



Advantages of the Michigan State Charter

Whether credit unions are state or federally chartered, the entire industry has thrived from a strong, dual charter system for more than a century. This methodology allows flexibility, versatility, and fluidity within the credit union system.

State charters, those chartered through their state governments as opposed to the National Credit Union Administration (NCUA), hold several advantages, such as local supervision, lower operating fees, and greater investment authority.



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Around the States: [Michigan State System Statistics](#)

Governance from Lansing

Michigan's state-chartered credit unions are subject to state laws and regulations, including the [Michigan Credit Union Act](#). This Act outlines the authorities and responsibilities of both the Office of Credit Unions (OCU) and state-chartered credit unions. These laws have been enacted to meet the specific needs of Michigan's citizens. The state legislatures approving these laws oversee the state regulatory authorities, are sensitive to state-wide needs, and are receptive to their citizens' concerns.

With local access to the OCU, state legislators, and the governor, state-chartered credit unions have a greater opportunity to affect credit union policy and provide more input into their governance than federal-chartered credit unions. Michigan's state-chartered credit unions are supervised by the [Michigan Department of Insurance and Financial Services \(DIFS\), Office of Credit Unions \(OCU\)](#).

State-based Supervision

State-based OCU regulators have a first-hand understanding of the interaction between communities and groups within Michigan and are personally invested in the state's well-being.

This perspective allows legislators and regulators to articulate the need for innovative and competitive financial solutions, and to understand any consumer-facing benefits. With offices in Lansing, credit unions can more easily meet in person with OCU in local offices as issues or questions arise, providing a high level of access not always accessible at the federal level. Additionally, state-based offices allow for the collaboration between supervisory, legislative, and credit union engagement as a whole.

Ensuring Competitiveness: Authorization for New Authorities and Powers

In addition to local access, Michigan's Credit Union Act explicitly authorizes the Director of the DIFS to ensure competitiveness under [Section 490.208\(1\)](#). The Director can authorize additional powers to a state-based credit union if they find such powers appropriate and necessary to compete with any other financial services providers.

To make this decision, the DIFS Director considers the applicant's ability to conduct such powers safely and soundly, the authority of the competing financial services provider, and whether any specific limitations on the new authority are appropriate.

Field of Membership

In [Section 352\(2\)](#), of the MCUA defines potential FOM to include one or more of the following common bonds:

- a. One or more groups of any size that have a common bond of occupation, association, or religious affiliation.
- b. One or more groups composed of persons whose common bond is residence, employment, or place of religious worship within a geographic area composed of one or more school districts, counties, cities, villages, or townships.
- c. One or more groups whose common bond is common interests, activities, or objectives.



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Flexibility to Combine FOM Types in Merger-Related Transactions

[Section 352\(2\)](#) outlines that a Michigan chartered credit union FOM may include one or more groups, as summarized in the section above, without limitation to the number or type of common bond. Michigan credit unions can therefore mix and match various SEG, associational or geographically based FOM once approved by the Commissioner. This statutory language provides significant flexibility in consideration of merger partners, as FOM combinations are not a limiting factor in the institutional decision to seek a merger partner and/or consummate a merger.

Eliminating this consideration ensures Michigan chartered credit union boards and members can focus on more material factors when considering a merger partner, such as the needs and benefits of the membership, efficiency improvements, or providing a greater array of financial products and services.

Broad Incidental Powers

Michigan chartered credit unions are afforded the authority under [Section 490.403](#) to exercise any incidental powers that are necessary or required to effectively carry out the business for which they are organized.

Increased Access to CUSO-Related Services

Under [Section 490.407](#) Michigan chartered credit unions are afforded a broad list of allowable products and services a Credit Union Service Organization (CUSO) may perform and be eligible for credit union investment or creditor relationship. These authorities include the ability to provide investment administration and other services

related to small business equity interests or venture capital fund investment and provide trust services with additional services approved by OCU.

Ability to Offer Savings or Loan Promotion Raffles

Michigan chartered credit unions are permitted to offer savings and/or loan promotion raffles under [Section 490.411](#).

Does Not Require a Supervisory Committee

Michigan chartered credit unions are not required to have a Supervisory Committee, however, as outlined in [Section 490.341\(4\)](#), in the absence of a Supervisory Committee, the Board is responsible for those duties.

Significantly Lower Operating Fees

Michigan chartered credit unions pay an operating fee to fund the oversight of their charters as outlined in [Section 490.201](#). These fees are often much less than those of federal credit unions.

Greater Investment Authority

Michigan chartered credit unions may invest in certain federally impermissible investments as outlined in [Section 490.431](#), including corporate paper. Furthermore, state-chartered credit unions may invest more heavily than federal credit unions in CUSO-related investments in amounts up to 6% of total assets without approval and up to 12% with approval of the OCU as outlined in [Section 401\(2\)\(gg\)](#).

Additionally, Michigan credit unions have the ability to purchase assets of another depository institution and assume the liabilities with OCU approval under [401\(2\)\(q\)](#) while also being able to purchase derivatives to mitigate portfolio risk with OCU approval under [401\(2\)\(yy\)](#).

NASCUS

The National Association of State Credit Union Supervisors

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