



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 22, 2019  
**LETTER NO.:** 2019-CU-02  
**TO:** The Board of Directors and Management of  
Michigan State-Chartered Credit Unions  
**SUBJECT:** Contracts and Vendor Relationships

The Office of Credit Unions (OCU) regulates and supervises state-chartered credit unions under the authority of the Michigan Credit Union Act, MCL 490.101, *et seq.* (Act). Credit union boards are responsible for the safety and soundness of their institution and have a fiduciary duty to protect their membership data and provide sound financial services to their members. (*See MCL 490.342; Bulletin No. 2005-07-CU.*)

The purpose of this letter is to reiterate to credit union boards and credit union management the importance of careful scrutiny of any contracts with vendors, particularly vendors with potential access to member data. Pursuant to its regulatory mandate, OCU conducts regular reviews of prospective vendor contracts and has seen a trend of concerning contract provisions. A few examples of such concerning provisions are being shared herein, with a goal of encouraging a more thorough evaluation of proposed vendor contracts. It is critical that any vendor contract executed by a credit union does not:

- In any way compromise the credit union's exclusive ownership and responsibility for member information or credit union data of any kind. The potential liability and reputation risk exposure in such cases is an unsafe and unsound condition. Further, a credit union may be exposed to regulatory action for violating Section 408(2) of the Michigan Credit Union Act which states the credit union "retains permanent and exclusive ownership of all internal information and member information in the possession of the vendor".
- Attempt to restrict board authority or credit union autonomy and/or convey any such control to the vendor. For example, a vendor cannot be delegated any decision-making authority or responsibility which rests with the credit union board and/or management as specifically enumerated in the Act.
- Restrict the credit union's right to offer depository services to their members at any time, or obligates a credit union to transfer a member's depository account/relationship to a third party, except in a corporate activity transaction processed through appropriate regulatory channels (such as a merger, liquidation, purchase and acquisition, etc.).

- Obligate the credit union to provide a future endorsement of a specific third party, particularly to members. A commitment to provide a future endorsement of a third party presents a high reputation risk, as unforeseen future events could play a significant role in determining whether to assume such a risk.

This is by no means an all-encompassing list of potentially concerning contract provisions. Thus, careful board scrutiny of prospective material contracts, with the assistance of independent legal counsel if necessary, is strongly advised in order to protect your institution and your members.

Questions regarding this letter may be directed to the Office of Credit Unions at 517-284-8821.

Sincerely,

A handwritten signature in black ink, appearing to read "Denice Schultheiss". The signature is fluid and cursive, with a large loop at the beginning.

Denice Schultheiss, Director  
Office of Credit Unions