

AN ACT relating to certain financial institutions.

Be it enacted by the People of the State of Illinois,
represented in the General Assembly:

Section 5. The Illinois Credit Union Act is amended by
changing Sections 15, 40, 46, 51, and 59 as follows:

(205 ILCS 305/15) (from Ch. 17, par. 4416)

Sec. 15. Membership defined.

(1) The membership of a credit union shall be limited to
and consist of the subscribers to the articles of
incorporation and such other persons within the common bond,
as defined in this Act and as set forth in the credit union's
articles of incorporation, as have been duly admitted
members, have paid the required entrance fee or membership
fee, or both, if any, have subscribed for one or more shares,
and have paid the initial installment thereon, and have
complied with such other requirements as the articles of
incorporation or bylaws specify. Two or more persons within
the common bond who have jointly subscribed for one or more
shares under a joint account and have complied with all
membership requirements may each be admitted to membership.
The surviving spouse of a credit union member may, within 6
months of the member's death, become a member of the credit
union by paying the required entrance fee or membership fee
or both, if any, by subscribing for one or more shares and
paying the initial installment thereon, and by complying with
such other requirements as the articles of incorporation or
bylaws specify.

(2) Any member may withdraw from a credit union at any
time upon giving notice of withdrawal as required by the
bylaws.

(3) Any member may be expelled by a 2/3 vote of the

members present at any regular or special meeting called to consider the matter, but only after an opportunity has been given to the member to be heard.

(4) A member who has caused a loss to the credit union, ~~or who has~~ failed to maintain one or more shares at the credit union, or violated Board policy applicable to members may be expelled by a majority vote of a quorum of directors if the board has adopted a policy providing for expulsion under those circumstances. In maintaining and enforcing a policy based on loss, the board may consider, without limitation, a member's failure to pay amounts due under a loan, failure to provide collected funds to cover withdrawals or personal share drafts or credit union drafts where the member is a remitter, or failure to pay fees or charges due the credit union. If a policy is adopted by the board pursuant to this subsection (4), written notice of the policy and the effective date of the policy shall be mailed to each member of the credit union at the member's current address appearing on the records of the credit union. The policy shall be mailed to members not fewer than 30 days prior to the effective date of the policy. In addition, new members shall be provided written notice of the policy prior to or upon applying for membership.

(5) All or any part of the amount paid on shares of a withdrawing member or expelled member with any declared dividends or interest on the date of withdrawal or expulsion must, after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require not more than 60 days' written notice of intention to withdraw shares, but a notice of withdrawal does not entitle the member to any preferred or prior claim in the event of liquidation. Withdrawing or expelled members have no further rights in the credit union, but are not, by withdrawal or expulsion, released from any obligation they owe to the

credit union.

(6) A member who has caused a loss to the credit union or has violated Board policy applicable to members may be denied any or all credit union services in accordance with board policy, however, members who are denied services shall be allowed to maintain a share account and to vote on all issues put to a vote of the membership.

(Source: P.A. 91-929, eff. 12-15-00.)

(205 ILCS 305/40) (from Ch. 17, par. 4441)

Sec. 40. Shares to Minors. Shares may be issued in the name of a minor or in the name of a custodian under the Illinois Uniform Transfers to Minors Act, as amended. If shares are issued in the name of a minor, redemption of any part or all of the shares by payment to the minor or upon order of the minor of the amount of the shares and any declared dividends releases the credit union from all obligations to the minor as to the shares redeemed. Further, if shares are issued in the name of a minor, the minor shall be considered as being of the age of majority and having contractual capacity.

(Source: P.A. 84-915.)

(205 ILCS 305/46) (from Ch. 17, par. 4447)

Sec. 46. Loans and interest rate.

(1) A credit union may make loans to its members for such purpose and upon such security and terms, including rates of interest, as the Credit Committee, credit manager, or loan officer approves. Notwithstanding the provisions of any other law in connection with extensions of credit, a credit union may elect to contract for and receive interest and fees and other charges for extensions of credit subject only to the provisions of this Act and rules promulgated under this Act, except that extensions of credit secured by

residential real estate shall be subject to the laws applicable thereto. The rates of interest to be charged on loans to members shall be set by the Board of Directors of each individual credit union and such rates may be less than, but may not exceed, the maximum rate set forth in this Section. A borrower may repay his loan prior to maturity, in whole or in part, without penalty. The credit contract may provide for the payment by the member and receipt by the credit union of all costs and disbursements, including reasonable attorney's fees and collection agency charges, incurred by the credit union to collect or enforce the debt in the event of a delinquency by the member, or in the event of a breach of any obligation of the member under the credit contract. A contingency or hourly arrangement established under an agreement entered into by a credit union with an attorney or collection agency to collect a loan of a member in default shall be presumed prima facie reasonable.

