



Michigan CD Stimulus Program Guidelines

Foster Swift Economic Recovery Task Force E-News

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PRACTICE AREAS

Financial Institution Law

The State of Michigan will invest up to \$150 million in six (6) month and twelve (12) month certificates of deposit (CD) from Michigan financial institutions at below market rates. This program is designed to provide banks and credit unions with additional funds so that they in turn can provide economic stimulus to their communities through loans to Michigan businesses and consumers. The financial institutions are asked to make a concerted effort to prudently lend up to 80% of the funds to Michigan businesses and consumers.

The money will be available December 8, 2008, and the program will remain open until February 6, 2009. Offers will be accepted via facsimile at (517) 324-2464 or email at MICD@michigan.gov. The settlement date for the funding will occur on the day the funds are wired to the financial institution or as soon as the collateral has been deposited and confirmed. The Michigan Department of Treasury, Bureau of Investments will make funds available as provided within the following guidelines.

FORMS

- Depository Agreement (must print on legal size paper)
- Security Agreement
- Request for Certificate of Deposit
- Acceptable Gov Securities Ref Guide (BT-10001)

APPROVED STATE DEPOSITORY

To participate in the Michigan CD Stimulus Program the requirements are:

- The financial institution must be an approved State Depository for the State of Michigan.
 - The financial institution must have a branch in Michigan per Act 105 of 1855, MCL 21.147.

- The Michigan Department of Treasury requires all financial institutions to comply with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

To participate in this program, financial institutions must:

- Complete the following documents and submit to the Bureau of Investments.
 1. Completed Depository Agreement
 2. Completed Security Agreement
 3. Copy of the financial institution's latest FDIC or NCUA Call Report
- Set up a safekeeping account for the collateral.
- Complete CD Request Form

PROGRAM TERMS

- The minimum offer is \$100,000; the maximum offer is \$10,000,000 per financial institution.
- The interest rate paid will be 2.25% for six (6) month time deposits and 2.50% for the twelve (12) month time deposits.
- Settlement date will be as soon as the collateral has been transferred and verified by the Michigan Department of Treasury, Bureau of Investments.
- The maturity date will be 181 days from the disbursement date for the six (6) month time deposits and 365 days from the disbursement date for the twelve (12) month time deposits.

COLLATERAL REQUIREMENTS

- Certificates of deposit in excess of insurance coverage by the federal government must be collateralized pursuant to Act 105 of 1855, MCL 21.143.
- the amount of collateral required on state funds deposited under this program should equal at least 100% of the amount of the deposit in excess of the amount covered by federal deposit insurance.
- For a LIST OF ACCEPTABLE SECURITIES for collateralization please see Michigan Treasury Bulletin number BT10001.
- The following steps are recommended by the Michigan Department of Treasury:
 1. Determine the amount of collateral needed.
 2. If you do not have an existing account to store collateral with the state's safekeeping agent, contact Sue Kohagen at the Bureau of Investments at (517) 373-8161 to make the necessary arrangements.
 3. Transfer the approved collateral to the custodial bank. Disbursement will be made upon receipt of the collateral.

TIME DEPOSIT REQUIREMENTS

- Interest on the certificate of deposit will be calculated on a 360 per diem basis using the actual number of days ((principal amount times the rate) divided by 360 multiplied by the actual number of days).
- Time deposits will be book-entry in the name of the State Treasurer, State of Michigan.

- Transactions will be completed by wire transfer, which will include principal and interest collections. The wiring instructions will be included on a maturity notice issued by the Bureau of Investments.
- No state money shall be deposited in any financial institution in excess of 50% of the net worth of the financial institution, pursuant to Act 105 of 1855, MCL 21.143.

ADDITIONAL CONDITIONS

The State reserves the right to reject any and all requests, and to waive any irregularity or informality with respect to any request.

- A participant is irrevocably obligated to provide the time deposit at the specified rate, amount, and maturity, if acceptable to the Bureau of Investments, as herein set forth. The participant understands that a request has not been accepted until contacted by the Bureau of Investments. Discrepancies should be reported to the Michigan Bureau of Investments at (517) 373-8161.

DISCLAIMER

- All references to Certificates of Deposits are synonymous with Time Deposits as identified by the Bureau of Investments.

ACCEPTANCE OF GUIDELINES

- Participant accepts and agrees to abide by all terms and conditions specified in the Michigan CD Stimulus Program Guidelines.