



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS  
COMMISSIONER

**DATE:** September 8, 2005

**LETTER NO.:** 2005-CU-15

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

**SUBJECT:** Hurricane Katrina Relief Efforts

It has come to my attention that in response to the catastrophic devastation caused by Hurricane Katrina, state chartered credit unions are interested in participating in a variety of disaster-related assistance programs.

I wholeheartedly applaud the generosity of Michigan credit unions.

I know that many credit unions in Michigan will raise funds from their members to support hurricane relief efforts. This has proved to be an effective means of raising funds and the generosity of credit union members in this regard has been well documented.

I understand that some credit unions are contemplating direct contributions of credit union funds to assist in hurricane relief efforts. As you know, when the Michigan Credit Union Act was modernized recently, specific authority for such donations was provided:

**490.401 Domestic credit union; powers.**

Sec. 401.

(1) A domestic credit union has the powers described in this section, specified or implied by this act, and specified in any other law of this state.

(2) A domestic credit union has all of the following powers:

\* \* \*

(nn) To make charitable contributions if the individual contributions and the aggregate amount of the contributions are reasonable in amount.

State chartered credit unions are certainly able to make direct contributions of credit union funds as long as the amounts donated are reasonable in light of the institutions' capital position. While safety and soundness require that any contributions be reasonable in light of key ratios, pursuant to the Michigan Credit Union Act, Boards and Management of well-capitalized state chartered credit unions now have the clear authority if they choose to exercise it.

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Considering the unique nature of each institution, OFIS will not provide “one-size-fits-all” guidance regarding what would be considered reasonable. Instead, OFIS will expect that credit unions that make direct contributions will conduct a level of analysis that would be appropriate to the size of the donation. It would, of course, be prudent for donations to have board approval.

Credit unions obviously may choose from a variety of organizations to donate funds to—ranging from the Michigan Credit Union Foundation to the American Red Cross. OFIS presumes that credit unions will do appropriate due diligence concerning lesser-known charities prior to making donations.

If you have any questions regarding the contents of this letter, please contact Roger Little, Deputy Commissioner, Credit Union Division at (517) 373-7216.

Sincerely,

Linda A. Watters  
Commissioner