Credit Union Organization Information Package

The following pages contain information on how to start a new, or “de novo” credit union. Article 3, Part 1 of the Michigan Credit Union Act, which addresses the origination of state-chartered credit unions, can be viewed here.

You should understand that all members of the credit union have an equal share of the institution. Any excess capital over the par share value that may be contributed by persons or organizations is "donated capital" and those persons or organizations would receive no additional return or ownership from it.

The amount of capital will determine the size of loans that can be made. The aggregate lending limit for any single member of a credit union is the greater of $20,000 or 25% of its net worth, which is the credit union’s undivided earnings and reserves, not including the allowance for loan and lease losses. As you can see, until the credit union builds up net worth of over $80,000, no loans over $20,000 can be made, and the limit moves up by only 25 cents for every dollar of capital over that. This means it can be difficult for a startup credit union to make some new car loans, let alone home mortgages. As a credit union grows, larger and more complex loans types (credit cards, for instance) become more practical.

Michigan state-chartered credit unions are also required to have share (deposit) insurance from the National Credit Union Administration, and must therefore meet the NCUA’s requirements as well.

Authorized by PA 215 of 2003, as amended. Required to organize a state-chartered credit union.

TO THE APPLICANT:

Re: Application for Permission to Organize a Credit Union

In response to your request, please find the enclosed Application for Permission to Organize a State-Chartered Credit Union and related reference materials. An original, signed application must be submitted to this office. Please refer to Article 3, Part 1 of the Michigan Credit Union Act, PA 215 of 2003, as amended, for the statutory criteria to be met in organizing a credit union.

Prior to filing an application with the Office of Financial and Insurance Regulation (OFIR), it is strongly recommended that the organizers of the proposed credit union meet with OFIR personnel to discuss the field of membership and operational concepts of the proposed credit union. Telephone (517) 241-9981 for an appointment.

Credit union membership is limited to persons who are members of a group(s), (a) of any size that have common bond of occupation, association, or religious affiliation; or (b) whose common bond is residence, employment, or place of religious worship within a geographic area; or (c) whose common bond is common interests, activities, or objectives.

Experience has shown there should be a potential for approximately 500 primary members in order to assure a reasonable chance of success, and to be of service to members. Smaller groups may be able to obtain credit union service by aligning with an existing credit union.

Applicants must provide information on the nature of the common bond, and the benefits to prospective members. Capable persons must be available to volunteer their time to serve as chairperson, vice-chairperson, treasurer, directors and committee members, as applicable.

The following trade associations may be of assistance to you:

Michigan Credit Union League
P.O. Box 8054
Plymouth, Michigan 48170-8054
Telephone (800) 262-6285

MACU Association Group
3262 South Cabaret Trail, Suite 205
Saginaw, Michigan 48603
Telephone (800) 572-4597

Enclosure

Street/Overnight Delivery Address: 611 W. OTTAWA STREET, 3rd FLOOR, LANSING, MICHIGAN 48933
Mailing Address: P.O. BOX 30220, LANSING, MICHIGAN 48909-7720
www.michigan.gov • TOLL FREE (877) 999-6442 LOCAL (517) 373-0220

Application for Permission to Organize a State-Chartered Credit Union

The Commissioner of the Office of Financial and Insurance Regulation has determined this application to be 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 organizers to ensure that the 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. The filing of an application does not authorize the organizers to begin operation of a credit union. An application may be formally withdrawn by written request of the Applicant, or it must be allowed to proceed to a decision.

4. The Office of Financial and Insurance Regulation (OFIR) will not accept an incomplete application. Complete responses to all applicable questions will expedite processing of the application.

5. OFIR may contact any or all organizers, individually or collectively, for information regarding this application. Each proposed organizer, director, and principal officer (chairperson, vice-chairperson, treasurer/general manager) must return the Background Information form FIR 1016 (under separate cover) with an original signature to OFIR.

6. All information provided to OFIR 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 OFIR.

7. If additional space is necessary to fully answer any question, extra sheets may be attached to this application.

8. 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 OFIR.

9. Any questions pertaining to the completion of this application should be directed to the Enterprise Monitoring Division at (517) 241-9981.

10. A completed application should be mailed to:

OFFICE OF FINANCIAL AND INSURANCE REGULATION
ATTENTION: ENTERPRISE MONITORING DIVISION
P.O. BOX 30220
LANSING, MI 48909-7720

Application for Permission to Organize a Domestic Credit Union

Proposed Credit Union Name		Date of Application
Proposed Credit Union Address		City, Village or Township
County	State MICHIGAN	Zip Code

Representative responsible for responding to questions relating to this application.