(2) Credit unions may make loans based upon the security of any interest or equity in real estate, subject to rules and regulations promulgated by the Director. In any contract or loan which is secured by a mortgage, deed of trust, or conveyance in the nature of a mortgage, on residential real estate, the interest which is computed, calculated, charged, or collected pursuant to such contract or loan, or pursuant to any regulation or rule promulgated pursuant to this Act, may not be computed, calculated, charged or collected for any period of time occurring after the date on which the total indebtedness, with the exception of late payment penalties, is paid in full.

For purposes of this subsection (2) of this Section 46, a prepayment shall mean the payment of the total indebtedness, with the exception of late payment penalties if incurred or charged, on any date before the date specified in the contract or loan agreement on which the total indebtedness

shall be paid in full, or before the date on which all payments, if timely made, shall have been made. In the event of a prepayment of the indebtedness which is made on a date after the date on which interest on the indebtedness was last computed, calculated, charged, or collected but before the next date on which interest on the indebtedness was to be calculated, computed, charged, or collected, the lender may calculate, charge and collect interest on the indebtedness for the period which elapsed between the date on which the prepayment is made and the date on which interest on the indebtedness was last computed, calculated, charged or collected at a rate equal to $1/360$ of the annual rate for each day which so elapsed, which rate shall be applied to the indebtedness outstanding as of the date of prepayment. The lender shall refund to the borrower any interest charged or collected which exceeds that which the lender may charge or collect pursuant to the preceding sentence. The provisions of this amendatory Act of 1985 shall apply only to contracts or loans entered into on or after the effective date of this amendatory Act.

(3) Notwithstanding any other provision of this Act, a credit union authorized under this Act to make loans secured by an interest or equity in real estate may engage in making "reverse mortgage" loans to persons for the purpose of making home improvements or repairs, paying insurance premiums or paying real estate taxes on the homestead properties of such persons. If made, such loans shall be made on such terms and conditions as the credit union shall determine and as shall be consistent with the provisions of this Section and such rules and regulations as the Director shall promulgate hereunder. For purposes of this Section, a "reverse mortgage" loan shall be a loan extended on the basis of existing equity in homestead property and secured by a mortgage on such property. Such loans shall be repaid upon

the sale of the property or upon the death of the owner or, if the property is in joint tenancy, upon the death of the last surviving joint tenant who had such an interest in the property at the time the loan was initiated, provided, however, that the credit union and its member may by mutual agreement, establish other repayment terms. A credit union, in making a "reverse mortgage" loan, may add deferred interest to principal or otherwise provide for the charging of interest or premiums on such deferred interest. "Homestead" property, for purposes of this Section, means the domicile and contiguous real estate owned and occupied by the mortgagor. The Director shall promulgate rules and regulations under this Section; provided that such rules and regulations need not be promulgated jointly with any other administrative agency of this State.

(4) Notwithstanding any other provisions of this Act, a credit union authorized under this Act to make loans secured by an interest or equity in real property may engage in making revolving credit loans secured by mortgages or deeds of trust on such real property or by security assignments of beneficial interests in land trusts.

For purposes of this Section, "revolving credit" has the meaning defined in Section 4.1 of the Interest Act.

Any mortgage or deed of trust given to secure a revolving credit loan may, and when so expressed therein shall, secure not only the existing indebtedness but also such future advances, whether such advances are obligatory or to be made at the option of the lender, or otherwise, as are made within twenty years from the date thereof, to the same extent as if such future advances were made on the date of the execution of such mortgage or deed of trust, although there may be no advance made at the time of execution of such mortgage or other instrument, and although there may be no indebtedness outstanding at the time any advance is made. The lien of

such mortgage or deed of trust, as to third persons without actual notice thereof, shall be valid as to all such indebtedness and future advances from the time said mortgage or deed of trust is filed for record in the office of the Recorder of Deeds or the Registrar of Titles of the county where the real property described therein is located. The total amount of indebtedness that may be so secured may increase or decrease from time to time, but the total unpaid balance so secured at any one time shall not exceed a maximum principal amount which must be specified in such mortgage or deed of trust, plus interest thereon, and any disbursements made for the payment of taxes, special assessments, or insurance on said real property, with interest on such disbursements.

