JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS
COMMISSIONER

DATE: April 14, 2009

LETTER NO.: 2009-CU-02

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

SUBJECT: Clarification of OFIR regulatory considerations regarding substantially increasing federal deposit insurance costs for Michigan banks and credit unions.

On April 13, 2009, Office of Financial and Insurance Regulation (OFIR) Commissioner Ken Ross signed the attached letter clarifying OFIR's regulatory position regarding the increasing cost of deposit insurance for both Michigan banks and credit unions.

This clarification reiterates the Credit Union Division's current position regarding the impact of the increased NCUA deposit insurance premiums and losses related to the NCUA's Corporate Stabilization Plan.

Questions regarding this pronouncement can be directed toward Assistant Director John J. Kolhoff at 517-373-6930 or at the toll free number provided below.

Sincerely,

Roger W. Little, Deputy Commissioner
Credit Union Division

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To: The Michigan State-Chartered Depository Institution Addressed

Subject: Deposit Insurance Costs – OFIR Regulatory Considerations

Background

The purpose of this letter is to clarify and reiterate OFIR regulatory practices regarding the impact of increased federal deposit insurance costs on our regulated depository financial institutions.

Recent national events have caused federal deposit insurance costs to increase substantially for Michigan banks and credit unions. Both the Federal Deposit Insurance Corporation and the National Credit Union Administration have experienced increased insurance losses, due largely to mortgage market exposure and economic conditions across the country. FDIC and NCUA pass these losses on to federally insured depository institutions through increased deposit insurance premiums and, in the case of NCUA, an increase in the required insurance capitalization deposit, reducing bank and credit union earnings and capital levels.

OFIR Policy Statement

While OFIR recognizes that deposit insurance costs are not directly controllable by individual institutions, the increased costs may nonetheless significantly impact the earnings and capital of regulated depository institutions. OFIR examiners will continue to examine, evaluate, and supervise state-chartered depository financial institutions on the basis of safety and soundness and overall risk management. Banks and credit unions that are otherwise considered safe and sound will not be subject to regulatory rating downgrades or additional OFIR supervision and enforcement actions solely because of the extraordinary deposit insurance cost increases. Institutions currently under increased OFIR supervision or enforcement actions will be closely reviewed, and, to the extent the deposit insurance cost increases cause further financial deterioration and increase safety and soundness concerns, additional regulatory actions may be considered on a situational basis.

Questions concerning this letter may be directed to John Kolhoff, Assistant Director Credit Union Division or Gary Thielsen, Assistant Director Bank & Trust Division, at the toll-free telephone number below.

Ken Ross, Commissioner

4-13-09
Date

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