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

"Credit Union" means a domestic or foreign credit union [(Sec. 490.102(h)]; “Domestic Credit Union” means a cooperative, nonprofit entity organized under this act for the purposes of encouraging thrift among its members, providing a variety of financial services to its members, and providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition [Sec. 490.102(l)]; “Foreign Credit Union” means a credit union organized under the laws of another state or territory of the United States or a federal credit union [Sec. 490.102(r)].

Excerpts from the Michigan Credit Union Act:

“Seven individuals, a majority of whom are residents of this state and all of whom are within the proposed field of membership of the domestic credit union, may file an application to organize a domestic credit union under this act. This subsection does not apply to the organization of a corporate credit union." Section 301(1)

"The decision to approve or disapprove of the organization of a domestic credit union under subsection (2) is discretionary with the commissioner." Section 301(3)

"The commissioner shall notify the applicants of his or her decision. If the commissioner approves, he or she shall issue a certificate of organization and approved bylaws of the domestic credit union." Section 301(3)

"The commissioner shall prescribe the form of the certificate of organization and the bylaws and shall furnish them upon request to a domestic credit union or a person who is considering organization of a domestic credit union." Section 301(6)

Application for Permission to Organize a Domestic Credit Union - Continued

"An amendment to the certificate of organization or bylaws is not effective unless it is submitted to the commissioner for review and approved by the commissioner." Section 303

"The capital of a credit union consists of the payments that have been made to it by the members for shares." Section 361(1)

Proposed Organizers Certification

We, the undersigned proposed organizers, being residents of the state of Michigan and of lawful age, desire to organize a credit union. We hereby make application to the Commissioner of the Office of Financial and Insurance Regulation for permission to organize a credit union under the provisions of state law. Each of us certifies the statements contained herein are true to his/her best knowledge and belief, and the statements are made for the purpose of inducing the Commissioner of the Office of Financial and Insurance Regulation to grant a charter. By subscribing our names below, we further certify that we have a general understanding of the purposes and objectives of a credit union, including encouraging thrift among its members, and creating a source of credit.

Signature	Address	(Par $ _____) Number of Shares Subscribed

IMPORTANT: Provide the signatures of at least seven (7) persons, the majority of whom must be adult residents of the state of Michigan and all of whom be within the proposed field of membership of the domestic credit union and all of whom must subscribe to at least one (1) credit union share.

Biographical Information

Pages 6-6b to be completed by ***each*** organizer, proposed director and officer of the credit union

Name	Principal Occupation
Residence Address	Employer
City, Village or Township and State	City, Village or Township and State
Length of Residence in Community	Office to be Held

List the principal civic, professional, social and other organizations in which you have membership or have served in an official capacity.

Financial institution(s) experience (including Directorship) during past 15 years:

Date From	Date To	Name, Location, and Work Experience	Position Held

Biographical Information - Continued

Employment Record--List all employment during the recent 10 years.

Date From	Date To	Name and Location of Business	Type of Business	Position Held

Business Affiliations - List all firms, companies, corporations or other business organizations of which you are currently a director, officer, employee, partner, or owner.

Name and Location of Business	Type of Business	Position Held

Other Information:

Have you ever been adjudged bankrupt or had to work out a compromise with your creditors? If yes, provide a detailed summary of the circumstances on a separate page. ☐ Yes ☐ No

Is there any pending civil litigation of any nature in which you are involved as a defendant? If yes, provide a detailed summary of the litigation on a separate page. ☐ Yes ☐ No

Biographical Information – Continued

Have you ever been convicted of, or pleaded nolo contendere to, any criminal offense involving dishonesty or breach of trust? If yes, provide a detailed summary of the circumstances on a separate page. ☐ Yes ☐ No

Have you been subject to any administrative proceedings, disciplinary proceedings, or other adverse actions with respect to any professional license you hold or have held, including those involving any business or enterprise with which you have been associated as a partner, officer, director, or major shareholder (owning 5% or more of the outstanding stock)? If yes, provide a detailed summary of the circumstances on a separate page. ☐ Yes ☐ No

Has any business or enterprise with which you are or were associated as a partner, officer, director, or major shareholder (owning 5% or more of the outstanding voting stock) been the subject of an indictment, conviction, or plea of nolo contendere on any criminal matter involving dishonesty or breach of trust? If yes, provide a detailed summary of the circumstances on a separate page. ☐ Yes ☐ No

Do you have previous experience in organizing a credit union? If yes, provide the name and location of the credit union and the approximate date of the organizing activity. ☐ Yes ☐ No

CERTIFICATION

I hereby certify that the foregoing information is true and correct to the best of my knowledge and belief and that said information is submitted voluntarily by me. I understand that omissions or inaccuracies may result in denial of the application.

