



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

PATRICK M. McPHARLIN
DIRECTOR

TO THE APPLICANT

RE: Application for Conversion to a State Credit Union

In response to your request, please find the enclosed Application for Conversion to a State Credit Union and related reference materials.

Prior to filing an application with the Department of Insurance and Financial Services (DIFS), it is recommended that authorized representatives of the federal/foreign credit union meet with DIFS personnel to discuss the prospective conversion. You may contact this office at 517-284-8822 to schedule a meeting.

The National Credit Union Administration (NCUA) should be notified of the proposed conversion. Throughout the conversion process, DIFS should be notified of any communication (oral or written) with NCUA regarding this application.

An original, signed application must be submitted to this office. Please refer to the Michigan Credit Union Act (Act), PA 215 of 2003, as amended, for the statutory criteria to be addressed in the conversion process.

After receipt and review of the completed application, the scope of the conversion examination, as required by section 376(d) of the Act, will be determined. You will then be contacted regarding the scheduling of the examination.

Enclosures

Application for Conversion to a State-Chartered Credit Union

The Director of the Department of Insurance and Financial Services has determined that this application is available for public inspection 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, PA 215 of 2003, as amended; MCL 490.205. Accordingly, except as otherwise indicated in this application, the contents of the application shall be disclosed to any person who properly requests an opportunity for inspection, examination, or copying.

1. It is the responsibility of the applicant(s) to ensure that the state and federal statutory requirements in connection with this application are satisfied.
2. The application information must be typed and submitted on the attached forms.
3. The application must be filed with original signatures where applicable.
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. It is also requested that an electronic copy of the application be submitted to DIFS.
5. Provide a certified copy of the Board of Directors resolution which authorized submission of the application for conversion of charter.
6. Provide a statement of the specific business reasons supporting the request for conversion.
7. Provide a copy of the Proposed Notice of Special Meeting of the Members (NCUA Form #4221).
8. Provide a copy of the Proposed Ballot to be mailed for membership vote (NCUA Form #4506).
9. Provide a copy of the Application for Insurance of Accounts (NCUA Form #9600).
10. 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.
11. If additional space is necessary to fully answer any question, extra pages may be attached to this application.
12. 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.
13. An application may be formally withdrawn by written request of the Applicant, or it must be allowed to proceed to a decision.
14. Any questions pertaining to the completion of this application should be directed to Corporate Activities and Risk Assessment, telephone 517-284-8822.
15. A completed application should be mailed to:
**DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
ATTENTION: CORPORATE ACTIVITIES AND RISK ASSESSMENT
P.O. BOX 30220
LANSING, MI 48909-7720**

Authorized by PA 215 of 2003, as amended. Required for permission to convert a federal/foreign credit union.



Michigan Department of Insurance and Financial Services

DIFS is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Visit DIFS online at: www.michigan.gov/difs Phone DIFS toll-free at: 877-999-6442

Application for Conversion to a State-Chartered Credit Union

| | | |
|-------------------------------|-------|---------------------------|
| Existing Credit Union Name | | Date of Application |
| Existing Credit Union Address | | City, Village or Township |
| County | State | Zip Code |

Persons authorized to submit this application

| | | |
|------|-------|------|
| Name | Title | Date |
| Name | Title | Date |

Representative responsible for responding to questions relating to this application

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

| | | |
|-------------------------------|----------|---------------------------|
| Proposed Credit Union Name | | |
| Proposed Credit Union Address | | City, Village or Township |
| County | State | Zip Code |
| | MICHIGAN | |

General Information

Common Bond and Field of Membership

State the field of membership of the federal/foreign credit union. Use the exact wording of the present charter articles of incorporation or bylaws. (A copy may be attached).

Is the field of membership of the proposed credit union to be the same as that of the federal/foreign credit union? Yes No

If no, explain the expected change and the reason for the change. Also, provide the exact wording of the proposed field of membership language. (A copy may be attached.)

Membership

The number of persons estimated to be potential members is _____. (This number can be that which is reflected on the recent NCUA periodic report.)

The number of persons expected to be members of the credit union at conversion is _____. (This number can be that which is reflected on the recent NCUA periodic report.)

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

General Information – Continued

Management Systems

Describe the existing bookkeeping and accounting functions of the credit union. Please explain if any change in these functions is expected.

Provide the name and address of the party which performed the recent annual audit of the credit union.

State the number of consecutive years which this party has performed the audit.

Describe the existing data processing system of the credit union if applicable. If any change in this system is expected, please explain the change.

