

## **DFCU gives up on bank plans**

### **Conversion effort worried members**

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Under intense opposition from credit union members, **DFCU Financial** said Monday it changed its mind about becoming a bank.

Dearborn-based DFCU said it's withdrawing an application to become a mutual savings bank, based in part on the concerns some members have about how the proposed conversion would affect them, including the belief that they would be charged higher fees on loans and other services.

Because of regulatory limits, DFCU said, it wasn't able to send members timely information about a conversion, which led to widespread confusion.

"If people don't have information, it creates consternation," said CEO Mark Shobe, adding that DFCU thought the conversion "would create more flexibility and diversity for the organization going forward, but certainly we can survive and thrive in our current structure, and we'll continue to do that."

DFCU, which has membership closely tied to the auto industry, had hoped to protect its long-term viability from the decline in that sector by turning itself into a mutual savings bank still owned by depositors but eventually selling 49% of the bank to the public. It was to be the nation's largest credit union conversion -- and one closely watched in financial circles.

But some members contested the conversion plan, which would have required majority approval of the 160,000 members who would vote. If members had approved the conversion, the transition to a publicly traded bank might have taken years. Opponents feared that a publicly held bank would charge more for loans, pay less interest for deposits, raise service fees and otherwise disregard and disrespect the customers who built it.

Some of the more vocal members were part of DFCU Owners United, a group that picketed DFCU branches and collected 1,300 signatures on a petition to conduct a special meeting to call for removal of DFCU's board members, who unanimously approved the conversion.

"It was pretty clear the reason this was going to happen was for management self-interest because there was no benefit for members," said Kursh Alam, a physician at **Detroit Medical Center** who had his mortgage and car loan through the credit union. "We're expecting the board of directors, supervisory group and CEO to resign, but if they don't resign, we'll request their removal because we don't believe they're capable of acting in the best interest of members."

The **Michigan Credit Union League**, whose main purpose is to lobby on behalf of the state's credit unions, also opposed the conversion. The league, which stood to lose its largest dues-paying member if the conversion had taken place, didn't immediately return phone calls Monday seeking comment.

Gov. Jennifer Granholm had also jumped into the fray. As a member of the credit union, through a statement, she encouraged other members to "read the material carefully," although her office reiterated Monday that she did not take an official stand on the conversion.

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