Signature	Date

General Information

Common Bond

Membership in the proposed credit union must be limited to one or more of the following groups:

(a) of any size that have common bond of occupation, association, or religious affiliation; or
(b) whose common bond is residence, employment, or place of religious worship within a geographic area; or
(c) whose common bond is common interests, activities, or objectives.

Describe the specific nature of the common bond(s), the group(s) to be served and the geographic area(s) to be served, as appropriate.

Potential Membership

The number of persons estimated to be the potential membership is _____

The number of persons expected to join the credit union at organization is _____

The estimated member share subscriptions total is **$** _____

The par value of the shares of the proposed credit union shall be **$** _____
(Usually $5.00, but not more than $100.00)

Will an entrance fee be charged on joining the credit union? ☐ Yes ☐ No

If yes, state the amount of the entrance fee. $ _____

If a business affiliation is proposed, will retirees be eligible for membership? ☐ Yes ☐ No

Will immediate family members be eligible for membership? ☐ Yes ☐ No

Will employees of the credit union be eligible for membership? ☐ Yes ☐ No

Will members who leave the field of membership be allowed to maintain membership? ☐ Yes ☐ No

Indicate the month(s) of the year in which the annual meeting will be held. State one month, or any two consecutive months: _____ , _____

Indicate the minimum voting age for members: _____
(The voting age is optional, however, it cannot exceed the age of majority. The response can be "None.")

General Information – Continued

Management Systems

Describe the plans for the collecting of funds for share and loan payments, the type of books and records to be developed and maintained, the surety bond, and any special or out-of-the-ordinary program for publicizing or expanding the services of the credit union.

Describe the arrangements to be made for the bookkeeping and accounting functions of the proposed credit union.

Describe the arrangements to be made for data processing, if applicable.

Did any person, other than an organizer, advise or assist in the preparation of this application? If yes, state the name of the person and describe the assistance provided. ☐ Yes ☐ No

General Information - Continued

Sponsor/Business Affiliation

State the complete name of the sponsor and describe the business or activity of the sponsor, if applicable.

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.

Indicate any assistance promised or offered by the sponsor.

☐ Payroll Deduction
☐ Office Space
☐ Clerical Assistance
☐ Other (Describe)

Economic and Demographic Data
(For Community Credit Union Applications Only)

Define the boundaries of the geographical area which comprise the community of the proposed credit union.

Population of the Service Area

Census Figure/Year	Current Estimate	Projected Population/Year
Source		

Additional Information

Include the current trend of commercial, industrial and residential development. Maps, charts, photographs and other relevant visual aids may be included

Benefit to Membership

In narrative form, state reasons for the Commissioner of the Office of Financial and Insurance Regulation to find the organization of the proposed credit union to be consistent with the purposes of the Michigan Credit Union Act, PA 215 of 2003, as amended, (MCL 490.301 et seq.), and state the benefits to membership which will result from organizing the proposed credit union. Comments should include a discussion of: potential for membership growth and how determined; income characteristics of the field of membership; market area competition, including competition from non-depository institutions; and services to be provided.

Prospects for Successful Operation

Business Potential: Share, Deposit, and Loan Projections

Operating Year*	Net Share/Deposit Growth	Share/Deposit Total	Net Loan Growth	Loan Total
First Year				
Second Year				
Third Year				

*An operating year is twelve (12) consecutive months of operation.

In narrative form, discuss the prospects for successful operation of the credit union. The discussion should include the assumptions made and the methods used in arriving at the deposit and share projections, loan projections, and income and expense projections. The projections should be related to, and consistent with, the products and services to be provided to the membership. Supplemental pages may be inserted following this page for explanation of the projections and expectations.

