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GOVERNOR

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

ANITA G. FOX
DIRECTOR

DATE: February 11, 2022

LETTER NO.: 2022-CU-01

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

SUBJECT: 2021 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 in 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 2021, 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), Information Systems Audit and Control Association (ISACA), and other professional organizations. In addition to three meetings held virtually with the Director's Credit Union Advisory Council, OCU also conducted its eleventh annual Industry Day for regulated credit unions. Industry Day included almost all OCU staff members and interested industry participants to jointly discuss issues relevant to the industry including national issues, compliance, fraud risk, and other current issues. During 2021, OCU also held a Succession Planning event for executives and directors, and the annual Director's College covering a variety of relevant issues. OCU continues to offer educational opportunities

for industry representatives, opportunities to collaborate in joint learning with the industry, and events where OCU can engage in open dialogue with the industry on topics of mutual interest.

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 until the last quarter of 2021 were performed from a remote posture, a very small amount of on-site examination fieldwork occurred late in the year. During 2021, staff completed 131 safety and soundness reports on state-chartered credit unions. Reports included 111 examinations, and 20 follow-up contacts at credit unions requiring additional supervision. There were 40 Information Technology related examinations performed with URSIT ratings issued, which are now conducted as part of safety and soundness examination procedures and included with the regular examination report.

Corporate Activities

In 2021, three federal credit unions merged into Michigan state-chartered credit unions, there were two mergers between Michigan state-chartered credit unions, and one Michigan state-chartered credit union purchase of bank assets.

Additionally, in process at the end of 2021 were two voluntary credit union dissolutions, one merger into a federal credit union, two mergers between state credit unions, one application for a federal credit union to merge into a Michigan state-chartered credit union, one application for a Michigan state-chartered credit union to purchase the assets and assume liabilities of a bank, and one conversion of a federal credit union into a Michigan state-chartered institution.

Ten field of membership expansion applications were accepted and seven were finalized in 2021. Miscellaneous corporate applications for bylaw changes, certificate of organization amendments, etc. completed during the year totaled fifty-four.

In 2021, OCU successfully completed their annual reaccreditation review; Michigan was the first state accredited under the program in 1989 and has maintained accredited status each year since. Michigan's Director Schultheiss also remains very active participating in the reaccreditation process nationwide.

Issuances

The following pronouncements were issued in 2021.

- [Letter 2021-CU-01](#) 2020 Calendar Year Activities of the Office of Credit Unions
- [Letter 2021-CU-02](#) Office of Credit unions Contact Information Changes

- [Bulletin 2021-13-BT/CU](#) Protection of Direct Payments
- [Bulletin 2021-21-CU](#) Credit Union Membership Eligibility for Legal Entities
- [Bulletin 2021-29-BT/CU](#) Protection of Monthly Child Tax Credit Payments
- [Bulletin 2021-40-CU](#) CUSO Investment Compliance and Safety/Soundness Considerations

In supplement to these issuances, eight internal policies were updated, 7 previous Bulletins refreshed for technical updates, in addition to many advisories and resources supplied to the industry throughout 2021 within emails to executives and other public announcements.

INDUSTRY TRENDS

Overall, Michigan's state-chartered credit unions were safe and sound during 2021, increasing in total assets and strengthening financially and operationally. In 2021, the number of Michigan state-chartered credit unions decreased by two, and total assets increased \$9.35 billion or 13.7% to \$77.8 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 continuing through 2021, and federal consumer support and lending programs instituted in 2021.

The number of Michigan state-chartered credit unions declined somewhat in 2021 resulting from mergers of state-chartered institutions, partially offset by a federal credit union converting to the Michigan state charter. A larger reduction in the number of credit unions is expected for 2022 due to anticipated merger/dissolution activity, to be offset slightly by conversions from the federal to the state charter.

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 served on the NASCUS Audit Review Committee, served as Chairperson of the NASCUS Legislative Regulatory Affairs Committee throughout 2021, and served on the NASCUS Accreditation Review Team. Assistant Director O'Brien was actively involved as an Educational Committee member with NASCUS, working to enhance educational opportunities for examiners and the credit union industry. CORA Manager Stevenson also served on NASCUS' Legislative & Regulatory Affairs Committee. Representation on these committees and more organized work groups are expected to continue through 2022.

OCU senior staff members were featured speakers on various topics at multiple industry events, as active participants in several national committees and events as well as in collaboration with the Michigan Credit Union League in multiple industry educational events. Additionally, in 2021 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.

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 a large initial "D" and "S".

Denice Schultheiss, Director
Office of Credit Unions