



GRETCHEN WHITMER  
GOVERNOR

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

ANITA G. FOX  
DIRECTOR

**DATE:** February 19, 2019

**LETTER NO.:** 2019-CU-01

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

**SUBJECT:** 2018 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 and includes 40 examiners and one Assistant Director whose primary function is to examine the condition of 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 2018, staff members attended training sponsored by the National Credit Union Administration (NCUA), the National Association of State Credit Union Supervisors (NASCUS), and other professional organizations. Besides the two meetings with the Director's Credit Union Advisory Council, OCU also conducted its eighth annual Industry Day as a 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 the examination process. OCU also held an annual Director's College to aid officials in their duties by arranging presentations on relevant and emerging issues.

The MCUA 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 NCUA and OCU management meet 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.

During 2018, staff completed 158 safety and soundness reports on state-chartered credit unions. Reports included 131 examinations, and 27 follow-up contacts at credit unions requiring additional supervision. Additionally, safety and soundness examinations were performed for two federally chartered credit unions who were applying to convert to the Michigan charter (one of which has been consummated) and on a bank entity proposed to be acquired by a Michigan chartered credit union. All IT related examinations are now conducted as part of safety and soundness examination procedures and included with the regular examination report.

OCU accepted for filing eight merger applications and finalized eleven during the calendar year. Two purchase and assumptions applications were accepted for filing in 2018. One conversion from a federal to a state charter was completed, and one other application for a credit union to convert from a federal charter to a state charter was accepted in 2018. Thirteen field of membership expansion applications were accepted and fifteen were finalized in 2018. Miscellaneous corporate applications for bylaw changes, certificate of organization amendments, etc. completed during the year totaled forty-five.

One permanent, industry-wide prohibition order was issued against an individual by OCU during the 2018 calendar year.

The following pronouncements were issued in 2018.

- [Letter 2018-CU-01](#) 2017 Calendar Year Activities of the Office of Credit Unions
- [Letter 2018-CU-02](#) Rescission of Memorandum re: Financial Services and Michigan Medical Marihuana
- [Order No. 18-063-CU](#) Order Authorizing State-chartered Credit Unions to Exercise Additional Powers re: investments in Fannie Mae, Freddie Mac, FHLB and entities in the FCS

OCU maintained NASCUS Accreditation of its regulatory program. Michigan was the first state accredited under the program in 1989, and has maintained accredited status every consecutive year.

## **INDUSTRY TRENDS**

Overall, Michigan's state-chartered credit unions remained in sound financial and operational condition during 2018. Although the number of Michigan credit unions decreased in 2018, total assets increased 6.1% or \$2.9 billion to \$49.9 billion.

The number of Michigan state-chartered credit unions decreased from 146 to 137 during 2018, primarily due to mergers between institutions. While generally market driven, mergers also occur because of serious operational or safety and soundness concerns. Larger, well-run credit unions can absorb troubled institutions with minimal negative impact and often provide a higher level of financial services for the members of the merged credit union. Merger activity is forecasted to decrease in 2019 relative to the level of activity experienced in 2017 and 2018.

### Industry Associations

OCU senior staff members were featured speakers on various topics for meetings of the Michigan Credit Union League, Credit Union National Association, the Michigan Association of Certified Public Accountants and other organizations.

Assistant Director Leanne O'Brien is involved as an Educational Committee member with NASCUS, working to enhance educational opportunities for examiners and the credit union industry. OCU staff members are also actively involved in several ongoing and ad hoc NCUA Task Forces on many issues facing the industry, credit union regulation and examination efficiency.

During 2018, OCU Director served on the NASCUS Board, sat on several NASCUS related committees, and represented Michigan and state-chartered credit unions throughout the country in policy discussions with the state and federal legislative and executive branches. OCU interacts with organizations representing regulators and industry participants including the Michigan Credit Union League, Federal Financial Institutions Examination Council, National Credit Union Administration, Consumer Financial Protection Bureau, Credit Union National Association, National Association of Federal Credit Unions, and National Association of Credit Union Service Organizations.

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