Any such mortgage or deed of trust shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, except taxes and assessments levied on said real property.

(5) Compliance with federal or Illinois preemptive laws or regulations governing loans made by a credit union chartered under this Act shall constitute compliance with this Act.

(Source: P.A. 90-222, eff. 7-25-97.)

(205 ILCS 305/51) (from Ch. 17, par. 4452)

Sec. 51. Other Loan Programs.

(1) Subject to such rules and regulations as the Director may promulgate, a credit union may participate in loans to credit union members jointly with other credit unions, corporations, or financial institutions. An originating credit union may originate loans only to its own members. A participating credit union that is not the originating lender may participate in loans made to its own members or to members of another participating credit union.

"Originating lender" means the participating credit union with which the member contracts. A master participation agreement must be properly executed, and the agreement must include provisions for identifying, either through documents incorporated by reference or directly in the agreement, the participation loan or loans prior to their sale.

(2) Any credit union with assets of \$500,000 or more may loan to its members under the State Scholarships Law or other scholarship programs which are subject to a federal or state law providing 100% repayment guarantee.

(3) A credit union may purchase the conditional sales contracts, notes and similar instruments which evidence an indebtedness of its members.

(4) With approval of the Board of Directors, a credit union may make loans, either on its own or jointly with other credit unions, corporations or financial institutions, to credit union organizations; provided, that the aggregate amount of all such loans outstanding shall not at any time exceed the greater of 3% 1% of the paid-in and unimpaired capital and surplus of the credit union or the amount authorized for federal credit unions.

(Source: P.A. 92-293, eff. 8-9-01.)

(205 ILCS 305/59) (from Ch. 17, par. 4460)

Sec. 59. Investment of Funds. Funds not used in loans to members may be invested, pursuant to subsection (7) of Section 30 of this Act, and subject to Departmental rules and regulations:

(1) In securities, obligations or other instruments of or issued by or fully guaranteed as to principal and interest by the United States of America or any agency thereof or in any trust or trusts established for investing directly or collectively in the same;

(2) In obligations of any state of the United States,

the District of Columbia, the Commonwealth of Puerto Rico, and the several territories organized by Congress, or any political subdivision thereof; however, a credit union may not invest more than 10% of its unimpaired capital and surplus in the obligations of one issuer, exclusive of general obligations of the issuer, and investments in municipal securities must be limited to securities rated in one of the 4 highest rating categories by a nationally recognized statistical rating organization;

(3) In certificates of deposit or passbook type accounts issued by a state or national bank, mutual savings bank or savings and loan association; provided that such institutions have their accounts insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation; but provided, further, that a credit union's investment in an account in any one institution may exceed the insured limit on accounts;

(4) In shares, classes of shares or share certificates of other credit unions, including, but not limited to corporate credit unions; provided that such credit unions have their members' accounts insured by the NCUA or other approved insurers, and that if the members' accounts are so insured, a credit union's investment may exceed the insured limit on accounts;

(5) In shares of a cooperative society organized under the laws of this State or the laws of the United States in the total amount not exceeding 10% of the unimpaired capital and surplus of the credit union; provided that such investment shall first be approved by the Department;

(6) In obligations of the State of Israel, or obligations fully guaranteed by the State of Israel as to payment of principal and interest;

(7) In shares, stocks or obligations of other financial institutions in the total amount not exceeding 5% of the

unimpaired capital and surplus of the credit union;

(8) In federal funds and bankers' acceptances;

(9) In shares or stocks of Credit Union Service Organizations in the total amount not exceeding the greater of 3% 1% of the unimpaired capital and surplus of the credit union or the amount authorized for federal credit unions.

As used in this Section, "political subdivision" includes, but is not limited to, counties, townships, cities, villages, incorporated towns, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, park districts, and any agency, corporation, or instrumentality of a state or its political subdivisions, whether now or hereafter created and whether herein specifically mentioned or not.

(Source: P.A. 92-293, eff. 8-9-01.)

Section 99. Effective date. This Act takes effect upon becoming law.