating safely and soundly, public confidence in the system is maintained, and the interests of depositors, creditors, and shareholders are protected.

OCU staff is comprised of 47 full-time employees. The Examination section consists of 41 full-time employees including 40 examiners and one Assistant Director whose primary function is to examine the condition of Michigan state-chartered credit unions. The Corporate Activities and Risk Assessment section includes four staff members responsible for credit union corporate activities and aggregate industry risk assessment functions. Administratively, the office includes one additional support employee and the Director.

OCU provides extensive staff training and professional development opportunities. During 2020, staff members attended training sponsored by the National Credit Union Administration (NCUA), the National Association of State Credit Union Supervisors (NASCUS), Federal Financial Institutions Examination Council (FFIEC), ISACA, and other professional organizations. Besides two meetings held virtually with the Director's Credit Union Advisory Council, OCU also conducted its tenth annual Industry Day in a virtual forum for regulated credit unions. The Industry Day session included almost all OCU staff members and interested industry participants to jointly discuss issues relevant to the industry including national issues, financial literacy, and succession planning.

The Michigan Credit Union Act requires Michigan credit unions to be federally insured. OCU works with the NCUA, which administers the National Credit Union Share Insurance Fund (NCUSIF), to manage NCUSIF risk. NCUA places substantial reliance on the office's examination and

supervisory activities, and meets with OCU management as necessary to discuss emerging issues, institutions requiring more than normal supervision, and other matters of mutual interest.

ACTIVITY SUMMARY

Examination and Supervision

The office uses a “risk-based” examination process, focusing on material areas of risk unique to each credit union. Credit unions are monitored between examinations using financial reports and other information filed by each institution.

All examination fieldwork and meetings after the first quarter of 2020 were performed from a remote posture. During 2020, staff completed 139 safety and soundness reports on state-chartered credit unions. Reports included 121 examinations, and 18 follow-up contacts at credit unions requiring additional supervision. Additionally, a safety and soundness examination was performed for one federally chartered credit union applying to convert to the Michigan charter (which has been consummated) and two appeals were processed. There were 33 Information Technology related examinations performed, which are now conducted as part of safety and soundness examination procedures and included with the regular examination report.

Corporate Activities

In 2020, three previously accepted applications for federal credit unions to convert to a state charter were completed, and five previously accepted merger applications were completed (three state and two federal, all with and into state chartered credit unions).

Additionally in 2020, OCU accepted two new applications for federal credit unions merging into state chartered credit unions, and one application between two state chartered credit unions, all of which have been completed. Seven field of membership expansion applications were accepted and twelve were finalized in 2020. Miscellaneous corporate applications for bylaw changes, certificate of organization amendments, etc. completed during the year totaled fifty-three.

Issuances

The following pronouncements were issued in 2020.

- [Letter 2020-CU-01](#) Memo regarding Financial Services to the Marijuana Industry
- [Letter 2020-CU-02](#) Supervisory Committee Requirements and Guidance
- [Letter 2020-CU-03](#) 2019 Calendar Year Activities of the Office of Credit Unions
- [Letter 2020-CU-04](#) Disaster Recovery and Continuity of Operations Preparedness
- [Letter 2020-CU-05](#) Credit Union Information & Safety/Soundness Considerations
- Bulletin 2020-25-BT/CU Protection of Stimulus Funds (Rescinded 07/26/21)
- Bulletin 2020-38-INS/BT/CF/CU Compliance with MDHHS... (Superseded)
- Bulletin 2020-41 INS/BT/CF/CU Compliance with MDHHS... (Rescinded 07/26/21)
- Bulletin 2020-42-BT/CF/CU MDHHS Emergency Order... (Rescinded 07/26/21)

In supplement to these issuances, many advisories and resources were supplied to the industry throughout 2020 through emails to executives and other public announcements.

In 2020, OCU was subjected to the 5-year comprehensive reaccreditation review by the NASCUS Accreditation Review Team and were successfully awarded renewal of its accredited status. Michigan was the first state accredited under the program in 1989, and has maintained accredited status each year since.

INDUSTRY TRENDS

Overall, Michigan's state-chartered credit unions remained in sound financial and operational condition during 2020. In 2020, the number of Michigan state-chartered credit unions decreased by two, and total assets increased \$13.7 billion or 25% to \$68.4 billion. While some of this increase in assets can be attributed to the incorporation of assets from federally chartered institutions which converted or merged into state-chartered institutions, the increase in assets was also amplified by economic factors related to the extraordinary environmental conditions of 2020, and federal lending programs instituted in the latter half of 2020.

The number of Michigan state-chartered credit unions remained relatively level in 2020 as mergers of state chartered institutions were minimal, and partially offset by federal credit unions converting to the Michigan state charter. Merger activity is forecasted to be considerably higher in 2021, while conversions of federal credit unions into the state-chartered system are expected to continue.

Industry Associations

Executives within the Office of Credit Unions remain strong advocates for credit unions and the state credit union industry through active involvement at the state and national levels. Director Schultheiss actively served on NASCUS' Legislative Regulatory Affairs Committee, NASCUS' Accreditation Review Team, and NASCUS' Audit Review Committee throughout 2020. Assistant Director O'Brien continues to be involved as an Educational Committee member with NASCUS, working to enhance educational opportunities for examiners and the credit union industry, and also serves on NASCUS' Accreditation Review Team. CORA Manager Stevenson serves on NASCUS' Legislative & Regulatory Affairs Committee.

OCU senior staff members were featured speakers on various topics for meetings of the Michigan Credit Union League, at multiple industry events, and as active participants in several national committees and events. Additionally, in 2020 various examination staff obtained new designations as Certified Fraud Examiners, Certified Anti-Money Laundering Specialists, Bank Secrecy Act Certification, Certified State Credit Union Examiners, Certified State Credit Union Examination Supervisors, et al. Memberships within various ISACA chapters and with CISA (Cybersecurity & Infrastructure Security Agency) were also maintained by various senior examination staff members.

OCU interacts with organizations representing regulators and industry participants including the Michigan Credit Union League, National Association of State Credit Union Supervisors, Federal Financial Institutions Examination Council, National Credit Union Administration, Consumer Financial Protection Bureau, Credit Union National Association, and several other state and federal regulatory agencies and associations.

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The Michigan Office of Credit Unions remains committed to serving and protecting Michigan residents and ensuring the soundness of Michigan's credit union industry.

Sincerely,

A handwritten signature in blue ink, appearing to read "Denice Schultheiss". The signature is fluid and cursive, with the first name "Denice" written in a larger, more prominent script than the last name "Schultheiss".

Denice Schultheiss, Director
Office of Credit Unions