Pro Forma Balance Sheet

ASSETS	**First Year**	**Second Year**	**Third Year**
LOANS			
Unsecured Loans to Members			
Real Estate Loans to Members			
Commercial Loans to Members			
All Other Loans			
TOTAL LOANS			
Less: Allowance for Loans Losses			
NET LOANS			
INVESTMENTS			
U.S. Government & Agency Securities			
Corporate Central Credit Union			
Other Credit Unions			
Commercial Banks			
Thrifts / Savings Banks			
Other Investments			
TOTAL INVESTMENTS			
OTHER ASSETS			
NCUA Share Ins. Capitalization Deposit			
Net Fixed Assets (Property & Equipment)			
Miscellaneous Assets			
TOTAL ASSETS			
LIABILITIES AND EQUITY			
LIABILITIES			
Notes Payable			
Accrued Dividends / Interest Payable			
Other Liabilities			
TOTAL LIABILITIES			
SHARES AND DEPOSITS			
Member Drafts			
Member Shares/Certificates of Deposit			
IRA / Keogh Retirement Accounts			
Other Shares / Deposits			
TOTAL SHARES AND DEPOSITS			
EQUITY			
Required Reserves			
Special Reserves			
Other Reserves			
Undivided Earnings			
TOTAL EQUITY			
TOTAL LIABILITIES AND EQUITY			

Pro Forma Statement of Income and Expense

	First Year	Second Year	Third Year
INTEREST INCOME			
Loans			
Less: Interest Refunded (if any)			
Investments			
Other Income			
TOTAL INTEREST INCOME			
INTEREST / DIVIDEND EXPENSE			
Dividends on Shares			
Interest on Deposits			
Interest on Borrowed Funds			
TOTAL INT / DIV EXPENSE			
NET INTEREST INCOME			
OPERATING EXPENSES			
Employee Compensation and Benefits			
Office Occupancy Expense			
Office Operations Expense			
Professional & Outside Services			
Examination & Supervision Fees			
Provision for Loan Losses			
Other Operating Expenses			
TOTAL OPERATING EXPENSES			
NET OPERATING INCOME			
NON-OPERATING GAINS OR (LOSSES)			
Investments			
Disposition of Fixed Assets			
STATUTORY RESERVE TRANSFER			
NET INCOME AFTER TRANSFER			
OTHER ADDITIONS OR DEDUCTIONS			
Gain or Loss to Undivided Earnings			
Undivided Earnings Carried Forward			
UNDIVIDED EARNINGS AT YEAR END			

Proposed Main Office

A. Will the proposed main office be leased? ☐ Yes ☐ No

Terms of the Proposed Lease	
Termination Clause? ☐ Yes ☐ No Renewal Option? ☐ Yes ☐ No	Annual Rent $

Anticipated Cost of Leasehold Improvements..... $ _____

Portion of Leasehold Improvements to be Capitalized..... $ _____

Purchase Price if Optioned ..... $ _____

Option may be exercised under the following conditions	
Name of Lessor	Address

Were any fixed assets purchased from an organizer or a party affiliated with an organizer? ☐ Yes ☐ No

If yes, attach evidence of the reasonableness of the cost of the asset, a copy of an independent appraisal, and/or other supporting evidence.

Is an organizer or a party affiliated with an organizer a principal in a lease or contract involving the proposed asset transaction? ☐ Yes ☐ No

If yes, explain the involvement. Furnish documentation to support the fair market value and the arms-length nature of the transaction. Attach a copy of the proposed lease or contract.

B. Will the proposed main office facilities be obtained by other means? ☐ Yes ☐ No
If yes, explain the other means.

OPENING

The proposed credit union could be opened in temporary quarters on or before: _____

Statutory Criteria: De Novo Credit Unions

(Source: The Michigan Credit Union Act, P.A. 215 of 2003, as amended)

SECTION #	DESCRIPTION
301	(1) Minimum seven (7) individuals; (1) Residents of Michigan (Majority)
301(2)	(a)(i) Name and all proposed trade names. (a)(ii) The location of the principal place of business and any initial branches. (a)(iii) Names and address of the applicants and the number of shares subscribed by each.
301(2)(c)	Approval (Due within 60 days after date of filing) Criteria for approval: (ii) Proposed credit union would benefit its members; (iii) Deposits (shares) insured by a federal agency; (iv) Proposed credit union is consistent with the purposes of the Michigan Credit Union Act;
301(3)	Discretionary with the Commissioner.
301(3)	Certificate of Organization and Bylaws issued upon approval.
301(3)	Certificate of Approval issued upon signing of Certificate of Organization and adoption of Bylaws by organizers.
301(4)	Body Corporate (Upon issuance of the Certificate of Approval)
361(1)	Capital (Shall consist of payments made by members for shares)
301(3)	Denial of Application Applicant request for hearing (within 30 days after mailing of decision); Hearing scheduled (within 10 days after receipt of request for a hearing); Hearing held within 60 days after receipt of request for a hearing; Appeal to Circuit Court of the county where the proposed credit union is to be located, or to Ingham County Circuit Court (within 30 days after mailing of hearing decision).
382	Fiscal Year (Shall use calendar year)