General Information - Continued

Sponsor/Business Affiliation

If applicable, provide the complete name of the sponsor and describe the business or activity of the sponsor.

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

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.

Financial and Statistical

Provide standard financial and statistical reports as of the most recent month end.

Provide a copy of each management policy, as follows:

- asset / liability management policy
- capital policy
- investment policy
- lending policy
- liquidity policy
- loan collection policy

Confidential Information

Information which is provided by the applicant in response to the following request will be held by DIFS as CONFIDENTIAL. Therefore, the information will not be a part of the public section of the application file, and it will not be subject to review by the public.

1. Provide a schedule of delinquent loans which are classified as: 2 to 6 months delinquent; 6 to 12 months delinquent; and 12 months and over delinquent.
2. Provide a list of the ten (10) largest unsecured loans which were booked as of the reported financial information date.
3. Provide a list of the ten (10) largest secured loans (excluding real estate loans) which were booked as of the reported financial information date.
4. Provide a list of the ten (10) largest real estate secured loans which were booked as of the reported financial information date.
5. Provide a list of the ten (10) individuals with the largest aggregate indebtedness as of the reported financial information date.
6. Provide a list of the investments which were booked as of the reported financial information date.
7. Provide the most recent audit report, management letter, and management's response to items in the management letter.
8. Provide the most recent NCUA examination report, and response to all items of comment contained in the Examination Overview section of the report.

Conversion to a State-Chartered Credit Union

Section 376 of the Michigan Credit Union Act of 2003, as amended, MCL 490.376 sets forth the statutory requirements and limitations by which a federal/foreign credit union may be converted into a state-chartered credit union. Among other things, the law requires the conversion to be approved by the Director of the Department of Insurance and Financial Services. The approval of the Director shall be based on an examination of the federal/foreign credit union and of the proceedings had by its directors and members with respect to conversion.

The Director generally will approve an application by a federal/foreign credit union to convert to a state-chartered credit union provided the applicant meets all statutory criteria, and when such approval is consistent with the basic objective of maintaining a safe and sound credit union system.

In determining the qualifications of an applicant for conversion, the following factors will be evaluated and considered:

- A. **Overall Condition:** The applicant's general condition, as disclosed by DIFS' examination or analysis, should be satisfactory. Significant problems or serious deficiencies will normally preclude approval unless the Director is satisfied the applicant will correct the problems and eliminate the deficiencies.
 1. **Capital Adequacy:** The applicant should have, and be committed to the maintenance of, a capital structure which is adequate for the conduct of its business and the protection of its members.
 2. **Asset Quality:** The applicant should not have an undue amount of criticized assets, particularly in relation to its capital and reserves.
 3. **Management:** Applicant's management should have demonstrated the ability to recognize and correct deficiencies and to supervise a safe and sound credit union operation. The overall capability, attentiveness, integrity, and record of management, together with its policies, should be without significant criticism. The applicant should not have had serious or frequent violations of law. A sound system of internal routine, controls and audit should be in place.
 4. **Earnings:** The applicant should reflect a satisfactory earnings history and trend, be able to forecast adequate future earnings and have plans for retaining earnings sufficient to support its current and projected level of operations.
 5. **Liquidity:** Applicant's liquidity, as reflected by its asset mix, liability structure and its deposit trends and volatility, should be adequate to efficiently and economically accommodate decreases in its shares and deposits or other funding liabilities, as well as to fund appropriate changes or increases in its assets.

- B. **Reasons for Conversion:** The applicant should provide sound business reasons for seeking to be a state-chartered credit union. The applicant should demonstrate the benefits that will accrue to the credit union because of a conversion and indicate in what ways it will be more successful with a state charter. An application to convert should not be motivated solely by supervisory pressures from other regulatory authorities.

- C. **Proceedings of Directors and Members:** The application for conversion should be complete and accurate. The applicant should furnish full documentation of the proceedings had by its directors and members as required by law and as more fully described in the instruction given in connection with filing the application.

Unsatisfactory performance with respect to these or any other factors considered by the Director can result in disapproval of a conversion application. In all instances, the applicant will be made aware of weaknesses, which in the Director's opinion preclude approval of the conversion. An applicant will be given the opportunity to correct problems and eliminate deficiencies or to submit a plan of correction. Any corrective actions effected and any plan of correction should be reasonable and will be subject to acceptance by DIFS.

If approval of the conversion application is granted, the applicant will be further instructed as to the requirements necessary to complete its conversion to a state-chartered credit union. When all statutory requirements and other conditions have been satisfied, a charter will be issued authorizing the applicant to commence operations as a state-chartered credit union as of a specified date.